

Submission to the Productivity Commission
Inquiry into 'Introducing competition and
informed user choice into human services'

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CPSA is a non-profit, non-party-political membership association founded in 1931 which serves pensioners of all ages, superannuants and low-income retirees. CPSA has 108 branches and affiliated organisations with a combined membership of over 22,000 people living throughout NSW. CPSA's aim is to improve the standard of living and well-being of its constituents.

CPSA welcomes the opportunity to comment on the *Productivity Commission Preliminary Findings Report*, part of the Commission's inquiry into *Introducing Competition and Informed User Choice into Human Services*.

CPSA notes that the Commission has identified six areas that it believes would benefit from increased competition and consumer choice: social housing, public hospital services, public dental services, specialist palliative care services, human services in remote Indigenous communities and grant based family and community services.

As an organisation representing the views of pensioners of all ages and other low income retirees, CPSA has a keen interest in the coordination and delivery of human services, particularly for disadvantaged groups in the community. Our comments will mainly address the services that most affect our constituents, viz. social housing, public hospital services, specialist palliative care services, public dental services and grant based family and community services.

Introduction

CPSA welcomes the more cautious approach the Productivity Commission has taken to introducing greater competition and user choice in human services. It is CPSA's view that there are many areas of human services, particularly those that are used by vulnerable Australians, which will not be well served by increasing competition and user choice. Even if increasing competition and the marketisation of human services are not, as they previously have been, implemented as a government budget saving measure, but with the intention of improving the quality of human services¹, there is evidence that competition and user choice are not the right tools to achieve this.

CPSA's original submission recommended that the Productivity Commission identify improving the effectiveness of human services being delivered as its primary goal. However, as in its original submission, CPSA disputes the Productivity Commission's belief that effectiveness "is best considered in the context of human services as an overarching concept, incorporating the attributes of quality, equity, efficiency, accountability and responsiveness."²

CPSA takes issue with the inclusion of 'efficiency' in 'effectiveness'. CPSA views effectiveness as referring to the quality of the service, its responsiveness to the

¹ Meagher, G., Goodwin, S. (2015) 'Introduction: capturing marketisation in Australian social policy' in G. Meagher & S. Goodwin (eds) *Markets, Rights and Power in Australian Social Policy*. Sydney: Sydney University Press, pp1-27

² p10 Productivity Commission (2016) 'Preliminary Findings report: Introducing Competition and Informed User Choice into Human Services Identifying Sectors for Reform' available: <http://www.pc.gov.au/inquiries/current/human-services/identifying-reform/preliminary-findings/human-services-preliminary-findings-overview.pdf>

needs of service users and the accessibility of the service to those who need it, while it views efficiency as referring to the cost-effectiveness of providing that service.

It is for this reason that CPSA argues that effectiveness and efficiency need to be measured separately. By measuring them as one, a decline in the quality of service paired with an increase in cost-effectiveness (i.e. efficiency) could result in a measurement of an increase in 'effectiveness', which would most likely be at odds with the experience of the user. As human services are often labour intensive, efficiency improvements achieved through reduced staffing are very likely to have a negative impact on the quality of the service.

Increasing competition and informed user choice in the delivery of human services may potentially generate efficiency gains, but it is critical that these gains do not come at the expense of effectiveness, i.e. the quality of the services provided to users. It is therefore important that the effectiveness of human services is accurately measured and that this measurement is given a due weighting in the evaluation of human services.

CPSA is also concerned that the Terms of Reference for this inquiry exclude consideration of the effectiveness of other policy options aimed at improving human services.

The primary justification for policies that increase competition and user choice is that by giving people greater choice, service providers will be compelled to "serve the public interest by providing goods and services that are efficiently produced, of reasonable quality, and at prices close to costs."³ This requires a competitive setting where:

- information is freely available;
- suppliers are in a competitive market;
- the cost of changing supplier is low.⁴

Information freely available

The assumption of freely available information does not hold up in the context of markets for human services. Chester states that "many Australians could be classified as vulnerable market participants due to a range of characteristics such as age, disability, income, employment status, housing tenure, language, education or

³ Cleveland (2008) in Brennan, D. et.al. (2012) 'The marketisation of care: Rationales and consequences in Nordic and Liberal care regimes' *Journal of European Social Policy*, 22(4), 377-391

⁴ p378 Brennan, D. et.al. (2012) 'The marketisation of care: Rationales and consequences in Nordic and Liberal care regimes' *Journal of European Social Policy*, 22(4), 377-391

internet access.”⁵ These factors limit the capacity of individuals to access the information necessary to make an informed choice. As a result, those who are considered to be vulnerable are disadvantaged when it comes to participating in markets and likely to experience less choice, poorer quality goods and services and higher prices.

In the majority of cases, people access human services out of necessity rather than out of choice, and as a result often have to make decisions about services in short time frames, with limited information, or a limited capacity to process extensive amounts of information.

Suppliers in a competitive market

There are a number of reasons to limit the number of suppliers and thus the competitiveness of markets for human services in order to provide both equitable and quality services. Davidson argues that the nature of Government managed markets for human services, in particular the profit-maximising tendencies of providers coupled with the vulnerability of service users, in many circumstances necessitates barriers to entry for prospective providers.⁶ While this limits contestability and consequent competition (or threat of competition), such barriers are important if human service providers are to achieve the fundamental objective of delivering effective services that meet the needs of all users. Barriers to entering markets for human services generally take the form of an accreditation process, which assesses the suitability of an organisation to provide services.

The cost of changing supplier

In human services, the cost of moving supplier is also high, particularly with regard to palliative care and public hospital services. This is because the continuity of care is often a vitally important part of the service, and thus the costs and risks of changing provider are greatly increased.⁷ In these circumstances, the effectiveness of market mechanisms and notions of user choice are severely limited and may even undermine the quality of the service.

Competitive setting

If competition and user choice require a competitive setting where information is freely available, suppliers are in a competitive market and the cost of changing

⁵ p179: Chester (2011) ‘The Participation of vulnerable Australians in markets for essential goods and services’ *Journal of Australian Political Economy*, 68(Summer), 169-193

⁶ Davidson, B. (2009) ‘For-profit organisations in managed markets for human services’ in D. King & G. Meagher (eds) *Paid Care in Australia: Politics, Profits, Practices*, Sydney: Sydney University Press.

⁷ p378 Brennan, D. et.al. (2012) ‘The marketisation of care: Rationales and consequences in Nordic and Liberal care regimes’ *Journal of European Social Policy*, 22(4), 377-391

supplier is low, then markets for human services more often than not fail on all three of these counts:

- Information is effectively not available to consumers.
- Suppliers compete periodically for Government subsidies rather than for consumers' business directly.
- For consumers, changing suppliers is either impractical or too costly, or both in most cases.

Human services market failures significantly constrain or prevent user choice.

Social Housing

Social (i.e. public and community) housing is a policy of particular concern to CPSA.⁸ The Productivity Commission's preliminary findings report has rightly identified the substantial need to improve social housing in Australia.

However, it is CPSA's view that the primary problem is the lack of supply. This lack of supply makes a mockery of the idea that there could be user choice in the sector. Demand far outstrips supply, with currently 200,000 households on waiting lists for some form of social housing in Australia.⁹ Expected waiting times for social housing across Sydney is well over 10 years.¹⁰ The demand for social housing and housing assistance is also unlikely to decrease. In NSW alone, housing stress (defined as a household paying more than 30 per cent of gross household income in rental or mortgage payments) currently affects 35,000 low-to-moderate-income renter households of which members are over-65, and this is projected to double to 70,000 by 2036.¹¹

Social housing in Australia has been consistently underserved by all levels of government. As outlined by Groenhart & Gurrán, "from 1996 to 2012 the total social housing stock declined from around 400,000 dwellings to 330,000, now amounting to less than four per cent of total housing stock."¹²

It is therefore very obvious that the supply of social housing must be increased before competition, contestability and user choice can even theoretically become relevant.

(From: Preliminary finding 3.1)

Four out of five social housing properties are managed by government entities, yet there are a large number of housing providers — both not-for-profit and for-profit — that could perform this service. Community housing providers outperform public providers on some indicators, including tenant satisfaction and property maintenance.

CPSA notes that the NSW Government's objective in its planned transfer of public housing stock to non-government for-profit and not-for-profit housing providers is to achieve better outcomes for tenants. However, 'better' is defined in terms of tenants

⁸ See CPSA's Housing report (2014) 'Affordable housing for older people and people with a disability in NSW'

⁹ AIHW (2016) 'Housing assistance in Australia 2016' available: <http://www.aihw.gov.au/housing-assistance/haa/2016/priority-groups/>

¹⁰ <http://www.housingpathways.nsw.gov.au/how-to-apply/expected-waiting-times>

¹¹ CPSA's Housing report (2014) 'Affordable housing for older people and people with a disability in NSW'

¹² Groenhart, L. Gurrán, N. (2015) 'Home security: Marketisation and the changing face of housing assistance in Australia in G. Meagher & S. Goodwin (eds) *Markets, Rights and Power in Australian Social Policy*, Sydney: Sydney University Press, p. 231-257

being able to find a job and move out of social housing altogether. Arguably, the NSW Government is not so much interested in tenant satisfaction as it is in freeing up social housing stock for extremely vulnerable tenants and avoiding having to increase the supply of social housing overall.

CPSA is opposed to social housing services being provided by for-profit housing providers. The outsourcing of essential public services to private providers has proved disastrous in the UK, where it was found that for-profit operators G4S and Serco, who were contracted to provide social housing for 23,000 asylum seekers, in many circumstances failed to provide adequate or even habitable housing for that purpose, while tenancy management was also below what was required.¹³

The primary objective of for-profit housing providers is to make a profit for their shareholders, while the primary objective of not-for-profit providers is to provide secure and affordable housing for people on low and very low incomes. To CPSA's knowledge there is no evidence of for-profit community housing providers outperforming government agencies on indicators of tenant satisfaction and property maintenance.

CPSA's view is that stock transfers to non-government housing providers should measurably benefit tenants. However, it is likely that stock transfers to for-profit providers will benefit governments and providers, but not tenants.

(From: Preliminary finding 3.1)

There are currently not enough social housing properties to meet demand, limiting the housing choices available to social housing tenants. Nonetheless, approaches implemented internationally allow social housing tenants greater choice of home.

The Productivity Commission's report acknowledges the lack of supply of social housing in Australia, but the report does explore Choice Based Letting (CBL) schemes, which allow people eligible for social housing to bid for properties that are usually listed online.

Although CPSA recognises that the choice based letting schemes have delivered some benefits to social housing tenants in the UK, it is important to be aware that it "cannot be transferred uncritically to Australia, which differs in terms of national and state/territory policies, institutional settings, the history and configuration."¹⁴

¹³ Rajeev Syal (2014) 'G4S and Serco failing to house asylum seekers properly' from *The Guardian* 10th January <https://www.theguardian.com/business/2014/jan/10/g4s-serco-asylum-seekers-government>

¹⁴ p3 Hulse, K. Phillips, R. Burke, Terry (2007) 'Improving access to social housing: paradigms, principles and reforms' for the *Australian Housing and Urban Research Institute* available: http://www.ahuri.edu.au/_data/assets/pdf_file/0013/2173/AHURI_Final_Report_No97_Improving_access_to_social_housing_paradigms_principles_and_reforms.pdf?utm_source=website&utm_medium=report.PDF&utm_campaign=http://www.ahuri.edu.au/research/final-reports/97

If there is a single reason why CBL cannot work in Australia jurisdictions it is because a prerequisite for choice in housing is adequate supply of housing. Key factors in the Australian context are the residualising of social housing due to underinvestment, which means that social housing is only available to those with complex and urgent needs; and the centralisation of housing provision by state government housing associations.

In stark contrast, countries like the UK and also the Netherlands have a history of social housing being provided at the local government level. The functioning of social housing in these countries is also vastly different to Australia. For example, the right to housing is guaranteed in the Dutch constitution and there are currently 2.4 million social rental dwellings making up 31 per cent of the total housing stock.¹⁵ In the Netherlands choice is fundamentally enabled by the substantial level of social housing.

There is also evidence that because CBL requires tenants to individually apply for each dwelling, rather than it being allocated by the social housing provider, it places a greater onus on prospective tenants, which tends to have the effect of disadvantaging vulnerable households with limited resources.¹⁶

It is the view of CPSA that there needs to be a substantial increase in the stock of social housing before any demand side policies can be introduced.

(From: Preliminary finding 3.1)

Reform options could be explored in Australia to address supply constraints and increase the housing options available for prospective social housing tenants.

CPSA notes that reform options to increase social housing supply include support to tenants to access the private rental market. Rent Assistance available through the federal Department of Social Services to eligible tenants is a scheme that assists in that regard, while at the state and territory level, social housing authorities lease private accommodation to sublet to their tenants in some cases.

However, the effectiveness of these schemes is constrained by the long-standing and increasing shortage of affordable housing in the private rental market. Research by Anglicare showed that less than 1 per cent of rental homes in the Greater Sydney and Illawarra area are both appropriate and affordable for households on Government income support payments.¹⁷

¹⁵ Hoekstra, J. (2013) 'Social Housing in the Netherlands: The development of the Dutch social housing model' *Responder Project* available: <file:///C:/Users/ameliac.CPSA2/Downloads/293469.pdf>

¹⁶ Brown, T. Yates, N. 'Allocations and Lettings – Taking Customer Choice Forward in England?' *International Journal of Housing Policy*, 5:3, 343-357

¹⁷ Anglicare, Rental Affordability Snapshot 2016, Greater Sydney and the Illawarra.

Offering private rental support is therefore of limited value in efforts to increase housing supply to social housing tenants. In the case of Rent Assistance, the amount of assistance is in most cases too small to ensure accommodation of adequate quality. Also, renting in the private market is a far less secure form of housing for people on low incomes than social and community housing. While CPSA supports moves to increase the payments of the Commonwealth Rental Assistance, this should not be seen as a replacement for long-term strategies to increase the supply of social and affordable housing.

State and territory social housing authorities leasing on the private market encounter the same problem as people on Rent Assistance: private rentals of adequate quality wreak havoc on their budget, while rentals of inadequate quality are not acceptable.

CPSA urges the Productivity Commission to compare the cost of private rental schemes, with the cost of investing in more social and affordable housing before recommending adoption of such schemes.

Public Hospital Services

Australia has a mixed public and private health care system that has overall provided high quality health care underpinned by the principle of universal access. Through Medicare, Australians who go to a public hospital are guaranteed a particular level of care.

The Productivity Commission's preliminary report has not provided compelling evidence that increasing competition and user choice will deliver better patient outcomes to a system that already provides good standards of care when compared internationally.¹⁸ Perfect information does not exist in markets for human services and this is particularly the case for the health sector as there is substantial information asymmetry between health practitioners and patients.¹⁹

(From: Preliminary finding 4.1)

Greater contestability and user choice could place indirect pressure on hospitals, as part of a broader suite of reforms, to improve outcomes

CPSA would like to emphasise that there are important constraints on competition in the provision of care in public hospitals in particular. Public hospitals are expected to provide universal access to care without regard to people's ability to pay. This means competition over quality or price is not an option.

Generally speaking, patients are not and cannot be informed to the extent to be in a position to make judgements about their health care, while the choice of public hospital is often non-existent, i.e. there is only one public hospital for people to go to.

(From: Preliminary finding 4.1)

Greater user choice in public hospital services could disproportionately benefit disadvantaged groups that up until now have had fewer choices than other Australians

While CPSA supports moves to increase the choices available to people by providing more information to patients, CPSA would like to note a number of potential problems with user choice that have been overlooked. In contrast to the position of the Productivity Commission that "greater user choice in public hospital services could disproportionately benefit disadvantaged groups", increasing user choice could actually create a two tiered health system. As those with more ability to

¹⁸ Duckett, S. (2014) 'Australian health care: where do we stand internationally' *The Conversation* September 1 available: <https://theconversation.com/australian-health-care-where-do-we-stand-internationally-30886>

¹⁹ Cookson, R. Dawson, D. (2012) 'Hospital competition and patient choice in publicly funded health care' *The Elgar Companion to Health Economics* Edited by Jones, A

exercise informed user choice, due to income, literacy, geography etc. will be better placed to access better services.

There is evidence of this occurring in human services both internationally and in Australia. For example, in Helen Proctor and Claire Aitchison's²⁰ study of 'choice' in Australian schools, they showed that greater choice favoured children and families that had more resources and more privilege than others. The evidence suggests that families that spoke a language other than English at home and had a lower socio-economic status were less likely to consider more than one option²¹.

There is also the possibility that greater choice will deliver benefits primarily to people living in metropolitan areas as opposed to people in regional and remote areas who are far more constrained in their choices. There are a number of recent examples of the closure of public hospitals, such as Coraki and Maitland hospitals, or a reduction in services in regional areas which reinforces the limited supply of public hospital services in regional Australia. Inequitable access to health care between people living in metropolitan areas and those in regional and remote areas is a fundamental problem of supply. As a result increasing user choice will likely exacerbate geographical inequities.²²

Furthermore, the claimed benefits of increasing user choice for public hospitals are still up for debate. In their research into the National Health System in the United Kingdom, which the Commission has cited as a possible model, Bevan and Skellern find that while patients generally desired choice, "how patient choice affected outcomes of elective surgery remains an open question."²³ They conclude that the cost-effectiveness of competition, in comparison with other policies aimed at increasing hospital quality is also still an open question.²⁴

²⁰ p336-337 Proctor, H. Aitchison. C (2015) 'Markers in education: 'School choice' and family capital' in in G. Meagher & S. Goodwin (eds) *Markets, Rights and Power in Australian Social Policy*. Sydney: Sydney University Press, pp1-27

²¹ Proctor, H. Aitchison. C (2015) 'Markers in education: 'School choice' and family capital' in in G. Meagher & S. Goodwin (eds) *Markets, Rights and Power in Australian Social Policy*. Sydney: Sydney University Press, pp1-27

²² Cookson, R. Dawson, D. (2012) 'Hospital competition and patient choice in publicly funded health care' in *The Elgar Companion to Health Economics* Edited by Jones, A

²³ p4 Bevan, G. and Skellern, M. 2011, 'Does competition between hospitals improve clinical quality?: A review of evidence from two eras of competition in the English NHS', *British Medical Journal*, vol. 343, pp. 1-7.

²⁴ Bevan, G. and Skellern, M. 2011, 'Does competition between hospitals improve clinical quality?: A review of evidence from two eras of competition in the English NHS', *British Medical Journal*, vol. 343, pp. 1-7.

Specialist Palliative Care Services

As outlined in the Productivity Commission's own findings, palliative care services are subject to a significant number of market failures. Market failures noted in the Commission's report include: information asymmetry, prohibitively high costs of switching providers and the constrained nature of choice due to impairment and/or high levels of stress.

Also, more competitive or contestable markets in specialist palliative care services will not necessarily overcome structural problems, such as lack of funding, the focus of palliative care on cancer to the exclusion of other morbidities, lack of qualified staff, or ensure equitable access for disadvantaged groups.²⁵

(From: Preliminary finding 5.1)

There is little evidence that service providers are being held to account for relatively low service quality. Introducing greater contestability could make providers more accountable for their performance and spur the innovation required to lift patient outcomes among the poor performers.

CPSA supports service providers being held accountable for relatively low service quality. However, CPSA fails to see why the first step in making providers accountable should be to make their services contestable. Contestability is a feature of a free market, but the Productivity Commission itself has found that there are multiple market failures in the market for palliative care services.

The first step to ensuring accountability in any provider/user structure, including palliative care, is to put in place effective compliance monitoring.

An even more powerful reason for avoiding contestability is the power of palliative care providers working together to provide services to the dying. According to Palliative Care Australia, 'quality care at the end of life is realised when strong networks exist between specialist palliative care providers, primary generalist, primary specialist and support care providers'. Greater competition, by making providers compete for tenders or clients can undermine collaboration as providers try and protect their 'competitive' advantage.²⁶ It therefore poses a threat to a coordinated, whole of health, integrated system of care.

In palliative care, there are significant reasons for having high barriers to entry and compliance standards to ensure that providers maximise quality, equity and efficiency in their services.

²⁵ Davidson, B. (2011) 'Contestability in Human Services Markets' *Journal of Australian Political Economy*, 68(Summer), 213-239.

²⁶ McDonald, J. (2002) 'contestability and social justice: the limits of competitive tendering of welfare services' in *Australian Social Work*, vol 55 (2), p. 99-108

(From: Preliminary finding 5.1)

The potential to increase user choice through greater competition between providers or through more contestable arrangements would depend on market size and the ability to cost-effectively provide user-oriented information, among other things. The preferred reform option will likely vary across regions.

CPSA appreciates that the Productivity Commission's report acknowledges the issue of scale in the provision of palliative care services. However, barriers to contestability and choice are not restricted to scale of operations and market size.

First, user choice in palliative care is often inappropriate, because this choice would need to be exercised in many cases by very unwell and dying patients who are unable to exercise choice.

Second, in palliative care, the cost associated with changing providers is high, because the continuity and coordination of care is an essential part of quality palliative services. User choice, with its narrow focus on choice of provider, is therefore an extremely inappropriate policy instrument and goal.

Third, a greater emphasis on the flexible funding of community care for all people who require palliative services will provide people with greater control over where they die, and the type of care they receive. There is substantial consensus amongst palliative care organisations that improvements to palliative care can be made by moving to more flexible funding arrangements to ensure care is responsive to people's needs.²⁷

²⁷ Palliative care NSW policy statement available: <https://palliativecarenewsw.org.au/site/wp-content/uploads/2012/05/PCNSW-Policy-Statement-FINAL1.pdf> and Palliative care Australia

Public Dental Services

There are substantial financial barriers to people receiving dental care in Australia which has negatively affected Australia's oral health outcomes and placed greater strain on emergency dental and hospital services as a result of delayed or avoided treatment.

According to the Australian Institute of Health and Welfare (AIHW), the proportion of people over the age of five that delayed or avoided treatment because of cost was 31.7 per cent.²⁸ This number is even higher for people in the two lowest income groups. As a result, pensioners and others from lower socioeconomic groups have consistently been the most disadvantaged from the underfunding of public dental services.

(From: Preliminary finding 6.1)

The uncontested provision of services in government-operated clinics results in limited responsiveness to user needs and preferences. Minimal public performance reporting limits accountability to those who fund services.

It is unclear from the report what problem is meant to be solved by introducing greater competition and contestability into public dental services since the report acknowledges that "the Commission has not seen any evidence to suggest that there are systemic problems with the quality of public dental services provided in government-operated clinics."²⁹

The massive waiting lists for public dental services are the result of decades of underfunding and a serious shortage of public dentists, which will not be solved by opening public dental services up to non-government providers.

This is particularly true in regional and remote areas. In 2013 the proportion of people accessing public dental services was nearly three times higher in remote/very remote regions compared to major cities.³⁰ And given that the proportion of private dental services provided by small private clinics in major cities is extremely high but much lower in regional and certainly rural areas, the benefits of increasing competition and contestability would appear to be virtually non-existent.

²⁸ AIHW (2016) 'Oral health and dental care in Australia: Key facts and figures' available: <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129554609>

²⁹ p108 Productivity Commission (2016) 'Preliminary Findings report: Introducing Competition and Informed User Choice into Human Services Identifying Sectors for Reform' available: <http://www.pc.gov.au/inquiries/current/human-services/identifying-reform/preliminary-findings/human-services-preliminary-findings-overview.pdf>

³⁰ p30 AIHW (2016) 'Oral health and dental care in Australia: Key facts and figures' available: <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129554609>

(From: Preliminary finding 6.1)

Users could benefit from having greater choice over the timing and location of treatment. Greater continuity of care may lead to fewer people delaying dental treatment until more painful and costly care becomes necessary

CPSA disputes the Productivity Commission's conclusion that "the current emphasis on providing services in government operated clinics limits the responsiveness to user needs and preferences."³¹

Currently across the different state and territories only 6 to 11 per cent of dentists work in the public sector and there are lengthy waiting times in all states.³² The fundamental barrier to good and responsive dental care for all Australians is not lack of user choice but the lack of access due to the high costs of dental treatment which forces people onto public dental waiting lists.

³¹ p107-108 Productivity Commission (2016) 'Preliminary Findings report: Introducing Competition and Informed User Choice into Human Services Identifying Sectors for Reform'

³² p67 AIHW (2016) 'Oral health and dental care in Australia: Key facts and figures' available: <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129554609>

Grant Based Family and Community Services

CPSA is pleased that the Productivity Commission appears to be listening to some of the concerns and perspectives of community service providers. Service fragmentation, lack of an overarching coordinated framework and unmet demand constitute major problems for the providers and users of family and community services. A systemic approach to these services is urgently required to improve supply and access to family and community services, particularly for people with multiple and complex needs.

(From: Preliminary finding 7.1)

Engagement with service providers and users at the policy design stage could increase the quality and efficiency of services.

Previously, competition and contestable contract arrangements for community services have primarily been implemented to control funding rather than meet service outcomes. CPSA endorses the points made by other organisations in their submissions that contestable tendering arrangements have served to undermine collaboration and led to instability of service delivery because of the need to regularly re-apply for funding.³³

The current contracting arrangements, by creating instability can stifle innovation, while the need to constantly re-apply for funding draws more resources away from service delivery.

The negative effects of reforms without proper consultation with service providers were clearly evident in the implementation of NSW's Going Home Staying Home homelessness strategy. The effect of the funding changes threatened and forced the closure of a number of specialist women's and domestic violence refuges which provided a unique service as grants were consolidated towards larger organisations that provided more generalist homelessness services.

(From: Preliminary finding 7.1)

Measures to support user choice and introduce greater competition between service providers could create incentives for providers to improve services in some areas.

Lack of supply of services is the greatest barrier to competition and user choice in community services. There is a significant amount of unmet demand across a range of family and community services. For example, in specialist homelessness services providing temporary crisis accommodation, there was an average of 329 unassisted

³³ National Shelter (2016) 'Submission no. 232' available
[:http://www.pc.gov.au/data/assets/pdf_file/0012/205203/sub277-human-services-identifying-reform.pdf](http://www.pc.gov.au/data/assets/pdf_file/0012/205203/sub277-human-services-identifying-reform.pdf)

requests for services each day in 2014-15, across Australia.³⁴ In this context, more responsive services are reliant upon both a greater supply of temporary accommodation and on the supply of social and affordable housing. Rather than lack of competition leading to unresponsive services, one of the main drags on innovation and effective service delivery is the constant strain on capacity.³⁵

Also militating against competition is the ability of community services organisations to engage in program co-design to utilise the deep knowledge that organisations have gained through service delivery and interaction with users. This can deliver greater benefits from collaboration and cooperation between service providers.

In the face of significant sector under-resourcing and the resultant lack of supply of community services, increasing competition and user choice is an inappropriate policy tool for improving family and community services.

³⁴ AIHW (2016) 'Unmet demand for specialist homelessness services 2014-15' available:

<http://www.aihw.gov.au/homelessness/specialist-homelessness-services-2014-15/unmet-demand/>

³⁵ McKernan, K. (2015) 'Homelessness services can't keep up with demand. We need to improve access to affordable housing' SMH online August 6 2015 available: <http://www.smh.com.au/comment/homelessness-services-cant-keep-up-with-demand-we-must-improve-access-to-affordable-housing-20150806-gjsq32.html>