

Introduction

The Youth Affairs Council of South Australia (YACSA) is pleased to provide feedback on the Productivity Commission Inquiry into Increased Application of Competition, Contestability and Informed User Choice Inquiry.

YACSA is the peak body in South Australia representing the interests of young people, youth workers, organisations and networks throughout the non-government youth sector. Policy positions are independent and not aligned with any political party or movement. YACSA supports the fundamental right of all young people to participate in and contribute to all aspects of community life, particularly the decision-making processes that impact them.

The not for profit (NFP) sector in South Australia is vast and diverse and delivers services and programs through a range of mechanisms to thousands of individuals and families. The Australian Charities and Not-for-Profits Commission (ACNC) estimate that across the country, there are over 50,000 organisations registered with the ACNC, with a total income of \$134.5 billion. These NFP's employ 1,222,676 million employees (representing 10 per cent of the employment market) and are assisted by 2,1966,157 volunteers. In South Australia, there are 3,904 NFP's registered with the ACNC with a total income of \$8.3 billion, with 85,409 employees and 221,181 volunteers¹.

NFP's come in a variety of sizes from organisations of one or two staff to organisations employing hundreds of people across the country. NFP's also operate in a number of sectors from social services and housing to education and sport². And while the monetary contribution of the not-for-profit sector in Australian is significant, the sector also contributes to the strength and capacity of individuals and families and in strengthening communities³.

The youth sector forms part of the broader health and community service sector in South Australia. It consists of several related and interdependent components including youth-specific community, education and training services, local government programs, and the youth-focused components of mainstream human services.

YACSA advocates strongly for stable and adequate government funding for youth sector organisations, programs and services and is concerned about the negative impacts on organisations and clients of the competitive funding arrangements currently in place. As such, YACSA is cautious about increasing competition and urges the government to consider the impact of onerous funding and tender arrangements on collaboration, the sharing of best practice, the operation of successful programs and services and on service users.

¹ Cortis, N., Young, A., Powell, A., Reeve, R., Simnett, R., Ho, K., and Ramia, I. Australian Charities Report 2015. Centre for Social Impact and Social Policy Research Centre, UNSW Australia, 2016.

² Productivity Commission 2010, Contribution of the Not-for-Profit Sector, Research Report, Canberra.

³ Productivity Commission report into the contribution of the not-for-profit sector ACROSS analysis, February 2010. http://www.acoss.org.au/images/uploads/ACROSS_analysis_and_advocacy_priorities.pdf, viewed 31 January 2017.

The impact of increasing competitiveness

YACSA members regularly report the negative impacts of inadequate and unstable funding on their operations. Currently, inadequate and unstable funding means many services are unable to cover the true costs of their operation and this flows on to impact other vital elements of service delivery such as attracting and retaining experienced and appropriate workers. The 2014 ACOSS Community Sector Survey⁴ revealed that services are already struggling to meet demand under current funding arrangements and service user demand. Only 20% of respondents reported that they were able to fully meet demand, 37% reported they could 'almost' meet demand and 43% reported that they were unable to meet service demand. Organisations' having to turn away clients has been a worrying and growing trend over the past decade.

Compounding this, workers are reporting an increasing complexity of young people's issues and an increase in challenging behaviours. All the while, the underfunded and sometimes unfunded regulatory burden that is placed on the sector continues to increase. Organisations are already being asked to do more with existing resources and competition for funding is significant.

The impact of competition on the relationships and opportunities for collaboration between NFP's is also an area of concern. Strained or non-existent relationships with similar organisations (where meaningful collaboration and information sharing could easily occur) due to those organisation's being in direct competition for already scarce government funding is an ongoing concern. This was reflected in a recent Whitlam Institute paper researching contracting between government and NFP's⁵. Participants in the study noted that trust, collaboration, transparency and the sharing of best practice were all impacted by the competitive tendering model. One participant described a government created artificial market that is stringently controlled where no-one shares anything for fear of it inhibiting their competitive performance. We have found through engagement with our members that these issues are particularly evident in rural and regional areas, where competition for limited funding is greater than ever.

A culture of 'underbidding' for services from organisations, particularly large organisations has also been reported as a major concern as this leads to both reduced competition from smaller less resourced NFP's and to reduced remuneration and conditions for workers. YACSA is concerned that decreased conditions for workers due to competitive underbidding would impact significantly not only on the workforce but also on the work of organisations.

The current tender process can be onerous and impact significantly on services and programs, and this is particularly true for smaller organisations. YACSA believes that while the youth sector in South Australia is already stretched to capacity, it still provides quality services to young people in spite of, and not because of, competitive and contested funding models. We do not support the notion that increasing competition and contestability will necessarily lead to better services or greater outcomes for service users.

⁴ ACOSS 'Community Sector Survey' Australian Council of Social Service, 2014, http://www.acoss.org.au/images/uploads/ACSS2014_final.pdf, viewed 31 January 2017.

⁵ Sidoti, E, Banks, R, Darcy, M, O'Shea, P, Leonard, R, Atie, R, Di Nicola, M, Stevenson, S, Moor, D, 'A question of balance: Principles, contracts and the government-not-for-profit relationship', Whitlam Institute, 2009, https://www.whitlam.org/_data/assets/pdf_file/0020/92090/contracts_paper_final_email_version.pdf, viewed 6 Feb 2017.

The potential for for-profit operators to compete for funding

Part of the success of NFP's is that their motivation to deliver services is not profit driven but instead based on a mission to provide better outcomes for individuals and communities. YACSA is concerned that any new tender regime seeking to provide greater competition and contestability will open the door to 'for-profit' operators to compete for and win scarce community sector funding. Apart from the very significant risk to the clients of funded services - whose central purpose is to accrue profit rather than an altruistic mission to create better outcomes for vulnerable people – we are concerned about any increases to the already onerous regulatory burden for current NGO's. In the 2014 submission by the ACNC to the Competition Policy Review draft report⁶, the ACNC warned of the dangers in pushing for increased diversity of service providers including for-profit providers. The ACNC explained that the potential for for-profit operators to seek profit regardless of the impact on their service users would increase the already onerous program and reporting requirements to address the additional risks of their presence in the market. These additional resource intensive and burdensome reporting requirements would then be applied across the sector and could force NFP's (particularly smaller NFP's) out of the market.

Engaging service users in the decisions that affect them

While we are concerned about the potentially negative consequences of government increasing competition in the community sector, we do advocate for the benefit of engaging service users in service design, delivery and evaluation. YACSA would like to see NFP's commit to greater and more meaningful engagement of young people in service design and evaluation. This demonstrates that we view young people as valued citizen's and as the experts in their own lives as well as fulfilling our international obligations to uphold the rights of children and young people.

YACSA advocates strongly for the participation of young people in service design, delivery and evaluation to be regular and meaningful and that their views, opinions and needs are given due weight to inform and influence the services that are delivered to them. Providing the service environment in which young people participate in the services that they access, will lead to both improved services and better individual outcomes.

Informed user choice

YACSA maintains that service users are best placed to determine which services will suit their needs if they are appropriately informed. To ensure informed choice, full information must be provided to service users' in accessible ways prior to service delivery. Young people must be informed about service risks, benefits, costs, time frames and alternatives. If this occurs, young people are then able to match with their preferred service, ensuring that they are at the centre of service delivery.

However, it is important to be cognisant of the power imbalance in the relationship between young people and the service sector and that informed choice might not always easily occur. It is also important to acknowledge that young people are not one homogenous group and information that might be easily understood by some individuals may not be understood or have currency with others.

⁶ Knight P.A and Gilchrist D.J, Australian Charities 2013: The First Report on Charities Registered with the Australian Charities and Not-for-profits Commission , Report for the Australian Charities and Not-for-profits Commission, 2014, <http://competitionpolicyreview.gov.au/files/2014/12/ACNFPC.pdf>, 6 Feb 2017.

Young people from Indigenous communities, culturally and linguistically diverse backgrounds and other vulnerable groups may also need a range of mechanisms to ensure informed choice. These mechanisms may need to observe certain sensitivities and employ a variety of other culturally appropriate ways to provide service information.

YACSA recommends that services develop – in conjunction with young people - a range of mechanisms to provide information to potential and current clients. Again, young people must be involved in all aspects of service operation so that their needs are met appropriately. Informed choice must also be evaluated as part of funding and service agreement reporting in order for organisations and the government to track satisfaction levels amongst clients.

With informed choice being pivotal in any proposed reform, YACSA is interested in how government will ensure that this occurs amongst funded services.

In conclusion

Young people have a right to high quality services and to be involved in all aspects of service planning, delivery and evaluation. High quality services require stable non-adversarial resourcing arrangements to ensure that the organisation can continue to attract and retain experienced workers and deliver the services that young people require. Given the growing and complex demand for services from young people and their families, YACSA maintains that the youth sector in South Australia is chronically under-resourced and may be further impacted in a ramped up competitive funding environment.

Further competition and contestability – while recognising individual agency - has the potential to force smaller operators out of the market while simultaneously introducing for-profit operators to deliver services to vulnerable populations. This could lead to more onerous reporting (for the entire sector) and a commensurate drain on resources as well as having the potential to negatively affect outcomes for service users.

YACSA believes that the focus of government should be on ensuring that the NFP sector is appropriately supported and resourced with stable, long-term funding. This is a vital foundation to meet the wide and increasingly complex range of community needs. Youth sector organisations should exist in an environment in which they can share information, develop best practice and work collaboratively to maximise the efficient use of resources within the youth and broader community services sector.

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