

Submission to the public inquiry into Human Services

By the NSW Meals on Wheels Association

The NSW Meals on Wheels Association represents around 170 Meals on Wheels services throughout the length and breadth of NSW. Those services, through their volunteers, have selflessly served the needs of vulnerable older people and people with disabilities in the NSW community for over 60 years. During that time they have built the reputation of Meals on Wheels, along with their peers in other states, into an icon of Australian community mindedness. Their only pre-occupation has been to meet the needs of people in their local community without concern for themselves. Our remit is to speak and act on behalf of these volunteers and the vulnerable people that they serve who otherwise have no voice, to ensure that such an iconic service, which from our client surveys has an extremely high approval rate, has a long and productive life into the future. We will therefore speak plainly and directly to the interests of the clients, the volunteers and the communities in which live.

The discussion around the introduction of competition and contestability into the home care area rests upon a belief that competition and contestability is the only, or perhaps the best, way of ensuring the delivery of high quality, well targeted and cost efficient services to vulnerable people in their own homes. That belief is based on an economic model that suggests that markets are always and forever the most efficient way of meeting human needs. The theory itself remains largely unexplored in terms of its ability to actually do so and as to whether the conditions assumed in the theory actually exist in any recognisably real world. The theory, as many would know, assumes that the participants in any marketplace are “rational, self-maximising” individuals who exist in infinite numbers and with access to perfect information. There are a range of other assumptions which underlie the theory of the perfectibility of markets, but simply confining ourselves to those set out above is sufficient to tell us that the model is nowhere reflected in any world that any of us actually inhabit.

That raises the question that if markets are imperfect at best in certain situations, and downright dysfunctional at worst in some, how would they guarantee the best outcome for those participating as either producers or consumers in those markets? One is reminded of the endless series of adaptations, imaginings and variations on this basic model that have paraded through the literature, the universities, governments and our societies generally and, having demonstrated their inapplicability or failure to come to grips with the real world issues, have faded into the background to be rapidly replaced by another equally implausible successor. Trickle-down, supply side, efficient markets, twin deficits and many more come to mind in this regard. Such problems for market theory are difficult enough to encompass when applied to commercial situations where at least some attenuated form of marketplace may exist, but become virtually unresolvable in areas of our shared lives where the predominant motivation for engaging in the activity centre

around our innate desire as a congregate species to work together to achieve shared goals, and to meet the nutritional needs of the most vulnerable among us and their basic needs for socialisation.

At least in some commercial market places assumptions might reasonably be made about the equality of information held by both sides to any transaction, although we do know that achieving complete comparability of knowledge is virtually unattainable. That knowledge uniformity unquestionably does not occur in a “market” in which the purchaser is a vulnerable, possibly dementing or elderly confused, individual without the capacity to acquire even the most basic of information necessary to engage meaningfully in the proposed transaction, and where a regulatory environment surrounding that transaction changes fundamentally the market dynamics in any case.

That problem is compounded even further if we look at how markets actually work, rather than how the theory says they do. The expenditure by both businesses and governments on advertising amount to many billions of dollars a year and that advertising is aimed very specifically to ensure that people do not rationally self-maximise, but engage in emotional decision-making that responds to a wide range of messages that could only with great torture of the language, be regarded as rational. Rationality is simply not a part of the art of advertising and salesmanship, and never has been.

Given then that, due to the influence of advertising in promoting non-rational decision-making and the vulnerability of the “customer” group that are the major client of home care services, the odds are heavily stacked against the possibly frail, confused older person, deprived of other sources of reliable information that might combat the effect of that persuasion, actually being able to negotiate on a level playing field with potentially large and well-resourced private profit making organisations likely to enter the “market”, were it to be thrown open. That tends to suggest that were a number of these services to be exposed to real world markets, as opposed to those which form the basis of economics texts, the likely outcome will be exploitation of the vulnerable. The entry of private operators that are, from widespread experience in the real world, more likely to rip-off the client through only partly understood contractual agreements and confusing sales tactics and the cherry picking of the most profitable clients and areas, which will exclude much of rural and remote NSW, are likely to lead to an increasing incidence of very public scandals around such activities. In other words the outcome for the direct clients is more than likely to be worse and the cost more than likely to be higher to the ultimate client, which is the government that is paying the bills. And this does not even take into account the impacts such a development will have on communities, as has been demonstrated by not dissimilar experiences in the UK around the provision of Meals on Wheels services, where valuable social capital has been destroyed.

A further complicating factor in the real world is that the providers of such services now do so, to a greater or lesser extent, using volunteers. Meals on Wheels is a classic case in this regard as we marshal tens of thousands of Australian citizens in providing support to other citizens on an entirely voluntary basis. Those volunteers are a symptom of what might be regarded as an important indicator of a healthy society and civitas. They undertake some very important functions within any community, apart from the specific work that they undertake. We have all become aware in more recent times of what is called social capital. That is a vital set of relationships of trust and reciprocity that underlies functional communities. We know that where social capital is high interpersonal violence, criminality, drug taking, mental and physical illness and suicide have a much lower incidence and cost those communities vastly less than where social capital has declined or disappeared. Volunteering is about strengthening that social capital, which can in economic terms, be equally if not more important than physical and financial capital in making for a healthy environment for dynamic economic activity and growth.

That suggests that every effort should be made by the community itself and by government, to foster and protect that volunteering spirit and effort. Were a competitive environment to be introduced into say Meals on Wheels, there would be likely to be a number of negative consequences that would more than likely outweigh any benefits achieved. It is banal to point out that delivery of Meals on Wheels by volunteers to vulnerable members of their local community has major benefits to both the clients and to the volunteers themselves. Our research has demonstrated that a key factor for the client is not just the meal, but the development of a relationship between often isolated individual clients and the volunteer. It is also a commonplace in our network for volunteers to play a key role in maintaining a caring watch on those clients to see when they are in need of other services to ensure that they receive those. Both of these functions perform a vital role in maintaining the health and well-being of the client. This prevents premature entry to expensive residential aged care or acute hospital care. In the course of volunteering often over many decades these volunteers, and there are nearly 80,000 around Australia involved in Meals on Wheels, have developed strong loyalties to the service, which they often played a significant role in establishing. Should a competitor enter the scene and, as commercial organisations always do if they have the resources to do so, reduce prices substantially to get market share, those services may be forced to close their doors. That would leave the scene open to exploitation by the remaining provider, and there is not likely to be more than one in most areas as the number of clients involved in most areas is insufficient to sustain any more.

There have been many instances in such cases, and the UK is a good example, where the private operator, having replaced the local volunteer run organisation discovers there is insufficient money to be made and has then deserted the market. By that time the volunteers that ran the original service have departed to do other volunteer work and are not available to ensure that the vulnerable clients who have

been deserted by the commercial operator can receive their meals. That, as in the UK, has led to a vast increase in the admission of older, malnourished people to acute hospital care or to expensive residential care. That could not, in any language, be described as an optimal outcome from any point of view.

A broader and more informed view of the sector might well identify opportunities to introduce a form of competition and contestability into an area like Meals on Wheels, not at the provider end, but at the supplier end. NSW, in recognition of the need to provide real choice to clients, has been introducing a series of distribution centres around the state. These react in a more directed and more focussed way to the need to provide choice without compromising the volunteer base of the organisation and the client support that they provide. The question that arises is what is the crucial aspect of choice for the client? Does the client want to have choice between half a dozen different suppliers of essentially the same limited range of meals, or are they seeking a greater choice in the meals and the opportunities for social connectedness within their community, that go with it? It seems to me that it is the latter that the client wants. That is substantiated by the fact that when the initial distribution centre opened in the Hunter region of NSW, the number of clients in virtually all the services accessing the distribution centre, which either had remained flat or decreasing prior to the centre being established, increased.

The distribution centres enable a far greater choice of meals (up to 180 in our Newcastle distribution centre) and enable better pricing outcomes as suppliers compete to supply the distribution centre, as well as better quality control, through the ability to influence supplier behaviour by their potential exclusion from the distribution centre. The distribution centres buy from a range of suppliers, who compete to gain access to the distribution centre. But that gives the local volunteer run service the ability to actually provide the wider choice of meals along with the social interaction and the monitoring of client health and well-being.

The foregoing suggests to me that block funding of such services, along with encouragement of the development of a network of distribution centres, may be one good model amongst others that meets the needs of the clients, the volunteers, the government and the community generally. I would not suggest it to be the only model as variety in models within a sector driven by co-operation will ensure the spread of the successful models and the withering of the unsuccessful ones.

My principal concern is to arrive at a solution that actually improves outcomes for the clients and for that vast pool of volunteers that form at least a significant part of the glue that binds successful communities together, and at a low economic cost to government.

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