



10 October 2016

Australian Productivity Commission
GPO Box 1428
Canberra City ACT 2601

Submission to Inquiry into Human Services

Economic rationalism has no place in the delivery of Human Services. Human services are vital to the quality and success of life for the most vulnerable people in our communities.

Recent evidence from overseas of the disastrous outcomes of applying economic rationalism to the delivery of services to vulnerable people should deter the Australian Government from following this approach.

For example the “Social Care for older people: Home Truths”¹ report published in September 2016 highlights the fact that access to care in the UK is increasingly dependent on what people can afford and favours the well off and well informed at the expense of the poorest most disempowered people as a result of increasing contestability and competition.

Summary & Recommendations

Should the Productivity Commission go ahead as outlined in the report Illawarra Forum recommends:

- The outcomes of this report should not impact State Government’s ability to make informed local decisions.
- Mission driven non- profit distributing organisations should be the only organisations who may be commissioned to deliver Human Services contracts.
- Social return should be the primary assessment criteria in contestable and competitive tenders rather than price.
- Government staff must receive professional development to ensure they have the capacity to provide effective stewardship within the affected markets.
- The importance of evaluation is recognised and appropriately resourced.
- Time and resources are given to planning and implementation.

¹ Social Care for older people: Home Truths. Authors Richard Humphries, Ruth Thorlby, Holly Holder, Patrick Hall, Anna Charles September 2016

- Accessible consumer protection mechanisms are set up prior to the start of any contract and widely promoted to consumers.
- Information to enable consumer choice should be fully accessible.
- Universal and specialist service provision must be provided to meet the complex needs within communities.
- Social Justice underpins all Human Service provision and is therefore recognised in tender applications and evaluation.
- If innovation and evidence based practice are valued it must be adequately resourced.

Illawarra Forum questions the intent behind the reforms as a way to drive quality, or shift and reduce costs.

The Illawarra Forum also questions whether there is currently enough, high quality data to inform radical changes to the way Human Services are commissioned.

We also note that the amalgamation of several service streams into “Grants based family and community services” does take into account the complexity of the service types and the consumer needs.

About the Illawarra Forum

The Illawarra Forum is the peak body working for community services organisations and for communities in the Illawarra and the Shoalhaven. We support community organisations, promote expertise and innovation in community development, foster industry development and advocate for social justice.

For more than twenty years, the Illawarra Forum has taken a leadership role in the local community services sector, which currently consists of more than 300 organisations across the Illawarra and Shoalhaven areas of NSW.

As part of our leadership role, we engage with those organisations, services and individuals engaged in supporting senior and disadvantaged community members to collect their opinion, expertise and recommendations.

The Illawarra Forum works closely with numerous organisations which provide support to vulnerable people across the region including:

- Services for individuals and families with multiple layers of social and financial disadvantage;
- Home Support services;
- Residential services;
- Services for people with disability;
- Support for victims of domestic violence and sexual assault;
- Youth work programs;
- Social housing and homelessness services;
- Community health services, including mental health and drug/alcohol services;

- Community development and community capacity building programs.

THE ISSUES

The role of government in stewardship:

- **Need to ensure sustainable markets:** The government needs to ensure that its outsourcing policies promote sustainable competitive markets by avoiding over-reliance on a single supplier. This includes consideration of the length and size of individual contracts which can impact the number of potential suppliers.
- **Lack of focus on implementation:** Government has often neglected to place proper emphasis on implementation. This inevitably leads to poor outcomes. Adequate time, resources and planning must be allocated if significant change is to occur.
- **Need for internal cultural change and upskilling staff within government:** Public servants may lack the commercial skills required to implement outsourcing. A comprehensive review of staff positions and skills sets will be required.

“Governments will have to invest in capacity for specifying services and contract management skills that they have not typically possessed in the past. It concerns both new technical skills and an overall culture change in the public sector.”².

- **Lack of design in evaluation processes and lack of resourcing.** Time and resources must be allocated to strong evaluations frameworks and systems at the onset of any new commissioning process. Too often this is left as an afterthought without proper coordination, oversight and analysis leading to lack of sound data, hampering continuous improvement.
- **Focus on consumer protections:** Effective consumer protection mechanisms need to be implemented prior to the commencement of any commissioning process. With outsourcing, the government entity is still accountable for the service provided, including actions carried out on its behalf by the contractor, but day-to-day responsibility for specific actions will lie either with the government entity or the contractor. It may be difficult for the users of services to determine who is responsible for the delivery of the service, especially if this division of responsibility is not clear.

Recommendations:

- Government staff must receive professional development to ensure they have the capacity to provide effective stewardship within the affected markets.
- The importance of evaluation is recognised and appropriately resourced.
- Time and resources are given to planning and implementation.

² OECD Journal on Budgeting Volume 5 No. 1

- Accessible consumer protection mechanisms are set up prior to the start of any contract and widely promoted to consumers.

The inverse proportionality between need and service provision in competitive markets.

Access to human services including healthcare, palliative care and housing is a social justice issue. Evidence shows that there is reduced access to services, particularly healthcare, in areas of greatest disadvantage.

“There is evidence to suggest that there is an uneven distribution of health services between areas of greatest and lowest relative disadvantage. The per capita rate of medical practitioners, specialists and dental practitioners all increased with declining levels of relative disadvantage.

In 2006, around one in ten (11%) generalist medical practitioners worked in the most disadvantaged areas compared with almost one in four (24%) working in the least disadvantaged areas. There were less than half the rate of specialists working in the most disadvantaged areas (less than 30 per 100,000 people) compared with the least disadvantaged areas (over 60 per 100,000 people). A similar pattern was evident for the number of dental practitioners per 100,000 people, with almost half as many working in the most disadvantaged areas compared with the least disadvantaged areas.”³

There is a danger that making markets contestable and competitive will mean that “unattractive” markets become further underserved; as evidenced by BUPA’s statement of intent.

“We have tried to identify areas where we were uncompetitive and review them down but we have also raised our rates in areas where we were overly competitive.”⁴

The evidence from the UK where contestability and competition have been implemented in human service delivery, highlights the fact that access to care is increasingly dependent on what people can afford, and favours the well off and well informed at the expense of the poorest.⁵

Recommendations:

- Social Justice remains a key component of Human Service provision and has a high value placed on it in tender applications and evaluation.

³ Australian Bureau Statistics, 2006, Selected Health Occupations: Australia, 2006

⁴ Bupa rejigs CI rates in bid to make them more competitive Money Marketing June 5, 2003

⁵ Social Care for older people: Home Truths. Authors Richard Humphries, Ruth Thorlby, Holly Holder, Patrick Hall, Anna Charles September 2016

- Human Services contracts are only open to mission driven non- profit distributing organisations.

Competition and Contestability

Not for profit organisations exist only to deliver benefit to the communities' they serve rather than striving to generate profit for distribution to shareholders. Government therefore benefits from contracts entered into with not for profit organisations as the imperative is for improved consumer outcomes.

In addition to contracted services, non-profit community organisations are able to deliver significant additional social value. The value in building social capacity and community cohesion should be valued similar to the notion of goodwill in the business context.

Small place-based organisations are closely connected to their communities, have strong understanding of community need, and are able to quickly respond to changes in the local environment. These organisations play an important role in building community cohesion and capacity, and add diversity to the unique characteristics of our various communities. The commissioning of a packaged service could result in the loss of social value.

The Illawarra Forum does not see a place for large private sector organisations in the delivery of human services. Their imperative to drive a profit will override their obligation to deliver service. Unless these organisations have a thorough understanding of the impacts of service delivery, and the barriers to access for many clients, their tenders will undoubtedly underestimate the true cost of service delivery.

“There are examples of suppliers submitting unrealistically low bids (“lowballing”) and then engaging in post-contract negotiations over the lifetime of the contract to increase the price. Such practices undermine individual outsourcing projects and may lead to reliable suppliers withdrawing from the government market-place in general.”⁶

Recommendations:

- Mission driven non- profit distributing organisations should be the only organisations who may be commissioned to deliver Human Services contracts.
- Social return should be the primary assessment criteria in contestable and competitive tenders rather than price.
- Social Justice underpins all Human Service provision and is therefore recognised in tender applications and evaluation.

⁶ Market-type mechanisms and the provision of public services (OECD Journal on Budgeting Volume 5 Issue 1

Ability to exercise effective consumer choice

The availability of good, up to date information is vital to effective consumer choice. However access to information alone does not provide equitable access. Other factors such as cost, location and transport, and time will have an impact on the resulting choice.

People suffering the most acute disadvantage often face more barriers to access, and therefore by definition reduced consumer choice.

Therefore contestability and competition could result in an increase service inequality between the higher and lower socio- economic groups within the community.

Access to information is also a key driver in the success of this service system. Whilst there may be a plethora of information available on-line, lower socio economic groups and those most at risk are less likely to have access to technology, IT literacy, or general literacy and comprehension skills to be able to find and use the information. Information should be made available in a variety of formats to make it culturally appropriate and accessible to people with disability.

Recommendations:

- Information to enable consumer choice should be fully accessible.

Link between Federal and State Government reforms

Clarity of outcomes, responsibility for provision, and policy direction across all levels of government need to be addressed prior to making large scale reform choices.

Recommendations:

- The outcomes of this report should not impact State Government's ability to make informed local decisions.

Homogenisation of service delivery

A move towards more universal service delivery models reflects a lack of recognition of the value of specialist or niche services. Specialist and niche service providers can in fact deliver tailored, cost efficient and innovative services.

Aravind Eye Care is a good example delivering cost savings and quality services to prevent avoidable blindness. Through its niche model it is able to do eye surgery more efficiently, cost effectively and with less than half the rate of complications than that of UK hospitals.⁷

⁷ Driving down the cost of high quality care- Health International 2011 Number 11

Recommendations:

- Universal and specialist service provision must be provided to meet the complex needs within communities.

Thank you for the opportunity to comment on the Productivity Commission Inquiry into Human Services. Please feel free to contact this office for further information.

Sincerely,

Nicky Sloan
CEO