



A•S•U

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Thursday 27 October 2016

Human Services Inquiry
Productivity Commission
Locked Bag 2, Collins Street East
Melbourne VIC 8003

Dear Sir/Madam

Re: Productivity Commission's Issues Paper – Human Services: Identifying Sectors for Reform – Preliminary findings report

On 25 July 2016 the Australian Services Union provided an initial submission (ASU, sub. 85) in response to the Productivity Commission's Issues Paper – Human Services: Identifying Sectors for Reform.

We do not intend to repeat those submissions in detail. However, we do wish to reiterate several important issues of concern, given the Government's responsibility to ensure that those of its citizens who are at risk of experiencing crisis, disadvantage, social dislocation or marginalisation have a guarantee that their needs will be addressed during this reform.

On 22 September 2016 the Productivity Commission released its Preliminary findings report where it identified six priority areas for the application of competition, contestability and user choice. Of particular significance to ASU members is the inclusion of grant-based family and community services, which includes alcohol and other drugs services, community-based mental health services, family support services and out of home care, and homelessness services.

The ASU is the largest union of workers in the social and community services sector with our members working at the frontline in services such as:

- youth refuges
- women's refuges
- homelessness services
- domestic violence support services
- community health services
- services that support young people remain engaged in education, training or employment
- family support services
- disability services
- community legal centres
- employment and training services
- employment services
- support for Aboriginal and Torres Strait Islander people
- community or neighbourhood centres
- community transport services
- home and community care services
- and migrant or ethnic services

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We note the Commission indicated that it has held consultations with “the Australian, state and territory governments, service providers and their peak bodies, unions, consumer advocates and academics”.¹ We are disappointed that we were not to be part of the consultation process given we are the largest union of workers in the social and community services sector, and we specifically sought the opportunity to be part of any such consultations (ASU, sub. 85, and email dated 11 August 2016).

The Preliminary findings report

We note in the Preliminary findings report the Commission recommended grant-based family and community services be subject to greater competition, contestability and user choice.² Again we reiterate our recommendation that social and community services are not suited to the introduction of competition, contestability and user choice. We are concerned about this finding, and the impact it will have on services provided to some of the most vulnerable Australians. In particular we reiterate the following concerns:

1. *Opposition to organisations marking profits from providing services to vulnerable people*
It is a gross misuse of public funds for businesses that operate for-profit to be able to obtain taxpayer funding to deliver essential government services for vulnerable people, and to be able to make profit from this work.
2. *Withdrawal from the market*
Greater competition could lead to some service providers contracting or withdrawing from the market, or changing the way they deliver services, leading to a loss of connection for vulnerable service users, as well as loss of choice.
3. *Quality of service*
Competition, contestability and user choice risks bidding down the cost of service delivery and will lead to a reduction in the quality of services, especially where for-profit providers are involved. In a bid to win tenders organisations may underestimate the true cost of service provision. This means poor quality services for clients and communities, and increased workloads for staff.
4. *Community connected and responsive*
Not-for-profit, community-based organisations are better-placed to provide human services — they are closer to the communities they serve and, because they are mission (rather than profit) driven, will reinvest any surplus back into services to support less profitable areas. The existing diversity of social and community services (both small and large, generalist and specialist) should be protected.
5. *Service recipients*
Introducing greater contestability creates incentives for providers to focus their attention on tender applications rather than supporting the vulnerable people they have been employed to care for. In addition the vulnerability of service recipients is accentuated among those who are highly dependent on services and are limited in their capacity to advocate on their own behalf.
6. *The mirage of “user choice”*
Individualised funding can actually lead to less choice for users as it reduces government funding for smaller specialised providers and promotes the growth of large homogenous providers.

¹ Productivity Commission Issues Paper, Human Services: Identifying sectors for reform – Preliminary findings report <http://www.pc.gov.au/inquiries/current/human-services/identifying-reform/preliminary-findings/human-services-identifying-reform-preliminary-findings.pdf>, p.32

² Ibid, p.38

7. *Diversity in service providers*
A one-size-fits-all approach favours larger services, and does not take into account the diversity in size, philosophy, service models and target groups among community services.
8. *Competitive tendering*
Competitive tendering for social and community services is inefficient, expensive and results in less diversity of service provision. For-profit organisations should not be able to tender for community services, because every dollar of Government funding for community services should go to supporting people in need – not profits for shareholders.
9. *Secure long-term funding*
Social and community services need longer-term secure funding, as the current short-term funding model has deleterious effect on service providers capacity to plan for and provide community services.
10. *Impacts and uncertainty on the workforce*
The provision of quality social and community services depends on the existence on an adequate, accessible and sufficiently skilled workforce. Where costs are being driven down under competition policy there is the potential to further drive down the already predominately female low-waged sector.
11. *Insecure work*
Ongoing downward pressure on social and community services sector funding has led to a sector that has a large component of casual workers, or other forms of insecure employment such as short-term contracts. User choice models of service delivery lead to 'on-demand' workforces employed on insecure and fixed-term employment contracts.
12. *Loss of organisational memory*
The unique role and relationships that locally based community organisations have in the lives of communities, due to their local knowledge, could be undermined if local services are replaced with large for-profit corporate services. Casualisation of the workforce will see organisational memory and know-how among staff being lost as more and more jobs are outsourced.
13. *Case studies from Australia and Overseas*
Our seven case studies detailed in our original submission outline significant poor outcomes for workers and communities when for-profit providers enter the sector and the concept of competition and contestability is achieved.

The ASU cautions the Productivity Commission to genuinely consider all of the issues of concern raised by inquiry respondents as there will be no opportunity to reverse the clock on privatisation. We call on the Government to apply specific checks and balances to ensure that the needs of service recipients are met holistically and they are no worse off as a result of privatisation and contracting out.

Yours faithfully

David Smith
NATIONAL SECRETARY