



Australian Government

Department of the Prime Minister and Cabinet

Submission to the Productivity Commission Review of Human Services

Indigenous Affairs Group (within the Department of the Prime Minister and Cabinet)

Introduction

Indigenous Affairs Group (IAG) of the Department of Prime Minister and Cabinet welcomes the opportunity to make a submission to the Productivity Commission's Review of human services. This submission is from the perspective of IAG specifically, rather than that of the broader Department.

IAG has a particular interest in the effective functioning of human services:

- Overall, Australia's Aboriginal and Torres Strait Islander population are more intensive users of services delivered (directly or indirectly) by government;
- Since the Council of Australian Government's Closing the Gap target were set, progress has been mixed. In areas where progress is not on track, there is a need to question approaches to the delivery of services and underpinning strategies, for example, employment services and programs;
- The proportion of remote/very remote Australia's population comprised by Aboriginal and Torres Strait Islander Australians means that the quality and availability of service delivery in these geographies disproportionately affects Aboriginal and Torres Strait Islander service users; and
- Approximately seven per cent of Indigenous Affairs expenditure is administered by IAG.

While almost 80 per cent of Aboriginal and Torres Strait Islander Australians live in urban areas (2011 Census), there is also a significant regional and remote population. In the Northern Territory, almost 80 per cent of Aboriginal and Torres Strait Islander people are based in remote and very remote locations. Demographic projections suggest that the Indigenous share of the population will increase over time, particularly in urban and regional settings. Specific places, cohorts and contexts have unique service delivery challenges.

The Australian Government is committed to achieving better outcomes for Aboriginal and Torres Strait Islander Australians – wherever they may live – through the foundational areas of education, employment and safety. In the 2016 Closing the Gap Statement, the Prime Minister quoted 2016 NAIDOC Person of the Year, Dr Chris Sarra, in committing to 'working *with*' rather 'doing things *to*' Aboriginal and Torres Strait Islander Australians.

In support of this, place-based service design and delivery are important. While market principles are one way of supporting a place-based service approach, there are other possibilities. The applicability

of market principles to human services provision varies markedly across contexts and the type of service being delivered.

The Review's Terms of Reference make clear its focus on:

- *competition*;
- *contestability*; and
- *user choice*.

IAG agrees that these are good principles in well-functioning markets – to be used in ultimate pursuit of end goals which could be summed up as:

- *equity*;
- *efficiency*; and
- *effectiveness* (or further divided into *quality*, *responsiveness* and *accountability*, as described in the Issues Paper).

Where these end goals are catalysed by applying market principles, IAG favours the increased application of those principles – noting that equity should not only be considered in terms of the access people may have, but also the outcomes that are being achieved for highly disadvantaged users: for example, Aboriginal and Torres Strait Islander people.

Place-based service delivery

The Australian Institute of Family Studies (2015) describes place-based initiatives as 'programs designed and delivered with the intention of targeting a specific geographical location and particular population group in order to respond to complex social problems'.

Place-based initiatives offer considerable promise in addressing complex and entrenched disadvantage that requires a multi-disciplinary and/or multi-agency approach and where other approaches (e.g. market based) have failed to make progress¹. Importantly, place-based approaches build community capacity to identify and develop solutions to issues. These approaches are also more likely to lead to sustainable improvements over the longer term.

We have tried different place-based models historically, learnt from doing so, and adapted our approach in response. Our Regional Network encompasses around 600 staff across based in more than 110 locations spanning urban, regional and remote Australia. It is the Commonwealth's primary implementation arm for Indigenous-specific programs and services. The Network manages relationships with more than 1000 funded community organisations and service providers across Australia and facilitates the communication between providers and Indigenous leaders, communities and other stakeholders to drive tailored service provision.

We are well-positioned to continue accumulating and acting on lessons from the field in pursuit of improved approaches to delivery. However, as IAG administers only around seven per cent of the Indigenous Affairs budget, it is important that mainstream departments and agencies and their networks are fully committed to improved service delivery and outcomes.

Market principles in practice 1: Competition

As noted in this Review's Issues Paper, in many Indigenous service delivery settings, especially remote/very remote, markets are not sufficiently well-developed that competition principles are

¹ One model may be to link welfare payments to self-help, participatory programmes, and community-driven projects and initiatives – in effect linking the welfare system to proactive approaches and sustained community outcomes.

readily applicable. In this case, the role of government is not only to act as market stewards – but also direct providers.

In the absence of strong, competitive markets, ways in which governments and providers can achieve user choice and better user outcomes include:

- working to instigate/develop markets where feasible (for example the Department is seeking to do this through support for emerging businesses under the Indigenous Entrepreneurs Package);
- working in partnership with individuals and communities – in cases where user choice in a market sense isn't available, providing users with the opportunity to state their needs is another way for them to influence the services to be delivered, or put in place community-based governance arrangements;
- support to build the capability of local organisations so that communities are able to self-service – for example:
 - Indigenous Community Housing Organisations (ICHOs) have historically provided community housing options for Aboriginal and Torres Strait Islander Peoples. Under the National Partnership Agreement on Remote Indigenous Housing and its replacement, the Remote Housing Strategy, the Commonwealth has provided funding to support ICHOs to comply with the national regulatory system, and to use and train local Indigenous people and businesses to build and maintain houses. States and the Northern Territory should continue their efforts in this area to build opportunities for local organisations to manage their housing;
- a strong focus on provider performance/accountability, which is more important where users do not have alternate provider options;
- taking contracts to competitive selection, rather than simply providing services directly or on a preferred-provider basis; and
 - providing the flexibility to split contracts so that smaller, place-based service providers apply to undertake for portions of work appropriate to their size and geographic circumstances.

In urban and well-served regional settings, the story is different. Aboriginal and Torres Strait Islander people frequently use the same services as non-Indigenous Australians, although there are exceptions – for example many urban Indigenous people prefer to utilise Indigenous-controlled primary health care. Market principles which can be usefully applied to mainstream services will affect Aboriginal and Torres Strait Islander populations in broadly similar senses, with the crucial proviso that services will be more effective and provide better user outcomes where Indigenous-targeted or -adapted services are available.



The Commonwealth Government is successfully acting as a market steward in the case of the Indigenous Procurement Policy (IPP). This is a program aimed at improving both the demand for, and indirectly the supply of, Indigenous enterprise. The IPP commenced on 1 July 2015. The policy placed three requirements onto each of the 19 Portfolio agencies:

- A target number of contracts that need to be awarded to Indigenous businesses.
- A mandatory set-aside for Indigenous businesses to apply in certain situations.
- Mandatory minimum requirements for Indigenous employment and Indigenous supplier use applying to certain high value Commonwealth contracts.

In response, in the first 11 months of the IPP the Commonwealth awarded 993 contracts, valued in total at \$195.8 million, to 282 Indigenous businesses. This is more than 31 times the value of Commonwealth procurement with Indigenous businesses in previous years.

In adopting the IPP, there have been numerous examples of Commonwealth Procurement Officers changing purchasing processes to accommodate the capability and capacity of specific Indigenous businesses. This has included the splitting of national contracts to suit the capacity of small Indigenous businesses and the partnering of Indigenous businesses with established businesses to build their capacity.

It is possible that such a model of market stewardship could be applied to human services.

However, market principles must be applied on a case-by-case basis. Historically, a competition policy has not worked in employment services in remote Australia. When Job Services Australia (the precursor to *jobactive*) was a national program, multiple providers serviced regions. In remote Australia this led to conflict in communities and often market failure. As a result, under the Community Development Program single providers are allocated to each of the regions.

In terms of human services provision, governments may need to ensure that there are appropriate incentives attached to servicing the Indigenous population. There is a risk that if appropriate metrics for quality and appropriateness of services for Aboriginal and Torres Strait Islander clients are not in place (or if *inappropriate* metrics are in place), then specific Aboriginal and Torres Strait Islander user needs may be overlooked by potential providers. On the other hand, appropriate metrics are equally important in procuring service providers to ensure that appropriate providers are not prematurely ruled out.

Market principles in practice 2: Contestability

The benefits of contestability overlap significantly with those of competition. As the Issues Paper for this Review states: 'In a contestable market, the credible threat of competition can deliver some of, or even many of, the same benefits as effective competition.' The key additional benefit of contestability is that markets that are not sufficiently strong to engender competition can still be contestable. The Issues Paper suggests the example of increasing contestability by exposing services to tender. IAG has done substantial work in this area. For example, in job services:

- The Department of the Prime Minister and Cabinet is responsible for remote job services and administers these through the Community Development Program (CDP).
- The CDP delivers job services to around 35,000 people across 60 regions in remote Australia. 42 provider organisations have been engaged under funding agreements to deliver CDP. Of these, 65 per cent are Indigenous organisations.
- Funding agreements run until 30 June 2018, giving a clear timeline for providers to demonstrate effectiveness or alternative providers to successfully tender.

Nonetheless, servicing Aboriginal and Torres Strait Islander clients poses particular questions around contestability:

- What are the geographic barriers to contestable services, and where can they be overcome? There are both generic and case-by-case elements here.
- Where services are being delivered in urban and regional locations with lower proportions of Indigenous job seekers, how should services be structured, designed and monitored to minimise the risk of cherry-picking within cohorts?
- Do potential providers have appropriate cultural competence? If not, how can this be overcome?
 - Almost half of all organisations currently funded under the Indigenous Advancement Strategy (IAS) managed by IAG are Indigenous organisations.
 - Outsourcing to high-performing Indigenous organisations may be a cost-effective means of improving service reach to Indigenous clients and maximising cultural appropriateness of service delivery.
- What funding arrangements need to be in place to make being a potential participant in the market worthwhile?
 - There is a tension between guaranteeing funding for current providers to the extent that it is worthwhile for them to bid to deliver services, and providing the open field necessary to cultivate service improvement and efficiencies.

There are also trade-offs between competition and opportunities for collaboration that need to be carefully balanced.

Successful contestability relies on information: sufficiently well-mapped services and levels of citizen need. Providers, potential providers, and procurers (often governments) need a good sense of what services are in the field so as to procure or bid successfully. Similarly, we need to continue to build an evidence base of how to calibrate service settings. For example, we need to recognise the potential for conflict of interest that arises when job services providers earn more income when they have unemployed job seekers on their register, than when they find employment for those job seekers, undermining their core function.

Accumulating a detailed service map remains a challenge, especially since service provision is split between the Commonwealth, state, and local government services, as well as non-government organisations (NGOs) and community groups. However, without one, gaps and duplications in various service domains may not be readily apparent.

Finally, where providers are bidding for government contracts, the process for doing so must not be excessively onerous or bureaucratic. To the extent that it is, it will tend to entrench established providers with well-resourced administrative arms.

Market principles in practice 3: Informed user choice

To maximise the efficiency, equity, and effectiveness of service provision, it is important to have a client base who are aware of what services are available and how they can best take advantage of those services.

The Terms of Reference for this Review make explicit that the Commonwealth believes that clients are in the best position to judge for themselves what their service needs are. IAG agrees. However, to work ideally, this involves clients being able to:

- identify and articulate personal or community needs; and
- best match that need to the range of services on offer (and/or advocate for services' adaptation to fit specific needs).

The Terms of Reference note 'the particular challenges facing consumers with complex and chronic needs and/or reduced capacity to make informed choices'. This is disproportionately true of Aboriginal and Torres Strait Islander Australians. Remoteness adds to the burden. As an example, it may be hard for a person to articulate a need for occupational therapy for their child with disability if no such service has ever existed in their community.

As another example, Indigenous Business Australia (IBA) supports Indigenous Australians into home ownership. There are additional barriers for people in remote communities including land tenure, state planning laws and affordability. IBA regularly hosts information sessions around the country and in some cases travels to remote communities. IBA's programs support greater understanding of home ownership among a clientele with possibly limited exposure – the ongoing financial implications, legal arrangements and navigating regulation.

The onus is on government to ensure that citizens are appropriately supported to exercise choice, including through culturally appropriate information, advice, interpreter and other services. Where there is competition in the market, objective, easy to understand, and publicly available performance indicators can help users make informed decisions about which provider to utilise. In urban and regional areas, a star rating system supports user choice for *jobactive* and Disability Employment Services. Similar measures could be considered in other areas of human services, with robust and reliable performance data in areas that would be of interest to users. If well-constructed, these types of systems can have the added benefit of driving innovation and provider performance, and can be used to inform future procurement decisions.

Conclusion

IAG has consistently been of the view that governments have a role in cultivating service provision that serves the particular needs of Aboriginal and Torres Strait Islander Australians. It is a current focus of the Commonwealth to consult with Indigenous service users and providers in a wide variety of contexts, so providers can offer the most equitable, efficient and effective services to Aboriginal and Torres Strait Islander Australians. We encourage the Productivity Commission to take the value of this approach into account.

References

Productivity Commission (2016). Human Services: Identifying sectors for reform (Productivity Commission Issues Paper), Canberra.

Wilks, S., Lahausse, J., & Edwards, B. (2015). Commonwealth Place-Based Service Delivery Initiatives: Key Learnings project (Research Report No. 32). Melbourne: Australian Institute of Family Studies.