



SYFSsubmissionPCHumanservicesreformJuly2016

29th July 2016

Human Services Inquiry
Productivity Commission
LB 2, Collins Street East PO
Melbourne. Victoria. 8003

Dear Commissioner,

Re: Human Services Inquiry: Identifying Sectors for Reform

Thank you for the opportunity to contribute to the Productivity Commission's Issues Paper "*Human Services : Identifying Sectors for Reform*". We provide some brief information on our organisation and input broadly corresponding to the four areas of the Productivity Commissions exploration in the Issues Paper identified as:

- The current level in demand and future trends
- The current supply arrangements and future trends including scope for diversity and user choice, alternative pricing and funding models and potential for contestability in supply by government, not-for-profit and private sector providers
- The effectiveness of previous reforms intended to introduce greater competition and user choice
- Case Studies and Examples

Background on Southern Youth and Family Services (SYFS)

Southern Youth and Family Services (SYFS) is a medium-sized community based organisation that has developed over the past four decades in the Illawarra, Shoalhaven, South West Sydney and Southern Tablelands areas.

SYFS has the principal purpose of relieving the poverty, misfortune and distress of children young people who are disadvantaged, and their families. This includes children and young people who are homeless or at risk of homelessness, abused and/or neglected, placed in the care of the State, and involved with the criminal justice system.

SYFS is the largest provider who works with this cohort in these areas. In 2015/2016 SYFS received 7,628 referrals. SYFS were able to provide 3,752 young people with a full range of services targeted to their individual needs. Additionally 1,675 received family support and there were 13,340 instances of one-off or short term support. Approximately 21% of all SYFS clients were Aboriginal and 10% were from Cultural and Linguistically Diverse (CALD) backgrounds.



SYFS currently manages more than 44 different services, through 15 different funding programs with 20 separate contracts, across a range of different State and Federal Government Departments. The organisation is composed of six program areas:

- Accommodation and Housing Services
- Out of Home Care Services
- Youth Outreach Support Services
- Family Support Services
- Youth Health Services
- Youth Employment, Education and Training Services

SYFS has integrated its programs to deliver a comprehensive “wrap around” model which values the developmental / cultural needs of children and young people and the importance of therapeutic interventions. SYFS aim to restore children and young people to their families (where safe to do so) or achieve a graduated move to independence (coupled with family reconciliation).

Southern Youth and Family Services holds current accreditations: Quality Innovation Performance (QIP), Registered Community Housing Provider (Tier 2 National Regulatory System) and NSW Office of Children's Guardian Accreditation and is currently participating in the Specialist Homelessness Services Quality Management Scheme and the Pilot Project for Foyer Accreditation.

SYFS has been providing services for over 35 years and is grounded in our local communities. Developing and sustaining relationships with corporates businesses and community groups, takes time, to build trust and commitment and SYFS has built and embedded this community engagement over the years of its operations. SYFS is supported in its work through:

- Over 60 partnership arrangements with non-Government, Government and community organisations to enhance service delivery
- Business partnerships providing work experience, mentoring, employment opportunities, traineeships, donations and other support to young people and families
- Philanthropic sponsorship for a range of capital items and equipment, activities, programs, young people's needs etc.

Our submission is from the perspective of a medium-sized community based organisation embedded within a number of regional areas.

Competition Policy Review

The Harper Competition Policy Review, released in November 2015 recommended that wherever possible governments should put user choice at the heart of human services delivery as those best placed to make decisions about the services they need. The Review stated that the ‘presumption of choice’ could have significant benefits in many human services sectors by driving service providers to become more responsive to individual requirements. The Review noted that choice was not the only objective in the area of human services and that equity of access, universal service provision and minimum quality was also important to Australian people.

The Review recommended deepening and extending competition policy in human services as a priority reform given the size of the Human Services Sector, set to increase with an aging population. The Review suggested that lowering barriers to entry can stimulate the diversity in providers, expanding user choice and that competition should result in gains to productivity. It also noted that reform in this area can exert a powerful demonstration effect and potentially strengthen the case for reform across a wider range of government services.

We believe there are a number of assumptions underlying the Competition Policy Review Recommendation that should be articulated and/ or challenged.

The provision of community services, currently usually provided by welfare and not-for-profit services, usually involves a commitment to addressing vulnerability and disadvantage. Many of the people community providers work with do not have choice to exercise. In fact, much of the most recent changes and reform in welfare are about taking choice away from the main recipients of community services. For example, compulsory income management programs and the requirements for parents to become job ready while caring for young children (Tennant, 2016). The most recent reform of the Community Services Sector whereby the Federal Government cut \$240 million over four years has resulted in reduced services across most regions further reducing choice.

The human services market is more complex than the standard supply and demand market. Human services work directly for, and with people. People are both the customers, who have choice as well as in many situations, the 'raw material' (Zins, 2015). Human services thus have a mandate to protect and promote the welfare of the people they serve and provide for their needs. This underlies an inherent tension in outsourcing community services to private or for-profit providers. What is reasonable from a commercial perspective is less so politically and morally when organisations are seen as profiting from delivering services to those vulnerable to exploitation (Olney and Gallet, 2016).

Diversity doesn't always translate into support for 'new entrants'. It is also important to ensure support for existing services, especially small to medium-sized, to avoid unintended barriers to individual and community outcomes. Diversity in the Community Services Sector takes into account different clients' needs and different service providers. We need to ensure that no one type of service, or service provider dominates the system as this would lessen the likelihood of individual and community needs being met.

Governments are often the largest customer (buyers) of community services and procurement processes can also shape the competition and choice in markets. Tender documentation, and requirements, are often prescriptive in determining what services are to be provided limiting the choice by users to a certain number of providers providing essentially what are the same services. Governments often need to limit contestability by regulating the entry and behaviour of providers, both to protect vulnerable people, as well as ensuring high quality services that are value for money and the best use of public resources. In the Community Services Sector the focus must necessarily be on the best possible outcomes for people and communities not only a focus on value for money.

Community Sector 'assets' such as expertise, access to networks, an ability to promote equality, social inclusion, local knowledge and long-term collaboration should also be recognised and valued.

There are potential costs to increasing competition and contestability within the community services sector including decreased efficiency and productivity. Competition and contestability are not benign motivators and are sometimes actually contrary to community services ability to deliver quality efficient services that are responsive to the needs of the people they serve (Tennant, 2016).

Productivity Commission Issues Paper

Following the Competition Policy Review the Australian Government committed to a Productivity Inquiry to examine options in the Human Services Sector that incorporate the principles of competition, contestability and informed user choice. Stage one of the Productivity Commission's Inquiry is to identify those human services best suited to increased application of competition, contestability and informed user choice.

The first stage will explore in each major area of service delivery, including health, education and community services:

- The current level in demand and future trends
- The current supply arrangements and future trends including scope for diversity and user choice, alternative pricing and funding models and potential for contestability in supply by government, not-for-profit and private sector providers
- The effectiveness of previous reforms intended to introduce greater competition and user choice
- Case Studies and Examples

Our response to the Issues Paper broadly corresponds to these four areas of exploration.

Current levels of service provision, practice accountability and quality improvement

The Human Services Sector is varied and itself difficult to define. The very diversity of the Sector is one of its major strengths. The Issues Paper lists some examples of human services as including health, education, employment, shelter/housing, prisons, aged care and disability, defined by their broad activity. The Paper then lists some of the differences in the range of non-government organisations, for example for-profit and not-for-profit without distinguishing between private, commercial, professional or community – oriented service models within the non-government organisations. The Community Services Sector may provide services in all the activity areas listed but they will be quite different to those services being provided by professional groups or commercial for-profit organisations. There is a need to recognise a fundamental difference between human services being provided by the non-government community services and commercial and for-profit services. Failure to recognise and take into account this difference will lead to poor and potentially perverse outcomes for vulnerable and disadvantaged people and communities. Not-for-profit community services organisations tend to dominate the Community Services Sector (ABS, 2003) and opening competition and contestability in this sector to for-profit organisations could vastly alter the Sector eroding the wider role of this Sector in building individual capabilities as well as cohesive communities and civil society. We stress to the Inquiry to recognise the ethical limits of markets and the values of human dignity, justice and social inclusion.

The purpose of the Issues Paper is to develop policy options for increasing competition, contestability and user choice to improve service provision in the human services sector. We do not agree that increased competition and contestability can lead to improved service provision. In fact to the contrary, despite twenty years of reform and competitive tendering there has been little improvement in the Employment Services Sector which has become increasingly regulated to the extent that user choice is limited to increasingly fewer and fewer Services offering the same product.

The Paper proposes to operationalise improvement by utilising a set of attributes considered necessary for ‘good’ public services to assess services/sectors that may benefit from reform. The attributes proposed are:

- Quality
- Equity
- Efficiency
- Accountability, and
- Responsiveness

Reform options that do not generally offer improvements across this range of options may need to be rejected. We would support the Productivity Commission’s provisional concepts of the above attributes as well as the qualification for rejecting reform options that are unlikely to offer improvement in these domains. The problem is in deciding what should be measured, how data is collected, the comparability of data between providers and degree of transparency.

Quality in the Community Services Sector is often measured by a range of accreditation bodies and/or compliance with Quality Standards that are based on principles of respect for human rights, social inclusion, as well as user participation and choice and backed by a listed set of evidence to substantiate compliance. Current Accreditation, or assessment against Standards, already demonstrate that Community Services have systems in place for ensuring quality, participation and choice practices for the people accessing services as well as responsiveness. Service quality is consistently assessed across the Community Services Sector. We would in fact suggest there are too many disparate accreditation systems and Standards that community services are assessed by, which from our understanding exceed similar Programs in other countries. Each of these separate Quality Frameworks duplicates the others and has a high level of micromanagement that is inefficient and costly. For example, our organisation is currently participating in five separate and distinct processes as listed previously. Each of these assesses the governance, financial viability, human resource systems, accessibility and user participation etc. Similarly, funded community services are currently also subject to a high degree of reporting and accountability by government funding agencies over and above Accreditation and quality systems to the extent that this can detract from direct service provision. In the current system most governments are trying to 'reduce the red tape' in recognition of the high level of accountability requirements demanded. Our organisation manages over 44 different services, through 15 different funding programs with 20 separate contracts each of which has specific reporting and accountability requirements.

A focus on outcomes is a way to focus on the impacts, benefits and changes to clients as a result of an organisation's efforts. The issue is how to measure these outcomes. Government data collection has traditionally concentrated on inputs rather than outputs and current collection systems are not yet up to the task of identifying measurable outputs. Part of the problem in the Community Services Sector, and in much of the human services, is that the effects are difficult to measure and substitute measures need to be used. What is measured however can have a great impact on what is delivered, particularly in a competitive and contestable environment. Measurements must be carefully selected in consultation and joint development with stakeholders.

Current supply arrangements and future trends including scope for diversity and user choice, alternative pricing and funding models and potential for contestability in supply by government, not-for-profit and private sector providers

A strong, vibrant and sustainable Community Sector can only occur with a comprehensive approach that supports the sector, and its diversity, and works in partnership with community organisations to tackle complex social and economic issues while respecting the evidence base of their practice. Governments do not have all the answers and must commit to working with the Sector and those organisations that are often best placed to deal with complex social and economic issues. This cannot be achieved by making the Sector vulnerable and insecure. A strong Community Sector contributes to strong communities and should rely on cooperation rather than competition.

There is already a good deal of contestability and competition within the Community Services Sector. Since the 1990's systems within the community services sector have shifted towards governments contracting out services, competitive tendering for government funding, rather than bulk grants, and an emphasis on measureable outcomes (ABS, 2003), without a lot of progress in the latter area.

Most funding Agreements are of a relatively short term, and competitive tendering has become increasingly common as the preferred option of governments. State and Commonwealth procurement policies provide the option for other methods but they are rarely used. Other options include: renewable funding based on good performance; direct negotiation/allocation; individualised funding (where client choice shapes the sector); and one-off or time-limited project funding. The choice of method should always be informed by proper sector analysis. An analysis of sector strengths and weaknesses in consultation with us is however seldom undertaken by Government to gauge the existing strengths of the service system.

Factoring past performance should become more central to procurement because in many cases it would indicate there is no need to competitively tender. Slow and gradual reform through on-going contract / performance management and negotiation with the sector are often more beneficial than one-off 'big bang' type reforms that involve tendering because such methods typically have unintended consequences. Consequences which are not properly taken into account, when determining the preferred method. For example, it takes some time for a Community Service to establish itself, build trust and a good reputation and community support and connections, establish effective partnerships and so forth. Competitive tendering undermines these aspects of good practice pitting community services against each other. Providing one organisation with funding for a few years, and then funding a different organisation for a further short period of time, also fails to recognise the required 'start up' time. This practice is in fact inefficient and costly for all stakeholders. Competitive tendering processes also fail to recognise that organisations are rarely single Program providers but are more likely to provide a range of complimentary Programs which add value to each of the separate Programs. De-funding one Program can affect all the others.

Other issues which have emerged through competitive tendering include:

- High costs in staff time and resources for both the Sector and Government;
- Uncertainty which impacts a community services' capacity to retain staff, plan, budgets etc. There should be specific recognition that long processes, especially those without clear timelines, or which experience delays, undermine services ability to deliver quality outcomes for people and communities.
- Disadvantage small and medium community services, who unlike the larger, do not have access to tender writing teams and are more compromised by tight timeframes (i.e. length of notice and application time). They also disadvantage small to medium services applying across multiple locations / programs and those developing consortia based proposals, which need more time.
- Result in perverse outcomes such as forced partnership or inexperienced organisations operating services in program areas without relevant expertise, or geographic areas without a legitimate service footprint. These issues are compounded after the fact by the absence of appeals processes and advice to organisations about their rights to complain about such outcomes.

The recent large scale competitive tendering processes, discussed below, have found that Governments have had difficulty in coping with the extreme administrative burden placed on them. This has resulted in timeframes not being met, on-going extensions of contracts as a result and the lack of any appeals processes or real transparency of processes.

Effectiveness of previous reforms intended to introduce greater competition and user choice

Many of the recent Government competitive tendering and sector reform processes have been quite problematic. The NSW Going Home Staying Home reform/tendering process in 2014 reduced service providers from over 350 to 149 contracts held by 70 lead agencies, effectively reducing 'red tape' for the Government at the expense of the diversity of the Specialist Homelessness Service Sector. Following this procurement and reform process it was then necessary to re-instate most of the inner city Sydney Services through additional funding as well as to re-fund many of the unsuccessful Services through the establishment of a new Service Support Fund. This resulted in a net increase in overall funding in the sector of millions of dollars.

Another is the bungled tendering of close to \$1 billion of community services funding by the Department of Social Services mid 2014 provides a good example of how governments can get it wrong when applying market approaches to community services provision. The Federal Government cut \$240 million, over four years, to Programs funded under the Department of Social Services (DSS), achieving this through a confusing and convoluted grants/tender and reform process called "A New Way of Working".

The grant allocation and reform process was supposed to cut red tape, streamline the application process and provide longer term funding to enable successful providers stability, certainty and efficiency. The documentation provided, during the process, contained references to the processes of increasing collaboration and partnerships. In reality it significantly increased the administrative requirements for services in applying for grants, provided for a stressful, short time-framed and confusing application process, and created reduced services, lack of stability and uncertainty, disorganisation and wastefulness as well as increased competition and fragmentation of service delivery and of established community relationships.

DSS executives indicated to the Senate Inquiry into the grant allocation and reforms that they were testing the market, and that they considered that this ‘testing’ was long overdue. The market testing undertaken was to see if better or more innovative services could meet these changing needs. You can conduct market analysis without tendering. It is also interesting to think about innovation as driven by reduced resources. We have some concerns that this reform process is driven by a similar aspiration, to reduce the significant contribution that the Human Services Sector represents in government expenditure.

The market testing was not based on a clear understanding of what the Government was seeking to buy and measurable criteria and measurable criteria regarding the quality of a product. It was self-informed and self-serving. DSS determined the scope and nature of the new grant programs, the areas of need, what services could and should be run, and how much funding organisations should be allocated to provide the service DSS wanted provided in that location.

Vulnerable and disadvantaged community members in our regions, and across Australia, have less access to support services as a result of the grant allocation and reform process. This has been substantiated by a gap analysis focused on the process and the subsequent announcement in June 2015, by the then Minister for Social Services, of the need to invest an additional \$40 million for community services across Australia. One of the key value adding by community agencies is their reputation and community knowledge about how and where to access services. Major disruptions have occurred in our regions that create confusion for the community and interrupt ease of access through closing certain services, relocations, new providers and removal of local outlets. There are significant gaps in important services such as emergency relief and financial counselling, early intervention family support services and community mental health.

There are better ways to reform or improve community services and there has been a deal of consideration in the literature, as well as various government and non-government reforms, regarding building on what works, drawing on the existing expertise and grounded knowledge, co-design and collaboration, to name a few. Competitive tendering can conflict with these evidence-based methods.

There is substantial literature on the difference between a ‘contract’ and a ‘grant’. It tends to focus on the purpose of the funding and the legal concept of default. Governments use ‘grants’ as a means of delivering service for the ‘public good’ whereas a contract is business relationship used to procure a service for the benefit of the government directly. The differences between these two quite different relationships appear to be confused.

Case Study – Employment Services

Olney and Gallet (2016) document an excellent case study on the Employment Sector illustrating the tensions in outsourcing welfare services. The fully privatised employment service system is cited as a successful model in the National Government’s response to recommendations of the Competition Policy Review. Success in these services is focused on aggregate outcomes and service delivery costs rather than their success in placing hard to place jobseekers.

There has been on-going reforms and competitive tendering procurement in this sector, Job Network from 1996 to 2009; Job Services Australia from 2009 to 2015; and, Job Active in 2015 to 2020. Despite regulated incentives the prospects of the long term unemployed moving from welfare to work have not improved (Department of Education, Employment and Workplace Relations 2012;7,13 2011;7, 13). Savings have been achieved at the expense of those job seekers most in need of assistance and the flow on costs of long-term unemployment fallout ripples across government and impacts the economy, but is not factored into the employment services matrix.

From the start contracts were awarded to a mix of for-profit and not-for-profit organisations, possibly to seek a balance between efficiency and altruism. It soon became apparent that it was not possible for not-for-profit organisations to put community good before commercial advantage in a system it was competing in. There was/is little difference in the employment outcomes for the long term employed whatever type of organisation they are accessing.

When the Australian Government outsourced delivery of employment services it was seeking innovation, responsiveness, flexibility and cost savings from diverse providers and contracts were awarded to a mix of for-profit and not-for-profit organisations. The funding model was, and is, outcomes-based, offering financial and performance-based incentives to work with the ‘difficult to place’ jobseekers, however providers tended to place work-ready job seekers that could generate quick outcomes and ignore those that would require more effort to place.

The Government responded by increased regulation and oversight. Over time, the innovation and flexibility sought from the market was increasingly tempered by explicit and complex rules, regulations and oversight on the part of government. Services are virtually indistinguishable.

We believe this case study illustrates what can occur, and is likely to happen, when for-profit providers are allowed to compete in the provision of essential frontline services to vulnerable members of the community such as those who are homeless, families experiencing domestic violence, young people in the care of the State and families in need of support, to name a few.

Reform Fatigue

A lot of energy is focused on initiating new reforms, which are not properly justified, when the last reform has not been finished. No consideration is given to the waste in resources and the fatigue caused to community service’s through this overlap and the relentless pursuit of new reforms.

Short-sighted catch phrases, buzz words, silver bullet solutions, and the mindless pursuit of partnerships tend to characterise the newest reforms, without any true understanding of the structural and systemic barriers that must be overcome by community services to deliver meaningful results for vulnerable and disadvantaged people.

Ultimately the reforms become yesterday’s news and administrators move on to new roles, leaving a vacuum of information and an environment of distrust and confusion for services. The mess that emerges is often masked by new funding to calm disquiet, usually disbursed in a hurry and without sufficient consultation, causing more chaos, and projecting a failure by Government to listen to the Sector.

The balance between strategy and practice is also rarely achieved. Long-term visions for reform are articulated through high-level principles and theoretical objectives that sound reasonable but do not provide a tangible end state from which to have meaningful discussion.

For example, ‘outcomes based contracting’ is now being put forward as the panacea to transform the OoHC service system in NSW. It has been used to conflate multiple reforms, which are extremely complex and share a range of interdependencies, into one basic proposition.

More work is needed to tease out the detail and identify the structural and system barriers services face implementing reforms to facilitate the journey and avoid perverse consequences. More work is also needed to decouple ‘outcomes based contracting’ from input driven processes based on service activity. Governments must agree on overarching principles for consultation, which are fully inclusive and ensure adequate time is given to planning and implementation of reforms.

What Will Assist to Improve the Quality, Equity, Efficiency, Accountability and Responsiveness of the Community Services Sector?

1. Building upon what works, drawing on the existing expertise and grounded knowledge of the Sector and gradual reform processes through co-design and collaboration.
2. Factoring past performance and quality of service provision into procurement processes.
3. Utilising other forms of funding distribution and not just rely upon tendering as the only way eg can use Renewable funding (grants), One-off or time-limited project funding, Direct negotiation/allocation.
4. Reducing ‘red tape’ and more streamlined reporting and combined Quality Frameworks.
5. Five year contracts to provide longer-term funding certainty with options to ‘roll-over’ funding for agencies with good performance.
6. Recognition of and promotion of the diversity, value and contribution of the sector.
7. Recognition that the Community Services Market is more complex than the standard supply and demand market.
8. Quarantine the provision of front line services to vulnerable people in the community to not-for-profit organisations.

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