



## Response to the Productivity Commission Issues Paper June 2016

### Introduction:

This submission has been prepared by four independent, not-for-profit, community service providers, based in the regional Victorian city of Shepparton.

The four providers are:

- The Bridge Youth Service: a specialist youth support provider.
- Connect GV: a major provider of disability services in the Goulburn Valley.
- FamilyCare: a major regional provider of child and family services and carer support.
- Primary Care Connect: the Goulburn Valley's community health provider.

Our regional operations bring the submitting agencies into frequent contact and there is regular overlap of our service users. In mid-2015, the agencies agreed to create a more structured collaborative framework with assistance from the Helen Macpherson Smith Trust. This work will shortly culminate in the signing of a cooperative agreement, with our network referred to as Shepparton Community Share. Further reference to this development work will be made in response to the questions in the Issues Paper to follow.

All four agencies provide services to vulnerable and disadvantaged people, some of whom experience multiple and entrenched disadvantages.

It is the needs of vulnerable and disadvantaged service users that were our focus in preparing the following comments.

***The Commission is seeking participants' views on what constitutes improved human services. Do the concepts of quality, equity, efficiency, responsiveness and accountability cover the most important attributes of human services? If these are the most important attributes, how should they be measured or assessed?***

We have no objection to the listed attributes. They are not necessarily the only, or most important attributes of human services.

As noted in the introduction, the four Shepparton not-for-profit agencies that have collaborated to prepare this submission all provide services to people who are vulnerable, disadvantaged, or both. Some of the people who access our services experience severe and persistent disadvantage. It is these people who require our most careful attention and are the least likely to be effectively acknowledged or comprehensively served solely through reliance on the attributes listed in the Issues Paper.

The true test of effectiveness for a human services framework is how it deals with the most difficult issues. The attributes required to respond to multiple disadvantage, structural unfairness and exclusion are not easily translated into market terms. They are instead concepts that mark boundaries between what a society believes to be an acceptable human outcome, from an unacceptable outcome.

Those concepts include:

- Human rights;
- Justice; and
- Community.

They might also be described as foundation responsibilities of human services. Put another way, whilst not every human service will necessarily need to address human rights, justice or the building or maintenance of community, all human services and by extension human service providers, should carry a responsibility not to undermine those concepts.

***The Commission is seeking feedback on whether the factors presented in figure 2 reflect those that should be considered when identifying human services best suited to the increased application of competition, contestability and informed user choice.***

Figure 2, in its design and presentation, is heavily weighted to the presumption that market based reform of human services will be positive. References to less positive outcomes are referred to as 'costs'. Adopting costs as the measure is consistent with an economic conversation but as already noted, it is our view that human services requires a broader view.<sup>1</sup>

Most importantly there is no recognition that reform may cause harm. In our submission that failure should be addressed by adding a fourth column to the right hand side of Figure 2. The column might be constructed as follows:

Potential for increased competition, contestability and user choice to cause harm

Harm to Users

- Failure to recognise and address structural failures / unfairness

- Loss of trusted or specialised services

Harm across layers of government

- Inconsistency in policy messages and outcomes

- Deepening pockets of entrenched disadvantage

- Destruction of community / social capital

Harm to providers

- Squeezing out of competent, specialist providers

- Cherry picking of easier / cheaper services

- Damage to culture of sharing and collaborating

***The Commission is seeking participants' views on which human services have the greatest scope for improved outcomes from the increased application of competition, contestability and user choice. Where possible, this should be supported by evidence from performance indicators and other information to show the extent to which:***

- current and expected future outcomes — measured in terms of service quality, efficiency, equity, accountability and responsiveness — are below best practice***
- competition, contestability and user choice do not exist under current policy settings, or are not as effective as they could be in meeting the goals of quality, equity, efficiency, accountability and responsiveness.***

***The Commission welcomes participants' views on how best to improve performance data and information in the human services sector.***

Similar to the previous response, the request for input appears to presume positive outcomes in most instances. In our experience, there are many areas in which reform for its own sake, or based on a commitment to competition and contestability without assessing appropriateness, could lead to harm. We welcome the acknowledgement in the Issues Paper of several examples where care should be taken, including rural and regional communities and the potential for adverse impacts on volunteering. Examples such as these also rated brief mention in the Competition Policy Review which concluded in March 2015.<sup>2</sup> The brevity of the references does not indicate that the risks are well understood, or taken seriously.

Two of the four agencies making this submission, FamilyCare and The Bridge Youth Service, also participated in a joint submission to the Competition Policy Review in November 2014. A copy of that submission is attached. It provides a number of examples of specific risks in rural and regional communities.

The traditional approach in competition reform of compensating people who do not benefit at all or equally, will not assist in addressing reductions in the incentives for volunteering and other critically important community connections. The suggestion in the final report of the Competition Policy Review that such 'value-adds' could be recognised in contracting, fundamentally misunderstands drivers that cannot be translated into market incentives.<sup>3</sup>

In relation to the improvement of performance data and information sharing, we make the following observations:

- The disconnect between the effective collection and sharing of information is at its most extreme in the State / Commonwealth relationship. Service and support systems that have a vital role in ensuring health and wellbeing, especially for vulnerable and disadvantaged people, not only fail to connect effectively, they often work in opposite directions. Shepparton, was selected by the Commonwealth as one of ten trial sites for a series of welfare reform measures in May 2011 and provides a prime example of that disconnect. Commonwealth programs which purport to be beneficial, impose rules and obligations that may cause or exacerbate harm, which in turn impact on the demand for State funded crisis responses. Specific data about the impact of the trials in Shepparton and analysis of the local costs and benefits has been incomplete, or withheld entirely.<sup>4</sup>
- Efforts to understand and address duplicative and inefficient regulation and the resultant compliance obligations on not-for-profits has been piecemeal at best. Each of the submitting agencies support moves to more consistent regulation of charities and not-for-profits and in particular the development of the Australian Charities and Not-for-profit Commission. This work is in its infancy and a significant amount of our time is spent collecting and reporting the same information in different ways for different audiences. These are issues that competition and contestability will do nothing to address. They are however a considerable drain on the capacity of providers to focus their efforts on the needs of service users.

**Participants are invited to submit case studies of where policy settings have applied the principles of competition, contestability and user choice to the provision of a specific human service. Such case studies could describe an existing example or past policy trial in Australia or overseas. Participants should include information on the:**

- **pathway taken to achieve the reform**
- **effectiveness of the policy in achieving best-practice outcomes for quality, equity, efficiency, responsiveness and accountability**
- **applicability of the case study to the provision of human services in Australia if it is an overseas example.**

In response to an earlier question we provided some comment about the limitations of only considering quality, equity, efficiency, responsiveness and accountability as attributes of human services. Each are however important attributes that can be actively pursued and enhanced, without being driven by or tied to additional competition and/or contestability.

Each of the four submitting providers complies with at least one set of quality standards and in most cases several sets of standards, that significantly overlap. One common set of quality expectations that all four agencies are required to meet and have achieved compliance against, is the Victorian Human Services Standards (the VHSS).<sup>5</sup> The VHSS incorporates by implication all of the attributes in the Issues Paper. It goes further, requiring engagement with and commitment to understanding the needs of service users and making observations about delivering on advocacy responsibilities, both for individuals and groups of service users.

Some of the services we each provide are subject to competition and/or contestability. The existence of either does not make it more likely that we will effectively observe and pursue the listed attributes. Sometimes, competition or contestability undermine a commitment to those attributes, especially when it comes to collaborative activities. It is often observed that community not-for-profit providers share and cooperate in spite of competitive tensions rather than because of them.

The model of collaboration that has brought the submitting agencies together makes an interesting case study. We each cooperated to develop linked funding proposals to a Shepparton specific capacity building initiative conducted by the Helen Macpherson Smith Trust in mid-2015.<sup>6</sup> The total amount of funding spread across the four agencies was less than \$120,000. Whilst the resources were helpful, far more important was the creation of an authorising environment where we each chose to cooperate and share information because we wanted to. As noted in the introduction, that work is about to result in the signing of a cooperative framework, referred to as Shepparton Community Share.

We would be happy to provide the Inquiry with further information about these collaborative projects if it would be of interest. The most important message however is that we believe encouraging agencies and communities to work together is a much better model than requiring them to battle with each other for small and decreasing sums.

**The Commission is seeking information on which human services have these characteristics:**

- **service recipients are willing and able to make decisions on their own behalf and, if not, another party could do so in the best interest of the recipient**
- **user-oriented, timely and accurate information to compare services and providers can be made available to users so they are able to exercise informed choice or, if not, this could be cost-effectively addressed**
- **service recipients (or their decision makers) have sufficient expertise to compare alternative services and providers or, if not, this barrier could be overcome**
- **outcomes experienced by a service recipient and their family and friends in past**

It is very useful to be able to comment on issues related to user choice, separate to questions of competition and contestability. We believe that user choice can and should exist, whenever practical and where users wish to exercise choice. Choice is not simply a question about which service to access and on what terms. Choice can be exercised even where there is only one provider. It is also in our view more meaningful when choice is a vehicle for personal agency.

There are services provided by the submitting agencies that are compulsory, like for example services associated with the child protection system, or mandatory if service users wish to avoid further adverse consequences, like for example those which interact with the justice system. In our experience of delivering services, a focus on the mandatory elements, or the consequences of non-compliance is unhelpful for both service users and providers. Relationships tend to be far more positive and outcomes far more likely to be sustainable if service users are actively involved in setting goals and planning steps to reach those goals. The availability of incentives is a far better motivator than the threat of sanctions.

We would contrast these observations with the growing shift to conditional welfare obligations, where sanctions are imposed for non-compliance. Similarly programs that arbitrarily impose rules on access to and the use of welfare payments are expensive and show little evidence of positive change for participants or the broader community.<sup>7</sup> As a place-based welfare reform trial site since its selection in the May 2011 Federal budget, Shepparton community agencies have seen first-hand the limitations of reform measures that are poorly targeted and are more about compliance and sanctions than improving the lives of vulnerable and disadvantaged people. Our experience suggests that vulnerable and disadvantaged people are more likely to engage and find sustainable solutions when they can work with people they trust and have practical involvement in designing solutions relevant to their own lives.

***For specific human services, the Commission is seeking information on the nature of service transactions based on these characteristics:***

- ***the nature of the relationship between the service user and the provider***
- ***whether the service is used on a one-off, emergency or ongoing basis***
- ***whether the service can be provided remotely***
- ***the extent to which services to an individual can be unbundled***
- ***whether there is a strong case for the provider to supply multiple services to an individual with complex needs.***

The Issues Paper recognises that some service users face significant barriers to accessing services, that in turn impact on the design and delivery mechanisms adopted by service providers. The example referred to in the Issues Paper is rough sleepers. In our submission the greater the vulnerability or disadvantage and especially when there are multiple issues, competition and / or contestability are unlikely to assist and may in fact make things worse.

For example the paper does not explore, or acknowledge in any direct way how market based thinking might contribute to or exacerbate structural disadvantage and unfairness. Low income people are often the least likely to have market choices available to them. Where they exist, commercial options often seek to exploit users' disadvantage. An excellent case study of this tendency is the high-cost leasing market for essential household items, that routinely targets benefit recipients.<sup>8</sup>

Equally important when considering issues of complex disadvantage is the capacity and willingness of service providers to accurately reflect the experiences of service users and to advocate for structural improvements. There is an inherent risk in market models that the conflict of perpetuating service provision will drive provider behaviour. Why advocate for better outcomes for service users, when that might annoy the funder of the services, decrease the need for those services, or both?

**The Commission is seeking information on the supply characteristics of specific human services including:**

- **economies of scale and scope — in terms of costs and service quality — that may be lost by having a larger number of competing providers**
- **the potential for service provision to be made more contestable because there is capability beyond an existing provider that could pose a credible threat to underperformance**
- **whether there are barriers to providers responding to change, or new suppliers entering the market, that limit the scope for increased competition, contestability and user choice or, if they do, what could be done to address this**
- **technological change that is making competition and user choice more viable**
- **factors affecting the nature and location of demand, such as geographic dispersion of users, the distribution of demand among different types of users, particularly disadvantaged and vulnerable users, and anticipated future changes in demand.**

In keeping with the theme of this submission, our experience is that the human element of human service delivery increases in importance as the vulnerability and disadvantage of the service users increases. While scale and scope might be useful indicators of efficiency, they are poor proxies for effectiveness when dealing with service users with the most complex needs.

There are many examples we could provide in support of these views. Here are just a few:

- Young parents and their children, particularly teenage parents, often face multiple challenges in remaining safe, healthy and connected to community. In a rural and regional setting, the added dimension of locational disadvantage increases the complexity of situations that involve multiple risks. Having local services and supports available is critical. Their understanding of practical logistics and local connections can make the difference between effective support and crisis.
- In mid-2014 a major recommissioning exercise undertaken by the Commonwealth Department of Social services put thousands of community services at risk.<sup>9</sup> Few communities around Australia escaped impact and Shepparton was no exception. With limited understanding of local conditions, decisions were made to remove funding from services that had been effectively meeting needs for many years and to redistribute those funds to other activities not considered for genuine locational relevance. One such service was a mother-baby day-stay that filled an important regional gap. In the absence of a residential option in the Goulburn Valley removal of the day-stay service would have necessitated travel to Melbourne as the only service alternative. Fortunately community lobbying overturned the decision, with an extension of funding to mid-2017. Other important local services were not so fortunate and were forced to reduce services or wind up altogether.
- In a similar vein, recommissioning exercises that have centralised intake processes for mental health and alcohol and drug services, have caused chaos in the regional communities in which we operate. Rather than simplifying referral pathways for service users, the redistribution has slowed the process down and reduced the reliable availability of substantive service delivery. Assumptions about the willingness of service users to interact with telephone or web-based options have not been borne out. Especially in regional communities, service users value personal connections. Anecdotally, service user who lose their local connection often disconnect with service completely.

***For specific human services, the Commission is seeking information on:***

- ***the costs that consumers would incur by becoming more active in selecting the services they receive, adapting to changes in how providers supply services, and switching services when a decision is made to do so***
- ***the regulatory arrangements and other initiatives that governments would have to modify or establish as part of their stewardship role, including to inform users about alternative services and providers, maintain service quality, protect consumers (especially disadvantaged or vulnerable users) from being exploited, and to fine-tune policies in response to any problems that emerge***
- ***how the compliance costs faced by service providers will be affected by changes in government stewardship, and the adjustment costs that providers will bear in order to shift to a more user-focused model of service provision***
- ***the extent to which such costs are one-off or an ongoing impost.***

***The Commission welcomes information from participants on the costs faced by different types of providers, with different motivations and governance structures, when shifting to a more user-focused model of service provision.***

Throughout this submission we have made a number of comments about the particular needs of vulnerable and disadvantaged service users and our view that these needs are less likely to be effectively addressed by competition and contestability amongst service providers. This question focuses on demand side issues and seeks further detail on any additional costs or changes in behaviour required of service users as a result of reform.

Reforms in the coordination of aged care services and in preparation for the arrival of the National Disability Insurance Scheme (NDIS), provide us with relevant current service user feedback. We would summarise that feedback as follows:

- Single central entry and distribution points are only as useful as their genuine connection to local service options. Experience of the My Aged Care website and telephone options to date suggests that those links are not well established. That can be particularly problematic in rural and regional areas, where an understanding of local issues, like geography, access to limited public transport, local government boundaries and so on, is vital.
- The creation of incentives for a market to operate will not automatically lead to the existence of a market. Again, in rural and regional areas reliable access to a single service is often more highly valued than talking up choice where no choice exists.
- People in complex situations, or where service arrangements have been in place for some time, do not appreciate 'disruptive' policy changes. In fact they find them extremely stressful.
- The full roll-out of the NDIS will not occur in the Goulburn Valley until 2019. Many service users are angry and frustrated – not only with the delays in commencement but as much with confusion about what the scheme will require of them and how it will work. There are also significant challenges for providers as services undergo extraordinary change. For a clearly vulnerable consumer group, ensuring there is a workforce available is one thing but it will be just as important to ensure that workforce reflects an appropriate mix of skills and values.<sup>10</sup>
- Changes in eligibility rules, that make it harder to access and retain benefits is causing great stress in low to moderate income households. This is particularly the case in relation to eligibility requirements for Disability Support payments and additional obligations on families with young children to retain Parenting payments or on transfer to Newstart. The sense is that choice and empowerment is less important than cutting expenditure.

## **Conclusion:**

Community and not-for-profit providers are sometimes accused of advocating protectionism when arguments against competition are raised. Engaging with an Issues Paper that largely assumes positive outcomes will follow reform, when our experience of working with vulnerable and disadvantaged people suggests otherwise is difficult. The difficulty is underscored by a model that does not sufficiently recognise or value the role of civil society. This tension has existed in competition reform for decades, without effective resolution.

We appreciate the Commission presenting an Issues Paper first and recognising that there may be service areas where reform is inappropriate. Rather than producing a list of what is in and what is out, we encourage the Commission to reconsider the appropriateness of the framework it is applying to conduct its Inquiry.

As noted in our submission, our agencies believe the provision of human services involves broader social responsibilities. Failing to recognise those social responsibilities can cause significant harm to vulnerable and disadvantaged people.

Thank you for the opportunity to comment and we look forward to details about the next steps in the process.

### **On behalf of:**

**The Bridge Youth Service**

Melinda Lawley

CEO – The Bridge Youth Service

**Connect GV**

Carolynne Young

CEO – Connect GV

**FamilyCare**

David Tennant

CEO - FamilyCare

**Primary Care Connect**

Rebecca Lorains

CEO – Primary Care Connect

## Endnotes

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<sup>1</sup> For example see Martin, Vin; Fitzgerald, Denis; *Outcomes for the Most Disadvantaged: Competition versus Cooperation?*; Power to Persuade Blog; 2 December 2014, The article can be accessed here

<http://www.powertopersuade.org.au/blog/2npr1q8fjdj2wpzsh5qxjjsjph7n0/14/3/2016>

<sup>2</sup> Harper, Ian; Anderson, Peter; McCluskey, Su; O’Bryan, Michael; *Competition Policy Review Final Report*; The Treasury, Canberra; March 2015; in particular Part 3 pages 218, 233 and 245.

<sup>3</sup> Harper et al; *Competition Policy Review Final Report* (ibid); page 244.

<sup>4</sup> The latest iteration of welfare reform measures in the ten Place Based reform sites is ParentsNext, a program which requires jobless parents with young children to engage in planning for training or job-readiness activities, or risk suspension of parenting payment benefits. Public reporting of the evaluations of programs that preceded ParentsNext, Supporting Young Parents and Helping Jobless Families has been high level only, with no precise data in aggregate or by trial site and no indication of cost versus benefit. Examples of the gaps in information can be found in the Explanatory Statement to the *Social Security (Parenting payment participation requirements – classes of persons Specification 2016* (No. 1) <https://www.legislation.gov.au/Details/F2016L00050/Explanatory%20Statement/Text>

<sup>5</sup> Information about the Victorian Human Services Standards can be found on the website of the Department of Health and Human Services, <http://www.dhs.vic.gov.au/about-the-department/documents-and-resources/policies-guidelines-and-legislation/human-services-standards>

<sup>6</sup> The Helen Macpherson Smith Trust has included a summary of the Shepparton Community Share project on its website, <http://hmstrust.org.au/?s=Shepparton+community+share>

<sup>7</sup> A coordinated project to test the effectiveness of conditional welfare measures in the United Kingdom has recently released its first wave findings, noting overwhelmingly negative outcomes. The findings can be accessed here <http://www.welfareconditionality.ac.uk/publications/>

<sup>8</sup> Both the Australian Securities and Investments Commission and an Independent Review of the Centrepay system have acknowledged issues in the high cost leasing market and the targeting of benefit recipients. See for example: Australian Securities and Investments Commission; *Cost of Consumer leases for household goods*; Report 447; September 2015.

<sup>9</sup> In February 2015 the Senate referred ‘the impact on service quality, efficiency and sustainability’ of the recommissioning exercise to the Senate Community Affairs References Committee.

<sup>10</sup> These issues were explored in the evidence of Dr Ken Baker, CEO of National Disability Services to the Royal Commission into Institutional Responses to Child Sexual Abuse. Relevant extracts from Dr Baker’s evidence can be reviewed at pages 20661, 20664 and 20665 of the transcript, Public Hearing – Case Study 41 (Day 204), held in Sydney on 20 July 2016.

**Attachment:**

Joint Harper review submission 2014

# Comments on the Draft Competition Review Report – 22 September 2014

## About this submission:

The signatories to this submission are all independent, not-for-profit community service providers, located in Victoria. Although there are differences in our service activities, internal systems and processes, we share common values and a strong commitment to the communities in which we operate. It is those communities that established our organisations and provide them with support, governance and our ongoing licence to operate. The agencies that have contributed to this submission are (in alphabetical order):

### The Bridge Youth Service ([www.thebridge.org.au](http://www.thebridge.org.au))

The Bridge provides a range of support programs and services to young people in the Goulburn Valley who are disadvantaged or who are experiencing family difficulties. Support ranges from family mediation where there is conflict, to family reconciliation, homelessness services, reconnection with school and running parenting programs for young people who have or are expecting children.

### FamilyCare ([www.familycare.net.au](http://www.familycare.net.au))

With its head office in Shepparton, FamilyCare has been the main provider of family and children's services in the Goulburn Valley and West Hume since 1984. FamilyCare also provides targeted aged and disability support services, particularly for carers, as well as a variety of innovative community development activities.

### The Independent Agency Network:

A collaboration of four community-based organisations, the Independent Agency Network (IAN) is committed to improving the wellbeing of families and communities through shared knowledge and cooperative effort. By identifying shared interests, the IAN aims to enhance both service capacity and outcomes for its members, their clients and communities. Members of the IAN, who have individually and collectively endorsed this submission are:

Mallee Family Care	<a href="http://www.malleefamilycare.com.au">www.malleefamilycare.com.au</a>
Upper Murray Family Care	<a href="http://www.umfc.com.au">www.umfc.com.au</a>
Oz Child	<a href="http://www.ozchild.org.au">www.ozchild.org.au</a>
Windermere	<a href="http://www.windermere.org.au">www.windermere.org.au</a>

### North East Support and Action for Youth (NESAY) Inc ([www.nesay.com.au](http://www.nesay.com.au))

NESAY has a proud 30 year history delivering services to families, the disadvantaged, unemployed people and communities in North East Victoria and as a specialist Jobs Services Australia provider. By planning regionally and acting locally, NESAY is committed to social inclusion and has the capability to deliver local outcomes across the region.

The signatory agencies would also like to acknowledge the assistance provided to us in preparing this submission, by Professor Paul Smyth from the School of Social and Political Sciences at the University of Melbourne.

Our comments have been limited to Chapter 10, Human Services. For clarification, or further information about this submission or the agencies that have adopted it, please contact:

David Tennant  
Chief Executive Officer – FamilyCare  
PO Box 1069  
Shepparton Vic 3632

#### **Summary of Observations:**

1. The grouping of Human Services described in the Draft Report is too broad and assumes homogeneity that does not exist.
2. There is no recognition in the Draft Report that good social policy and the provision of essential social services are critical policy priorities in their own right.
3. For low income, vulnerable and disadvantaged people the recognition of, access to and ability to enforce their rights as citizens is often a more important priority than consumer choice.
4. Artificially creating markets where no natural commercial imperative exists can produce far greater long-term costs.
5. There is benefit in reconsidering the role of governments as planners, funders, providers and regulators of services however the rationale for this consideration is broader than the creation of markets, or achieving efficiency.
6. The Draft Report fails to recognise the value of grass roots philanthropy and volunteerism and the motivation of ordinary people to donate resources or volunteer their time.
7. The panel assumes that business, government and community services share a common approach to engaging with and competing for markets, without appreciating their fundamental differences.
8. National Competition Policy has been widely perceived as harmful to rural and regional communities.
9. Rural, regional and remote communities face the greatest risk if local not-for-profit community services become unviable.

### **The approach to Human Services adopted in the Draft Report:**

The Draft Report deliberately casts a broad net in its discussion of human services, noting:

*(T)he human services sector covers a diverse range of services including health, education, disability care, aged care, job services, public housing and correctional services.<sup>1</sup>*

The main frame of reference adopted by the Panel is the enhancement or creation of markets. When applied to the broad homogeneity it assumes to exist across human services, the limitations of that lens become more apparent. Human services does not really describe a single sector at all. It is a variety of sub-sectors, where both supply and demand differ dramatically.

Many human services are universal and perhaps better described as social and economic rights of citizenship.<sup>2</sup> Because the availability of and access to services differs so dramatically it is hard to design a one-size fits all approach. The Draft Report recognises differences and urges caution in transition, but underpinned by a central belief that markets are always the preferred option. That belief is based on the presumption that if a service is needed there will always be someone willing to provide that service to a person requiring it at a price the purchaser is able and willing to pay.

Rejection of presumptions about the value of markets for providing services to vulnerable and disadvantaged people have been a recurring theme in third sector commentary on competition policy in Australia for many years.<sup>3</sup> Far from seeing markets as the solution, many providers of not-for-profit community services, particularly those operating in regional and remote areas, exist in part to ameliorate the lack or dysfunction of existing markets. Much more importantly, they exist because those communities share values and expectations about fairness and equity. It is the point at which social policy concerns intersect with and even override economic considerations and it is almost entirely absent from the Panel's draft views in relation to human services.

There can be no proper consideration of how services are constructed to meet the needs of vulnerable and disadvantaged people without some analysis of both the causes and effects of vulnerability and disadvantage. The Draft Report offers neither. Similarly there is no mention or recognition of increasing inequality in Australia, the significant increase in both the numbers and proportion of people, particularly children, living in poverty<sup>4</sup> and the current debates about the design of welfare policy and sufficiency of benefits. These issues are all critically important to determining what services are needed, by whom, where and how best to deliver them and yet they do not rate a mention.

There is no doubt that well-functioning consumer markets deliver great benefits to the Australian economy and to consumers across the nation. They help to encourage innovation

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<sup>1</sup> The Australian Government Competition Policy Review, *Competition Policy Review Draft Report September 2014*, Canberra, page 140.

<sup>2</sup> In its 2010 report on the Contribution of the Not for Profit Sector, the Productivity Commission notes that market principles do not automatically translate to the community sector, because it has important ethical and social roles, beyond just efficiency.

<sup>3</sup> The Australian Council of Social Services, *Submission to the Productivity Commission Review of National Competition Policy*, Sydney, July 2004.

<sup>4</sup> The Australian Council of Social Services, *Poverty in Australia 2014*, Sydney October 2014, page 9.

and deliver better standards of products and services at competitive prices. When it comes to the social sector and services being delivered on the basis of rights of citizenship, a different organisational logic is called for.

To assume that every service or service system should be assessed against market principles fails to recognise that the reasons for requiring and valuing those services are different. Requiring market transactions to occur where they would be inappropriate and where the users of those services attribute greater value to reliable, timely access than choice may do great harm. The harm may not be identified until after gaps emerge or failures occur, contributing to greater long-term costs.

Additional practical examples of these concerns are provided later in this submission.

Summary of observations relevant to this discussion:

1. The grouping of Human Services described in the Draft Report is too broad and assumes homogeneity that does not exist.
2. There is no recognition in the Draft Report that good social policy and the provision of essential social services are critical policy priorities in their own right.
3. For low income, vulnerable and disadvantaged people the recognition of, access to and ability to enforce their rights as citizens is often a more important priority than consumer choice.
4. Artificially creating markets where no natural commercial imperative exists can produce far greater long-term costs.

**The multiple and sometimes conflicting roles of governments:**

Recognition that the multiple roles governments play planning, funding, delivering and regulating services can represent conflicts and are problematic, is not new. We agree with many of the observations made in the Draft Report, although would have welcomed a more detailed and informed analysis of how and why governments have assumed these roles.

A strong economy may promote a stronger society but the limitations of trickle-down are clear. Those limitations require governments to invest in public services to ensure safe and fair access for the most vulnerable and to create and sustain flourishing communities. Expressed another way, governments may carry the primary responsibility to foster market efficiency but their responsibilities extend much further.

We would also have welcomed recognition of the value of place and the importance of ensuring the various layers of government connect appropriately with local populations and local needs. Contemporary population planning evidence indicates that locally controlled and

delivered services provide the best building blocks for thriving and resilient communities, in turn ensuring that human and financial capital is reinvested locally.<sup>5</sup>

In relation to appropriate government support for and supervision of not-for-profit services, there is only limited recognition in the Draft Report that this should be a priority in its own right. There is no more relevant example than the current debate concerning the future of the Australian Charities and Not-for-profit Commission (ACNC). The ACNC represents the first purpose specific regulation of charitable and not-for-profit activities in Australia and has been widely welcomed by the majority of community service providers. The sense of concern that some of the most positive developments in building appropriate supervision mechanisms may be lost was well expressed in a recent ACOSS media release by CEO Dr Cassandra Goldie:

*Despite reams of reports to government funders, basic questions have gone unanswered for years, like how many organisations, doing what activities, in what parts of the country? The Charity Register has for the first time provided a routine, reliable and nationally comprehensive process to answer these questions, through a modest mechanism for reporting by all charities. Why would we want to do away with a mechanism like that?<sup>6</sup>*

Summary observation relevant to this discussion:

5. There is benefit in reconsidering the role of governments as planners, funders, providers and regulators of services however the rationale for this consideration is broader than the creation of markets, or achieving efficiency.

### **Failure to recognise the importance of volunteers and donors:**

The Draft Report makes only limited mention of the importance of volunteers and donors. In the context of this submission the terms refer to ordinary community members volunteering their time or donating resources, monetary or otherwise, to provide assistance or support to other members of the community. Those activities might also include staff in community services mixing paid and volunteer roles, or who make a conscious choice to work for less remuneration than their skills, qualifications and experience might otherwise command, because they have a commitment to providing assistance to others.

In not sufficiently recognising the differences between community and voluntary organisations on the one hand and for-profit businesses on the other, the Draft Report risks repeating many of the failings of the Hilmer review process in the early 1990s. The damage done to the community sector through that process included:

<sup>5</sup> See for example the emphasis on local population planning evident in the Victorian Public Health and Wellbeing Plan 2011-2015, pages 44-47 (the plan can be accessed at <http://docs.health.vic.gov.au/docs/doc/Victorian-Public-Health-and-Wellbeing-Plan-2011-2015> )

<sup>6</sup> [http://www.acoss.org.au/media/release/reduce\\_red\\_tape\\_not\\_much-needed\\_capacity\\_for\\_australian\\_charities](http://www.acoss.org.au/media/release/reduce_red_tape_not_much-needed_capacity_for_australian_charities)

- Fracturing the 'value-add' that community services offer through integration and coordination, rather than commercial confidences driven by competitive tension,
- Devaluing and discouraging volunteering and donations,
- Reducing geographic coverage and accessibility to services,
- Reducing the sustainability of existing services which, in circumstances where those services had evolved to fill gaps, actually decreased access and choice, and
- Decreasing a sense of community connectedness and social cohesion.

We do not in any way seek to diminish the vital importance of larger philanthropic donations, or contributions from corporate donors. For the purpose of this submission however, we seek to underline the importance of building community cohesion and social capital.

The Draft Report does not analyse the importance of local engagement and connectedness, because it is not a market concept. That does not mean engagement and connectedness is not vital, it is simply another reflection that the Panel's consideration is too narrow. To follow are three examples of local communities giving, sharing and donating to improve opportunities and make those communities better places to live.

*An example of communities working and giving together:*

*FamilyCare conducts a community charity Golf Day every year. The event will celebrate its 20<sup>th</sup> anniversary in March 2015.*

*Organisation of the event is coordinated by a volunteer fundraising committee, drawn from local residents and business people. The committee meets monthly throughout the year and more often as the event gets closer. Committee members, their friends and family members also assist on the day with the running of the event, which generally involves around 200 participants.*

*The organising committee and participants appreciate knowing how the proceeds are used. Over the years the golf day has helped to purchase two buses to transport FamilyCare clients, particularly children with disabilities to activities and events; supported the employment of men's counsellors who are an underfunded but essential resource in rural communities; and purchased vital equipment for FamilyCare staff to use in the delivery of services. In 2014, a significant proportion of the funds raised were applied to sporting scholarship grants that FamilyCare has launched in partnership with the Greater Shepparton City Council to help young people in the region participate in sporting activities, where a lack of financial resources may have prevented them from doing so.*

*The value-add to volunteering*

*The Bridge Youth Service operates an opportunity shop called REVAMP. Similar to other opp shops, the proceeds of sales from REVAMP are reinvested in the Bridge, supporting its community services and activities.*

*There is a mix of paid and volunteer staff working at REVAMP and in particular opportunities are reserved for and offered to young people. Many of the volunteers act as mentors for the young people involved in REVAMP, both professionally and personally. The support therefore extends beyond the activities in the shop and over time help to build a much broader sense of community engagement and reinvestment.*

*Creating Chances for Children:*

*Spanning 14 years, Mallee Family Care has been working with a variety of local people and businesses to deliver a program called Chances for Children. The Chances program links three funds that:*

- *Help young people access tertiary education or trade relevant studies,*
- *Assist young people to remain at secondary school where there is a risk that they will drop out, or be forced to leave, and*
- *Connect children and young people to a wide variety of extra-curricular activities from arts to sport.*

*Since its commencement in 2000 Chances for Children has assisted more than 1100 young people with a cumulative investment of more than \$4 million. All of this money has come from the community.*

The Draft Report does acknowledge the potential for ill-considered marketisation to do harm:

*In considering whether it should recommend change (to the diversity of service providers), the Panel does not wish to discourage or crowd out the important contribution the not-for-profit sector and volunteers currently make to the wellbeing of Australians.<sup>7</sup>*

There is no analysis of the value of volunteering or donating, or of what motivates people to do either. How can you ensure that grass-roots philanthropy and community spirit is not discouraged or crowded out if you have no idea how, why or where it exists and no way of measuring what harm might be done if it disappeared?

A current and evolving example of this concern is playing out in the NDIS trial sites. The services provided by volunteers are not recognised in the NDIS framework. Whilst we understand many people are still volunteering, whether they will continue to do so in a

<sup>7</sup> *Competition Policy Draft Report (ibid)*, page 156.

market that does not recognise or value their contribution remains to be seen. As resources to recruit, train and support volunteers are withdrawn, undertaking volunteer roles will become more difficult and risks will increase for both volunteers and service recipients. Perhaps too much attention is being paid to building a market and not enough in recognising the basis of NDIS thinking is a social insurance scheme.

It also appears implicit in the Draft Report that the Panel considers the motivations of all service providers, regardless of whether they are government, business or not-for-profit community providers will be the same when considering how to design, deliver and resource service provision. There are fundamental differences between these sectors of providers that an entirely market focused discussion does not accommodate. Our concerns about this lack of differentiation are not limited to this review. They exist across a wide spectrum of activities reviewing or reforming the operation and regulation of charities and not-for-profits in Australia.

Too many of these processes are blind to, or minimise the central significance of mission and values in the provision of not-for-profit services. We agree these factors should not be used as a shield from robust and appropriate regulation and transparency. It is important however to design systems that recognise the value in differences. If the Australian not-for-profit sector must become another quasi-commercial sector to be able to operate, there is no evidence that will produce net economic benefit and there is potential it will result in significant social deficit.

Summary of observations relevant to this discussion:

6. The Draft Report fails to recognise the value of grass roots philanthropy and volunteerism and the motivation of ordinary people to donate resources or volunteer their time.
7. The panel assumes that business, government and community services share a common approach to engaging with and competing for markets, without appreciating their fundamental differences.

### **The specific needs of rural, regional and remote communities:**

Rural, regional and remote communities face different challenges to cities and larger metropolitan centres. We welcome the acknowledgement of those differences in the Draft Report.

The way in which rural, regional and remote communities are constructed and engage with and between each other is also different to communities with larger population bases. Historically, National Competition Policy (NCP) has often been viewed as ignorant of those differences, producing considerable harm as a result. In its 1999 review of NCP, the Productivity Commission reported:

*NCP is widely perceived as being responsible for the withdrawal of government services, the demise of local businesses, the closure of country bank branches and is*

*regarded by some as a major factor behind the population decline in parts of country Australia.<sup>8</sup>*

The general conclusion of most formal evaluations of NCP is that all of Australia, including regional communities, have benefited from the reforms. There is also general recognition that the benefits and their timing has not been uniform and that some communities have been harmed as consequence.

*One of the major problems is that, whilst the benefits of NCP are generally longer-term and spread more widely across the community, the costs of change are often concentrated in a particular area and borne immediately.<sup>9</sup>*

The differences between regional and metropolitan settings are also clearly evident in the make-up and operation of not-for-profit community groups. Rural and regional community groups tend to be a more accurate reflection of their communities and more directly connected with and answerable to those communities. Challenges faced are more directly shared and better understood. That deep engagement with community is not easily replicated by outside providers. A commercial comparison point might be the myriad challenges created by fly-in/fly-out workforces, particularly in mining communities. We strongly oppose any replication of those problems in the delivery of community services.

The UK Big Society model of any willing provider is adopted in the Draft Report without sufficient critical analysis. In an Australian context and most particularly in rural, regional and remote communities, the dangers of this approach are not limited to the potential for commercial providers to seek to take over the activities of not-for-profit providers. There are also risks that much larger not-for-profits operating at a state, national, or even international level, will absorb local social service provision. If this observation is considered only as a market issue, it might be reduced to a weighing of the market evolving the best outcome, versus an out-dated form of local protectionism. It is however much more complex and much more important than that type of one-dimensional view will allow.

There is enormous value in local communities sharing an understanding of their challenges and tackling them together. Similarly, there is growing recognition of the value of place-based responses, planning and delivery, particularly in tackling entrenched disadvantage. The now disbanded Australian Social Inclusion Board prepared some very helpful guidance for the development of appropriate governance models for place-based initiatives.<sup>10</sup>

Unfortunately, our recent experience has been that local communities are not sufficiently involved in describing the problems they face and in designing cooperative responses to those problems. The result, far from being a place-based response, is often a central policy

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<sup>8</sup> Productivity Commission, *Impact of Competition Policy Reforms on Rural and Regional Australia*, Report no 8, Canberra, 1999, page xxiii

<sup>9</sup> Smith, Stewart, *Deregulation and National Competition Policy and its Effect on Rural and Regional Areas*, NSW Parliamentary Library Research Service Briefing Paper No 7/01, Sydney 2001, page 33.

<sup>10</sup> Australian Social Inclusion Board, *Governance Models for Location Based Initiatives*, Department of Prime Minister and Cabinet Canberra, 2011

dictate delivered in a series of places, where inherent design faults or communication problems undermine the potential for change and improvement.<sup>11</sup>

We are concerned that the approach recommended in the Draft Report will further diminish the importance of local input in understanding problems and designing shared responses. The knock-on consequences, referred to earlier in this submission may include a reduction in community cohesion, reduced volunteering and donations and less choice and quality for those who need services than already exists.

Summary of observation relevant to this discussion:

8. National Competition Policy has been widely perceived as harmful to rural and regional communities.
9. Rural, regional and remote communities face the greatest risk if local not-for-profit community services become unviable.

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<sup>11</sup> How 'place fares in place based solutions' was the subject of an article by the CEO of FamilyCare in the September 2012 edition of the VCOSS magazine Insight:  
[http://vcoss.org.au/documents/VCOSS%20docs/insight/07/Insight\\_07\\_How\\_place\\_fares\\_in\\_place-based\\_solutions.pdf](http://vcoss.org.au/documents/VCOSS%20docs/insight/07/Insight_07_How_place_fares_in_place-based_solutions.pdf)