

Submission to the Productivity Commission

Re: Introducing Competition and Informed User Choice into Human Services: Identifying Sectors for Reform

As the peak body representing organisations that work with vulnerable children and families in Victoria, the Centre for Excellence in Child and Family Welfare (the Centre) welcomes the opportunity to respond to the Productivity Commission's Preliminary Findings Report (the Report) on *Introducing Competition and Informed User Choice into Human Services*.

The Centre represents over 120 member organisations delivering child and family services, including local government. We have over 100 years' experience of advocacy, policy, research and professional development in the human services sector. We are well qualified to provide expert feedback and input into the Productivity Commission's inquiry into Australia's human services.

Introduction

The Centre supports the concept of continuous improvement in the context of human services but questions the assumption that this can best be achieved through the mechanisms of increased competition and contestability. We question whether a more competitive approach is appropriate to the delivery of human services given the person-centred nature of the transaction between agency and client. We also question whether models based on competition and contestability have been found to achieve better outcomes for vulnerable people than more collaborative models. We call on the Productivity Commission to examine what is currently working well in human services, and why, to ensure these critical success factors are not lost in the drive for a more competitive market.

The Report notes that each of the concerns raised by participants in the consultation process during Stage 1 'is legitimate but may be minimised or removed by designing appropriate systems to provide human services'. However, the Centre does not believe enough weight has been given in the Report to these concerns. In particular, there has not been sufficient recognition of the peculiar nature of human services, their purpose or function, or the diversity and complexity of clients.

In responding to the Preliminary Findings report (the Report) released by the Productivity Commission, the Centre has chosen to focus on the following areas:

1. Methodology of the Inquiry
2. Issues associated with competition and contestability in human services
3. Benefits associated with collaborative practices
4. Characteristics of an effective human services model
5. Recommendations.

1. Methodology of the Inquiry

Key question to drive reform

The focus of the Inquiry was on whether the efficiency and effectiveness of human services could be improved by introducing greater competition, contestability and informed user choice. The Centre believes a better question to drive reform would have been: 'How can we improve the effectiveness

of human services?’ It is not too late for the Productivity Commission to examine what works well in human services, and why, during the second stage of the inquiry to build on existing evidence before committing to radical reform in human services that may not be ‘best fit’ or based on the best available evidence of what works.

Consultations

The Centre notes that in Victoria there were no consultations with small to medium providers of human services, only the Brotherhood of St Laurence and a range of industry or other representative bodies. We think it is a pity that the review team did not get to speak directly with those community service organisations working closely with local communities, particularly in regional and rural areas. We ask the Productivity Commission to broaden its consultancy base to engage directly with regional and rural providers and users of these services in Stage 2 of the Inquiry – perhaps in the form of a series of roundtable discussions or forums – to determine the likely impact of increased competition and user choice on improving outcomes for the most vulnerable groups in the community.

Underpinning assumptions

The Centre is concerned that the Inquiry’s Terms of Reference presuppose a particular outcome rather than drawing on the best available evidence to determine what is most effective in meeting client need. The Inquiry is intended to identify which services will be selected for a more competitive and contestable system, not whether a competition and contestability model is the most appropriate one in a human services environment where quality of service is highly dependent on the personal and professional skills of staff and the relationships they develop with clients (Davidson, 2015).

The starting point for the Inquiry’s Terms of Reference is the assumption that market forces are more efficient than government or public services and that competition will lead to better services.

The Report does not explore the concept of ‘public good’ or highlight the important distinction between a not-for-profit sector driven by values and ethics and a private sector motivated by profit. Much of the work done by community service organisations involves creating social capital, linking individuals and their families into community services and organisations. The New Zealand Productivity Commission 2015 report on enhancing productivity and value in public services highlights the importance of community connectedness: the people who give and receive support in a community include non-government organisations; family; schools; government agencies; churches, libraries, clubs; friends and social networks; GPs and pharmacists; and work and colleagues (NZPC 2015, p47). There is a strong and growing body of evidence to show the importance of local responses to the challenges confronting vulnerable individuals (VCOSS, 2016).

There is also some evidence that shows when not-for-profits become more businesslike in order to comply with contracts or compete with private firms they drift from their social mission (Maier et al, 2105).

2. Mixed evidence relating to competition and contestability in human services

The Centre calls on the Productivity Commission to examine the evidence of impact and outcomes on service users and small to medium not-for-profit organisations from introducing greater competition and contestability in human services.

We note that the Productivity Commission describes some of the damaging results of the VET reforms but the focus in the Report is largely on the financial impact and the Australian Government's 'large fiscal liability' rather than on the impact on students. For example, while the adoption of market-based models in relation to VET funding arrangements in Australia has seen a proliferation of courses and TAFES for students to choose from, it has seen:

- Private providers engaging in opportunistic and unscrupulous practices (ACU, 2015).
- Examples of aggressive and unethical marketing practices, with claims of vulnerable groups – such as youth, the unemployed and migrants living in particular residential locations – being targeted and signed up for unnecessary and unrealistic training (Mackenzie & Coulson, 2015).
- Greater uncertainty for students in relation to funding arrangements and available course offerings (ACU, 2015).
- There has been inadequate regulatory oversight (Yu & Oliver, 2015).
- Teaching and assessing by trainers and assessors without the requisite technical and practical expertise to deliver quality training and assessment (DET, 2015)
- Lack of systematic information/ performance data and analysis to enable the Department of Education and Training to monitor the quality of Registered Training Organisations, qualifications delivered and student outcomes (DET, 2015).

While the marketisation of Australia's employment assistance services was found to have lowered unit costs, it failed to address the needs of disadvantaged job seekers who required more intensive support. Funding of employment services has diminished ability to be flexible and innovative, and encouraged some employment services to standardise service delivery and provide a minimalist service model (Horn 2013). 'Cherry picking' or 'creaming' more employable job seekers, while 'parking' more disadvantaged clients in training programs, shows how attempts to use competition to incentivise quality can backfire (Horn 2013). Horn examined the effectiveness of the Jobs Services Australia and Job Network, concluding that 'the marketization of employment assistance services has driven down the unit costs of assistance, but has resulted in only relatively small improvement in job outcomes'.

The introduction of the 'Big Society' concept in the UK led to the largest corporations and not-for-profit organisations dominating the commissioning process and expanding their monopolies rather than introducing more diversity into human service delivery (Whelan, 2012). Smaller not-for-profit organisations were 'squeezed out' of the market place, with reduced capacity to work with local communities, and dominant organisations 'cherry-picked' the easiest cases to work with (Whelan, 2012).

The Centre notes that implementation of competition and contestability can lead to the deregulation and casualisation of the social care workforce with many workers paid below the minimum wage (Centre for Health and Public Interest, 2013). With individualised funding models,

service providers needing to offer the cheapest service are likely to employ lower skilled workers, who will have greater workloads and less time to spend on clients. The Centre asks the Productivity Commission to consider the likely impact on the human services workforce when planning for greater competition.

User agency and choice

Under a competition model, some clients with more complex needs may not be able to readily access and receive the type or level of support that would best suit their requirements. Users of human services generally need assistance to manage complex issues. This is the nature of these services. Users are often highly vulnerable and ‘choice’ thus takes on a different meaning. They may come to a service because they need an immediate crisis response or because it is a condition – such as court-mandated requirement – they are required to meet. In such cases choice is not being exercised freely but the result of external imperatives. Those who have significant cognitive impairment, seriously debilitating mental illness, multiple and complex needs, or are frail elderly may be unable or have limited ability or desire, to exercise choice. They may not be in a position to make an informed decision and must rely on others—family, carers, advocates, service providers—to act on their behalf and in their best interests (Bode et al, 2014). The Report notes that ‘with some exceptions’ service users are best placed to make choices. However the Centre asks that the Productivity Commission takes into account the wide range of vulnerable clients who use human services and determine in what circumstances choice might be meaningfully exercised.

The Centre calls on the Productivity Commission to consider replacing the concept of user ‘choice’ with user ‘control’. In Victoria, for example, there is a strong focus on the co-design of services with users and a commitment to self-determination for Aboriginal organisations. The Victorian government intends these policies to empower users. Empowerment is about more than choosing one service over another; it is about having a genuine say in how services are developed, delivered and sustained. Self-determination for Aboriginal Community Controlled Organisations (ACCOs) is aimed at shifting responsibility for Aboriginal children in care from community service organisations to ACCOs. It is unclear how Aboriginal families and organisations will benefit from a more competitive market.

It is likely that providers will focus on areas of greater demand and population density, which means many clients will not have genuine choice, particularly in rural and regional areas where there are already limited services. The role of government becomes more, not less, important in this situation to make sure services are accessible and can be delivered effectively where markets are ‘thin’.

Competition, contestability and informed user choice also require a capacity and willingness by clients to assess and select the most appropriate service for them. This relies on all the necessary information being readily available, well-communicated, accessible and easily understood.

3. Evidence relating to collaborative approaches

Fullan (2011) argues that the drivers of whole system reform ‘are those policy and strategy levers that have the least and best chance of driving successful reform’. In Victoria, there is currently a strong evidence-based drive to implement a more integrated service system to meet the needs of children, young people and families experiencing vulnerability. The focus is on co-design of these

services with community service organisations, clients who use the services and the government. Victorian government policy documents reinforce the importance of partnering, integration, wrap around services, all of which require service providers to work together not compete.

The Communities for Children initiative is a good example of an innovative and place-based response to the needs of clients. This commissioning model is flexible and encourages diversity and innovation within community. A 2010 evaluation of the program showed that it produced comparable outcomes to other early years programs as well as showing an improvement in family and child outcomes across the community, irrespective of whether a child or family received services from Communities for Children (Muir et al, 2010).

The Centre recently developed a Collaborative Practice Framework for one large local council to facilitate a more integrated approach to child and family services. Stakeholders involved in the initiatives recognised the importance of organisations in the area having a common purpose and goals, common language, willingness to share information and pooling of limited resources to better link families and individuals into the appropriate services and to be able to monitor progress and outcomes. This effectiveness of this collaboration is already evident and its impact will continue to be monitored and evaluated. A competitive model, or one based on fear of another organisation moving into another agency's 'territory', if implemented in this situation, would undermine the core strength of the initiative – the ability of organisations to put aside their own agendas and work for the common good.

A key finding from the 2015 New Zealand inquiry into improving the effectiveness of social services was that better alignment and coordination of services would improve client outcomes (NZPC, 2015, p365). The report highlights the importance of co-design, cross-sectoral governance, innovation and collaboration and could have valuable lessons for Australia's approach to reforming the human services.

In relation to family violence, the Royal Commission into Family Violence (State of Victoria, 2016) recommended a more integrated approach *that fosters collective responsibility among government and non-government agencies, the community and individuals ... All organisations and agencies that have contact with perpetrators need to work towards a set of common objectives and principles and need to understand and reinforce each other's roles and responsibilities in keeping victims safe.*

It is unclear how new competitors, such as large national organisations, will integrate with existing, well established service providers that have developed strong links with the local community or how a model based on increased competition can avoid a siloed approach to service delivery. The Productivity Commission report does not consider the benefits of collaborative approaches or how increasing competition and contestability among service providers will facilitate working together more effectively. Yet it is likely that increased competition among market players will reduce the incentive for collaboration, integration of services and service continuity.

The Productivity Commission report assigns to government a 'stewardship' role rather than one of accountability. A competition and contestability model is based on outsourcing risk and accountability from government to profit organisations and those larger not-for-profit providers that can afford to compete. However to protect the interests of vulnerable clients, governance, oversight and accountability must remain in the hands of government not relinquished to market forces.

If tenders are to be issued for organisations to compete for service provision then key selection criteria should include the strength of existing community relationships so as to not disadvantage locally-based providers and to acknowledge the critical importance of social value, individual wellbeing and public good. A joint submission to the Community Sector Reform Council discussion paper (VCOSS et al, 2014) recommended that recommissioning of services should be characterised by:

- a focus on partnership and co-design of the system
- specialist skills and expertise within government to manage change, and comprehensive understanding of the sectors involved
- a strong commitment to effective change management processes
- a clear understanding of service demand
- transparent communication and clarity of probity requirements
- forward planning in terms of transition arrangements and support
- acknowledgement that such change requires financial investment; and
- realistic timelines that encourage effective transition to new ways of delivering services.

4. An effective human services model

Based on the findings of the NZPC report (p7), the Centre believes an effective human services model would:

- target public funds towards areas with the highest net benefits to society
- match the services provided to the needs of clients
- deal effectively with the multiple and inter-dependent problems experienced by many of our most disadvantaged individuals and families
- ensure decision makers (at all levels) have adequate information to make choices
- respect clients' wishes and needs, and respond to changes to those wishes and needs and to the external environment
- meet public expectations of fairness and equity
- respond to the aspirations and needs of Aboriginal and Torres Strait Islander peoples; and
- foster continuous experimentation, learning and improvement.

This represents a different starting point from the Report's vision of a human services system characterised by competition, contestability and informed user choice. The New Zealand model has the client at the centre; the proposed Australian model has the market at the centre.

5. Recommendations

This Inquiry and the findings of the Productivity Commission have the potential to radically transform existing approaches to the provision of human services. There is much at stake given that human services are about meeting complex human need.

To ensure any reform is designed and implemented in ways that lead to better outcomes for clients, the Centre urges the Productivity Commission to:

- Adopt a more cautious approach to competition reform than is evident in the Report; the Harper Review (2015, p224) notes that while changes in human services can often be urgent, these should not be rushed. 'There are complex issues that will take time to work through so

that people's lives, particularly those facing disadvantage, are not unduly or unhelpfully disrupted'.

- Actively seek the views of a range of small and medium size community size organisations during Stage 2 of the Inquiry, particularly in regional and rural areas, prior to preparing its final report.
- Take into account the lessons of the NDIS, VET, aged care and early childhood before making any recommendations to increase competition and contestability in human services.
- Explore alternative commissioning models for human services during Stage 2 of the Inquiry.
- Identify effective and innovative models of human services delivery that are built on collaboration and partnership to ascertain their replicability
- Determine what is working well and why before replacing with an approach that might bring short term reduction in costs but generate higher costs in the medium to longer term as the most vulnerable clients experience reduced access to wrap-around services and poorer outcomes.
- Identify the governance and oversight practices that will need to be implemented to ensure human services meet the needs of clients when and as required, including in rural and regional areas.
- Consider replacing the concept of user 'choice' with user 'control', thereby expanding the role of clients from selection of providers to meaningful involvement in shaping the design and delivery of services and flexible packages to meet their particular needs.
- Exclude services responding to acute and crisis situations from any new competition and contestability model to minimise the likelihood of negative impact on those with most to lose if the market does not provide.

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