**Introduction**

The Productivity Commission was asked by the Treasurer in early 2016 to examine ‘whether the effectiveness of human services could be improved by introducing greater competition, contestability and informed user choice. Commencing in April 2016, the inquiry followed a recommendation of the Competition Policy Review that governments should, wherever possible, put user choice at the heart of human service delivery as users are best placed to make choices about the services they need (Competition Policy Review 2015).’

The CPSU in its initial submission raised concerns about the starting premise of the Commission’s Terms of Reference. Specifically, we noted that the directions ‘are deeply flawed for two reasons. First they do not require any consideration of the evidence of the current effectiveness of government provision of human services. Second, the solution to improve effectiveness is to privatise some public services. The apparent question is what public service(s) to privatise, rather than asking how effective are current services, where improvements are needed and, what might be the best way to achieve them’.

We reiterate our position in the July 2016 submission that we ‘would welcome a genuine, evidence-based discussion about this and other aspects of public service delivery. But the Turnbull government and the Productivity Commission’s inquiry to justify further privatisation of public services is a farce, and an effort to push an agenda which benefits business at the expense of our community’.

Stage 1 was to identify ‘services within the human services sector that are best suited to the introduction of greater competition, contestability and user choice’. Those which were proposed during Stage 1 were social housing, public hospital services, specialist palliative care, public dental services, human services in remote Indigenous communities, and grant-based family and community services.

These sectors remain recommended in the Issues Paper released by the Commission in December 2016. The Commission proposes in Stage 2 to identify reform options that improve the effectiveness of service provision using the overarching framework of ‘effectiveness’, which the Commission suggests incorporates ‘the attributes of quality, equity, efficiency, responsiveness and accountability.’

This submission does not seek to address each question raised by the Productivity Commission in the Issues Paper. Nor does it address each of the six areas. Rather, it focuses first on broad concerns about the approach and underlying assumptions and second, provides some detail in the following sectors where our members work: social housing, public hospital services, public dental services, human services in remote Indigenous communities.

**Broad concerns about the approach and underlying assumptions**

As we noted in our previous two submissions, the CPSU is firmly opposed to the introduction of further competition, contestability or ‘user choice’, which are Trojan horses for the further privatisation and marketisation of public services. As we have argued in our previous submissions, evidence leads us to conclude that:

- Public services are not suitable for privatisation

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• Greater funding is the solution to current problems
• Privatisation does not lead to increased competition, but market consolidation
• Privatisation does not increase user choice
• Privatisation does not improve the quality of service provision
• Profit-focus adversely affects quality by lowering wages and conditions
• The role of the public sector is necessarily much broader than contract manager
• The public sector provides protections including accountability and data security
• There are areas of service where investment in both human and physical infrastructure are needed. This investment is the responsibility of government to ensure effective provision of public services.

Further, we argue that ‘government stewardship’ is a concept being used by the inquiry to obfuscate the real reasons for privatisation failures: it’s not a case of designing contracts more cleverly or having more regulatory oversight. Failures in privatised services are an inevitable result of introducing the profit motive into public service delivery.

The CPSU is concerned that the Productivity Commission issues paper again raises the possibilities of increased outsourcing to the not-for-profit sector as an option for reform. While the CPSU appreciates the important role not-for-profits organisations play in our community, we believe that further outsourcing and increased ‘competition, contestability and user choice’ in the sector will erode ‘social capital’ and not benefit service users. We note the academic research in this area which has examined the impact of increased service provision by not-for-profits funded by government grants and contracts to deliver public services. This research has found that privatisation/outsourcing to not-for-profits leads to a loss of social capital and those unique characteristics which connect not-for-profits with the community. The impacts of privatisation/outsourcing have seen not-for-profits:

- lose their independence and their advocacy roles\(^3\) with some organisations being contractually prevented from criticising government policy\(^4\); 
- experience ‘mission drift’ and ‘role distortion’ – moving away from what their stated purpose is and taking actions in the interests of their organisation which are counter to the organisation’s ethics\(^5\) and sense of altruism\(^6\); 
- become more competitive and concerned about their own survival over cooperation with other not-for-profits\(^7\) and the provision of the service to the community\(^8\); 
- experience funding uncertainty through the implementation of individualised funding models\(^9\); 
- promote and advocate for further outsourcing of public services, regardless of whether it is good for the community or not\(^10\); and

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\(^7\) Fitzgerald et al., “The Restructuring of WA Human Services and Its Implications for the Not-for-profit Sector,” 514.

\(^8\) *Ibid.*, 518.

• exhibit a tendency to become corporatised\textsuperscript{11} and appoint managers from a business background over those with experience in the not-for-profit sector\textsuperscript{12}.

The CPSU believes that the wider community loses out through the outsourcing of public services to not-for-profit organisations through:

• a further deterioration in the already poor employment conditions of not-for-profit workers\textsuperscript{13} despite the need for them to be highly skilled\textsuperscript{14};
• the introduction of direct client funding that employs workers on common law contracts with no Award, union representation, and unfair dismissal protections\textsuperscript{15};
• losing diversity of not-for-profit service providers as government policy tends towards favouring larger organisations which end up crowding out the smaller organisations\textsuperscript{16};
• governments outsourcing to not-for-profits as a precursor for outsourcing the service to a for-profit corporation\textsuperscript{17}, and
• no demonstrated improvement in the performance of not-for-profit service providers in Australia from perspective of both users and employees\textsuperscript{18}.

The introduction of further ‘competition, contestability, and user choice’ and further outsourcing of public services to the not-for-profit sector will be detrimental in terms of service delivery to the public, wages and conditions of workers, and will lead to a deterioration of social capital in the sector.

\section*{Social Housing}

The Commission is exploring ‘making the management of social housing more contestable or competitive.’\textsuperscript{19} The Commission notes that ‘four in five social housing properties in Australia are managed by governments and have not been subject to contestable arrangements to select alternative providers (or demonstrate that the government provider is best placed to improve outcomes for tenants). Increasing the contestability of social housing could increase incentives for providers to respond to the needs of households, which could increase the effectiveness of social housing.’\textsuperscript{20} The CPSU represents the workers in all state and territory housing departments, and our members are strongly opposed to any option for reform which introduces further contestability and competition into the social housing sector, including transferring the management of housing to the community sector.

\textsuperscript{10} Cook, Quirk, and Mitchell, “The Impact on Community Services of Staff and Service Reductions, Privatisation and Outsourcing of Public Services in Australian States,” 165.
\textsuperscript{11} Fitzgerald et al., “The Restructuring of WA Human Services and Its Implications for the Not-for-profit Sector,” 512.
\textsuperscript{12} \textit{Ibid.}, 515.
\textsuperscript{13} Rainnie and Fitzgerald, “Putting the Public First? Restructuring the West Australian Human Services Sector,” 109.
\textsuperscript{14} Fitzgerald et al., “The Restructuring of WA Human Services and Its Implications for the Not-for-profit Sector,” 513.
\textsuperscript{15} \textit{Ibid.}, 516–7.
\textsuperscript{16} \textit{Ibid.}, 512.
\textsuperscript{17} Al Rainnie and Scott Fitzgerald, “Putting the Public First? Restructuring the West Australian Human Services Sector,”: 116.
\textsuperscript{18} \textit{Ibid.}, 119.
\textsuperscript{19} Productivity Commission 2016: 17.
\textsuperscript{20} \textit{Ibid.}
There is not sufficient evidence to show that the community housing sector can provide a better service than government; as the Commission notes, evidence that community housing providers perform better than public providers ‘should be treated with caution, given that community providers are often responsible for managing newer, higher-quality properties.’

Significant reform of the social housing sector was introduced in 2009 with the National Affordable Housing Agreement (NAHA) and associated programs, with the objective of transferring social housing assets to community providers. Housing Ministers agreed to develop a large-scale community housing sector, comprising up to 35% of all social housing by July 2014. The Commonwealth has agreed to provide Commonwealth Rent Assistance (CRA) to community housing and Aboriginal housing tenants, whereas public housing tenants are not eligible for CRA. In addition, up to 80% of new housing stock constructed under the Social Housing Initiative (SHI) – part of the Nation Building Economic Stimulus Plan – would be transferred to community housing providers, and up to 50% would also have title transferred.

Prior to 2012, the bulk of transfers of social housing to community providers have occurred as part of that initiative. Across Australia, 21,279 public housing dwellings were transferred between 1995 and 2012, with significant increases since 2007, the vast majority of which were management outsourcing initiatives in New South Wales. Until recently, many transfers in Australia had involved either vacant properties or the transfer of titles for homes already under CHP management. Only in New South Wales had substantial transfers involved the homes of existing public housing tenants.

Between 2010 and 2012, 10,800 properties developed under the SHI program were transferred to community housing providers, approximately 5,000 of which were transferred with title and the remainder with management rights only. This represented approximately 3% of the total public housing stock in Australia. In addition to this, three states and the Australian Capital Territory had transferred stock prior to the SHI. Only New South Wales and Victoria had transferred titles, with all other transfers being management contracts only. In all across these three jurisdictions 10,500 dwellings were transferred prior to the SHI, with 1,000 of these involving transfer of title.

Since 2012, however, this pattern has changed drastically, with a wave of new, larger-scale transfers involving the management outsourcing of tenanted properties. New South Wales, South Australia, Tasmania and Queensland have all announced large-scale transfers of public housing to the community housing sector.

The Productivity Commission’s recent Report on Government Services 2017 shows that the number of public housing dwellings has gone from 339,771 in 2007, down to 320,041 in 2016. Meanwhile, community housing dwellings have gone from 34,672 in 2007 to 80,225 in 2016.

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22 Australian Government, ‘Roles and responsibilities in housing and homelessness’, Reform of the Federation white paper: issues paper 2, Department of the Prime Minister and Cabinet, December 2014: 18.
24 Ibid., 5.
From mid-2017, the tenancy management of 4000 public housing properties in South Australia will be transferred to community housing providers. This follows the transfer of 1100 houses to community housing providers in 2015.27

New South Wales will also transfer the management of a large number of properties to the community sector this year: Family and Community Services (FACS) will transfer, on a long leasehold basis, management of approximately 18,000 properties. Currently more than 28,000 (19%) of social housing in NSW is managed by community housing providers, and this transfer will deliver on the 2009 COAG agreement to transfer up to 35% of housing to community providers.28 The NSW government has recently announced large-scale public housing department job losses and office closures in the mid North Coast, Hunter New England district (excluding Newcastle and Lake Macquarie local government areas), Northern Sydney District (excluding the Ivanhoe estate), and Shoalhaven Local government area. These closures and job losses, due to the transfer of properties to the community sector, are not being spread evenly across the state, instead everything will go in these four regions which will have a devastating impact on the local communities. The Nationals MP for Coffs Harbour (mid North coast), Andrew Fraser, has said: ‘Why its happened [the selling-off of Housing NSW] is we were the most efficient area in the state and therefore more attractive for community service providers to pick up the contracts.’29 Tenants in the mid North Coast are concerned about what the job cuts and office closures will mean for them, fearing rent increases and long delays for maintenance and support.

As the NSW case indicates, the transfer of properties to community housing providers has not and will not increase ‘user choice’ for tenants. Tenants are simply notified that their property will be transferred to community provider X, with no option to stay with the public provider. For example, currently South Australian housing tenants can apply for a ‘tenant exchange’ to swap their property with another HousingSA tenant on a long-term lease. With the transfer to community providers, however, tenants have been notified that ‘tenant exchange applications of tenants transferring to a community housing provider will be cancelled at the time of transfer. While the new community housing providers will not be required to offer a tenant exchange program, they may decide to do so.’30

State governments categorise households according to housing need. For instance, the Housing SA website states that ‘most providers give priority to households with the highest housing needs. Households with highest needs are offered housing ahead of other households.’31 The categories are as follows:

- **Category 1**: People in urgent need of housing and have long term barriers to accessing or maintaining private housing options.

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29 News bulletin, Channel Seven, 7 February 2017, https://www.youtube.com/watch?v=89wCJ_5mmV8&feature=youtu.be
• **Category 2:** People who are not currently in urgent housing need but have long term barriers to accessing or maintaining private housing options or those who meet the needs test.

• **Category 3:** People who don’t have urgent housing needs or long term barriers to other housing options.32

While community housing providers must select Category 1 clients, our members report that the community sector often ‘pick and choose’ to avoid taking high-needs households from that category as they are more difficult to house and more difficult to support. If the Commission is advocating that the community sector take on the management of even more public housing, it must closely examine how the community housing sector are currently choosing their tenants, and the question has to be asked: what happens to those clients the community sector refuse to take on? The public sector cannot be a last resort left to deal with the most difficult cases, while the community sector cherry pick the least difficult and least costly cases – this is a false economy.

Finally, public housing departments around the country, with their highly skilled and experienced workers, are best placed to assist public housing clients. Public housing departments have developed robust processes to best service tenants that include housing officers in the first instance, tenancy practitioners and social workers to offer further support, and team leaders who can offer support in more difficult cases. These workers have highly developed networks with other government departments and niche community service providers to offer further support to the tenant. Although community housing providers have dedicated and passionate staff, compared to public housing providers, these organisations do not have the processes, resources, and the range of specialists available to best support tenants.

**Public hospitals**

The CPSU represents workers in public hospitals in South Australia and Tasmania, and workers in health departments in all states and territories. The Commission has found that the effectiveness of service provision in Australia’s public hospitals compares well to other comparable countries in terms of quality, equity, efficiency, responsiveness and accountability.33 We agree that there is room for improvement, but the comparably good outcomes public hospitals are already achieving suggests that radical change is not needed. Instead, like public dental services (see below), public hospitals would benefit from more funding and resourcing to keep up with demand. Directing this funding and resources to preventative health programs and measures, rather than focusing just on curative measures, is likely to be more cost effective and lead to better health outcomes in the long term.

The CPSU rejects the Commission’s suggestion that introducing contestability in public hospitals will improve service. We point the Commission to the story of St John of God hospital in Midland, Western Australia, as a disastrous example of contestability in public hospitals. The state government negotiated a contract with St John of God Health Care to operate a new health campus, which opened in 2015. Due to the organisation’s Catholic faith, they refused to provide reproductive procedures, including abortion, sterilisation, and contraception. The WA government was subsequently forced to come up with a way to provide the additional services, which would require a referral from St John of God hospital. In early 2015 it was announced they would pay Marie Stopes International, which runs a private clinic nearby, $500 000 a year to perform reproductive procedures on public patients - in addition to the $1.2 million the government spent to upgrade the

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32 Ibid.
33 Productivity Commission 2016: 19.
facility to ensure it met hospital standards. This is a classic case of privatisation leading to costly, disjointed, and ineffective services.

Utilising contestability as a method to replace the management team of hospitals will not improve the effectiveness of service delivery. Pressure placed on managers is too often simply passed down the chain, leading to workload pressure and bullying of staff. This has a detrimental impact on our members, and will not lead to better outcomes for patients.

**Public dental services**

Public dental services provide essential care primarily to children and those for whom private dental services are out of reach. The CPSU represents workers in public dental and health departments in the states and territories. Access to public dental services is not consistent across the States and Territories. In most cases children and holders of pension and health care cards can access services, although the services and waiting times differ. Similarly, access to emergency care varies. In the Northern Territory, for example, emergency care is available to remote residents, more than 100km from the nearest health service needing emergency dental care without access to private dental services. In contrast, emergency services are available to all ACT residents.

The delivery of dental services is flexible and innovative. In the NT, where a significant proportion of the population lives in remote communities, access to public dental services is vital. The NT government has undertaken training of dental assistants in some communities, and formed partnerships with Aboriginal corporations to increase access to services. The government, in partnership with Child Australia provides an Indigenous Liaison Officer resulting in ‘a marked increase in primary school children having completed comprehensive dental examinations.’ The high cost of providing these services both in terms of infrastructure and labour, it is questionable whether the private sector could adequately step in to ensure that services are delivered and in fact, improved.

In the ACT, residents in aged care facilities have access to a Mobile Dental Clinic. In 2015, the clinic visited 16 aged care facilities and provided dental care to 532 clients and 2,232 services, ranging from preventive to restorative and denture services. Similarly, children with special needs have a specific dental service in collaboration with ‘ACT Special Schools and includes health education, dental assessments and treatment and family support. Since the service commenced, 175 children received oral health assessments and treatment and 32 groups received oral health education’. Both these vulnerable groups are easily excluded from accessing private services.

The ACT public system is performing well. For example in 2015/16 ‘ACT Health assessed 100 per cent of emergency dental clients within 24 hours and saw a lower than the national result in the Decayed, Missing, or Filled Teeth (DMFT) index at ages six years and 12 years. The DMFT index at six years in the ACT was 1.03, compared to the national result of 2.13. At 12 years the ACT result was 0.70, compared to the national result of 1.05’.

CPSU members in the ACT have commented that the ACT public dental service would benefit from better resourcing to reduce the reliance on private clinics. They suggest that there are incidences of overbilling – for example clinics billing government for several hours of work when only minor dental work was required or, billing government for work that the client says was never done. CPSU

36 Ibid., 7.
members report that this overcharging is revealed when audits are undertaken of the invoices provided by private clinics. They suggest that 1) more work be undertaken by government dental clinics and 2) where private clinics are used for overflow work, funding is provided to ensure proper, ongoing auditing to identify and eliminate any fraudulent activities.

As we have suggested above, dental health is another area in which the investment of additional resources would be beneficial to prevent further spending in the future. Several studies have linked poor oral health and systemic diseases, highlighting the urgency of addressing dental problems early. The publicly-provided school dental service in Western Australia, which provides dental care and education to all children (at public and private schools) from the age of 5 – 17, is a great example of public investment in preventative health measures. The CPSU recommends that more resources are invested in school dental services in order to reduce wait times and ensure every child is serviced (not just those identified as requiring treatment, as in NSW), and that the school dental service in each state be publicly provided. This will lead to better public health outcomes in the long term, and is likely to long term reductions in public health spending.

Further investment is required in dental health to reduce wait lists. A recent study of public dental waitlists in all states examined dental waitlists for routine dental care and modelled the total workforce and financial commitment that would be required to eliminate current waitlists. The study notes that ‘the demand for dental services exceeds the capacity of State and Territory public dental services to provide treatment, resulting in waiting lists, with historical wait times of 27 months reported’.

The study concludes that the cost of eliminating current dental waitlists by contracting the work out to private clinics is likely to be $111 415 509 including patient co-payment, compared to $46 648 502 if the work was carried out by government-employed dental teams not undertaking any other activities except treating patients on the waitlist. These figures make it clear that the cost-effective solution is not to outsource dental services in order to reduce waiting list times.

Given the breadth of services to those most in need, and the clear ability of those services to be delivered effectively and efficiently by the public sector, the CPSU questions why public dental services are being broadly considered by the Productivity Commission in this Inquiry. Rather than exposing dental services to commissioning or contestability, funding should be provided to allow proper public provision of services, a reduction of wait lists, and detailed auditing of any overflow work undertaken by the private sector.

**Commissioned family and community services**

The CPSU represents people who deliver family and community services at the state, territory, and Commonwealth levels of government around Australia. Our members are firmly opposed to further privatisation of family and community services, to the for-profit or not-for-profit sector. Our submissions have outlined the negative impact of privatisation on the community organisations themselves, and a decline in service quality for the public.

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38 Ibid., 278.
39 Ibid, 280.
The chaos of the Out Of Home Care (OOHC) child protection system around Australia is evidence of the failure of outsourcing human services to the not-for-profit and for-profit sector. The figure below shows the providers in the OOHC sector in the states and territories:

The Four Corners program that aired on 14 November exposed the neglect and abuse occurring in privately-run residential care facilities where the most vulnerable children in our society live. As state and territory governments have privatised residential child protection facilities over the past few decades, it has become big business – for profit and not-for-profit providers alike. Four Corners exposed the price-gouging of providers such as Life Without Barriers, Premier Youthworks, and Safe Pathways who can charge governments up to one million dollars per child in care. This money does not trickle down to the children, however, with cases of children not receiving enough food or clothing, or other supports such as therapists or clinicians. The money does not trickle down to staff, either, with reports of underpayments of staff, inadequate training and support, and dangerously low staffing levels.

We contend that ‘improving commissioning arrangements’, as the Productivity Commission suggests, will do nothing to improve outcomes for service users. Instead, family and community services such as OOHC should be provided by government and be properly funded.

**Human services in remote Indigenous communities**

The CPSU represents many of the workers who deliver services to remote Indigenous communities, and we represent workers in the Commonwealth Department of Human Services who provide support to remote Indigenous communities around Australia. Regardless of geographic location, and population base, the CPSU believes people should be entitled to the same level of service provision.

In 2009, the Australian government adopted the UN Declaration of the Rights of Indigenous Peoples. The Turnbull government has since noted that it wants to work with remote communities rather

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than simply provide services for them. Given the stated intention of the Prime Minister and the complexity of service delivery in remote communities, the CPSU believes that the public sector is best placed to work with communities to achieve the outcomes in the UN Declaration.

Specifically, any changes proposed by the Productivity Commission must ensure that community members who are ‘work for the dole’ participants are properly trained and paid award wages for any work undertaken. For example, where private contractors vacate the field in housing maintenance, the community members undertaking that work must be properly trained, including relevant certifications and properly paid to do required maintenance work.

People who have returned to traditional homelands are often those who were forcibly removed from these lands. As acknowledged by the UN Declaration, they have a right to live on their land and be provided with services to enable them to do so. While we acknowledge that this may be at a significant cost to government, these people and their families have suffered at the hands of government and we need to ensure appropriate steps are taken to nurture and maintain Aboriginal and Torres Strait Islander Peoples connection to country, land and culture.

We acknowledge that there is a need for innovation in the delivery of services in remote communities. Innovation should include sustainability; especially in terms of essential services like water and power.

In order to understand the complexity of service delivery in remote communities, and hopefully not make the same mistakes of previous reviews and reform attempts, we seek that the Productivity Commission undertake detailed consultations in remote communities before finalising any proposals to change service delivery.