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Australian Productivity Commission

GPO Box 1428

Canberra City ACT 2601

Submission to Inquiry into Human Services

About the Illawarra Forum

The Illawarra Forum is the peak body working for community services organisations and for communities in the Illawarra and the Shoalhaven. We support community organisations, promote expertise and innovation in community development, foster industry development and advocate for social justice.

For more than twenty years, the Illawarra Forum has taken a leadership role in the local community services sector, which currently consists of more than 300 organisations across the Illawarra and Shoalhaven areas of NSW.

As part of our leadership role, we engage with those organisations, services and individuals engaged in supporting senior and disadvantaged community members to collect their opinion, expertise and recommendations.

The Illawarra Forum works closely with numerous organisations which provide support to vulnerable people across the region including:

- Services for individuals and families with multiple layers of social and financial disadvantage;
- Home Support services;
- Residential services;
- Services for people with disability;
- Support for victims of domestic violence and sexual assault;
- Youth work programs;
- Social housing and homelessness services;
- Community health services, including mental health and drug/alcohol services;
- Community development and community capacity building programs.

The Illawarra Forum consulted with its members to prepare this submission.

Framework for Assessing Reforms

The Illawarra Forum is in general agreement with the Issues paper regarding the objective of community services and the attributes of Human Services provision and is in particular agreement about the statement that....."the wellbeing of an individual, or the welfare of the community, cannot be reduced to a simple economic metric or fiscal cost"

The Illawarra Forum assessed the Issues Paper against how the reform options are being evaluated:

- Service quality
- Equity of service provision
- Efficiency of service provision
- Incentives inherent in system design
- Incentives for service providers to innovate and improve the effectiveness of service provision

General Comments

As per our previous submissions, the Illawarra Forum is concerned about the language used in terms of delivering Human Services. We believe that the use of terms such as 'user choice' 'bidding' (for houses) 'markets' and 'individual entitlement' and attempting to equate the markets for cars and groceries to Human Services undermines the complexity of the needs of people accessing services and the difficulty they might have in choosing the best service for them.

Increasing User Choice

While the concept of increasing user choice is one supported fully by the Illawarra Forum, it is vital to recognise the vulnerable nature of service users. There is too much emphasis on the 'user pay system' as it equates it with the simplicity of buying a simple product as opposed to support or a service that could fundamentally change their life. Ultimately people choose human services based on relationships and trust in a service and are reticent to change providers for that reason. This, coupled with, the lack of capacity to make informed choices are the biggest obstacles to a 'user pay, market-led system' in the human services sector and possibly the biggest impediments to ***Incentives for service providers to innovate and improve the effectiveness of service provision***

The fundamental principle underpinning markets, as with cars and groceries for example, is the same principle that would permit large, private organisations to use their marketing and branding expertise to attract consumers to their services. This lead to serious issues with the deregulation of the RTOs in NSW when the most vulnerable people in our communities

were enticed by iPads to sign up for unsuitable courses with private training providers. Fees were received by the providers but a large number of participants were unable to complete their courses and were left with a large debt. They became victims of a wily marketing campaign that a mission driven not-for-profit organization would never devise or implement as it would impact negatively on the social return they are primarily established to achieve. This fundamental principle could be a hurdle to ***service quality and equity and efficiency of service provision***

It should be noted that, in addition to not-for-profit organisations delivering services they are contracted to, they also deliver significant additional social value. The value in building social capacity and community cohesion should be valued similar to the notion of goodwill in the business context.

Small place-based organisations are closely connected to their communities, have strong understanding of community need, and are able to quickly respond to changes in the local environment. These organisations play an important role in building community cohesion and capacity, and add diversity to the unique characteristics of our various communities

Competition and Contestability

The Issues Paper state that by introducing greater competition and greater contestability, human services would be delivered in a more *user-focused* and *effective* way and would *increase innovation* and *better quality services*. This implies that this is not happening already and a large range of services are not already being delivered cost-effectively.

The Illawarra Forum ran an Innovation Sandpit event with Community Services in the Illawarra and Shoalhaven and were presented with a number of collaborative, innovative projects specifically in the Aged Care and Disability areas. Our concern is that competitive tendering will make services withdraw from these collaborative practices as they will be pitted against each other in the process of applying for funding. The concept of competition and contestability is a turn away from the 'wrap around' services regarded highly in the human services sector and it is diametrically against the idea of organisations working collaboratively, increasing the risk of a 'silo' working environment. This is in complete opposition to the evaluation criterion '***Incentives for service providers to innovate and improve the effectiveness of service provision.***'

For-profit organisations, striving to generate profit for distribution to shareholders and with no previous experience in human services could contest contracts. It may not be cost effective to operate a service in a particular area, notwithstanding the fact that there may be vulnerable people in the area and could support the stigmatisation of certain postcodes.

This could lead to diminished services to the most vulnerable in our community both in terms of ***quality*** and ***equity of provision***, both of which are evaluation criteria set out in this Issues Paper.

It is a strong believe that private sector organisations' imperative to drive a profit will override their obligation to deliver service. Unless these organisations have a thorough

understanding of the impacts of service delivery, and the barriers to access for many clients, their tenders will undoubtedly underestimate the true cost of service delivery.

“There are examples of suppliers submitting unrealistically low bids (“lowballing”) and then engaging in post-contract negotiations over the lifetime of the contract to increase the price. Such practices undermine individual outsourcing projects and may lead to reliable suppliers withdrawing from the government market-place in general.”¹

We believe strongly that economic rationalism has no place in the delivery of Human Services. Recent evidence from overseas of the disastrous outcomes of applying economic rationalism to the delivery of services to vulnerable people should deter the Australian Government from following this approach.

As we have cited in previous submissions, the “Social Care for Older People: Home Truths”² report published in September 2016 highlights the fact that access to care in the UK is increasingly dependent on what people can afford and favours the well off and well informed at the expense of the poorest most disempowered people as a result of increasing contestability and competition.

An example closer to home, is the outsourcing of employment services. This has had a catastrophic impact on people living in remote and regional areas where private providers are not willing to service them locally. Transport is an issue in regional and remote areas and it is virtually impossible for people to get to the service, risking their Centrelink payments being cut off.

“Access to public transport is a significant local barrier to employment or further job training for (young) people across the region. Young people and their parents, employment service providers, training providers, government agencies and some employers suggest availability and affordability of public transport as a major issue to employment”³

Government Stewardship

The best arrangement to ensure effective government stewardship would be to involve users, service providers and interdepartmental staff in the development of the service design system. Human services covers so many aspects of people’s lives it should be a system developed and operated through interdepartmental collaboration. The nature of

¹ Market-type mechanisms and the provision of public services (OECD Journal on Budgeting Volume 5 Issue 1

² Market-type mechanisms and the provision of public services (OECD Journal on Budgeting Volume 5 Issue 1

³ Illawarra Shoalhaven Youth Employment Action Plan, Evidence Review 2016 Author: UTS

any consultation between government and service users and providers should not be tokenistic. It should be *real* engagement done in a timely, authentic and respectful manner.

While we believe that no funding should be taken from the delivery of services, the Illawarra Forum, acknowledges the need to train government employees to upskill them on commissioning, competitive tendering etc. We feel that this training should also include how to establish and monitor, in consultation with users and providers, the rules to support effective service delivery and the processes to support collaborative evaluation and improvement of human services.

The Illawarra Forum believes that government stewardship is very important in terms of ensuring that users have the capacity to make choices that truly reflect their needs and are not misled by smooth marketing campaigns or deceived by providers into accepting a service they do not need. We believe that the establishment of an independent entity to provide capacity building to users, support communities, monitor providers and liaise with government departments would be the best way to ensure effective government stewardship.

Social Housing

The model used to allocate tenants a home in the Issues Paper suggests that there are an infinite number of properties on which tenants can 'bid' in the social housing market without acknowledging the elephant in the room i.e. lack of affordable housing stock. While this model worked in other countries, there would have to be substantial investment by government in social housing stock for this type of model to work here. The average wait list for social housing in the Illawarra & Shoalhaven is 15 years due to lack of suitable housing.

To enable social housing tenants to move into private rentals the Residential Tenancies Act would have to be reviewed again to ensure protection for tenants in private rental. Rent control is an excellent way to encourage sustainable tenancies, and security of tenure. This may encourage people with the economic and social capacity to move from social housing to private rentals.

Community housing providers are a good option for the management of social housing as they can adopt a 'wrap around' housing model for tenants. This entails a more holistic approach to supporting tenants that surpasses their housing needs including health, education, training etc.

Public Hospital Services

The Illawarra Forum supports NSW Nurses and Midwives Association in their opposition to the privatisation of any public health service. The Ministry of Health is of the opinion that private operators are more efficient and innovative. There is no evidence to support this, and in fact, points in the opposite direction. There is a poor track record with Private Public Partnerships and although it was some time ago, the privatisation of Port Macquarie

Hospital, its failure to meet KPIs and the buy back from the government at a significant cost is a clear indicator that this model is not one that should be examined on any further.

The Illawarra Forum is once again concerned about any private provider operating in the human services sector. The motivation for the private operator to return maximum profits to shareholders could result in a reduction in **service quality and equity of service provision**.

Family and Community Services

There is overall concern in the Illawarra Forum around the proposed reforms. We question the intent behind the reforms as a way to drive quality, or shift and reduce costs and also query whether there is currently enough, high quality data to inform radical changes to the way Human Services are commissioned.

There isn't enough recognition in the Issues Paper of the complexity of service users' needs and the professional and flexible approach of service providers. Human services should be seen as an investment in the community, not a drain on the public purse.

To ensure that high quality human services are delivered **equitably, efficiently and innovatively**, an environment where services are encouraged to collaborate should be created. Competitive tendering has the opposite effect as services are vying for funding against each other. Collaboration and partnerships are not resourced adequately and there is a lack of acknowledgement by government around the time and the human and financial resources required to research and embark upon a successful partnership. A funding stream should be created to support services to examine potential partnerships either within or outside of the sector.

Services should have long term funding contracts so they can attract and retain a strong workforce. Due to short term contracts and the changing climate of the community sector, it is increasingly difficult to retain staff. Pay and conditions are also obstacles to workforce attraction and retention and do not reflect adequately the variety of skills and knowledge required by staff members or the complexity of the job.

The lack of job security due to short term funding contracts, the diverse and complex needs of users and the lack of respect for the difficulty of the job all impact negatively on the wellbeing of the workforce. Staff turnover and the break in relationship affects **service quality** and has a negative impact on service users who are often the most vulnerable people in our communities.

Recommendations

- **Assumptions** - address the assumption that quality, user-focused, innovative and cost effective services do not already exist in human services
- **Professional workforce** – acknowledge and reward the human services workforce
- **Vulnerable Clients** - acknowledge the vulnerability of clients accessing human services. Don't undermine the complexity of their needs and the difficulty they might have in choosing the best service for them

- **Government Stewardship and Capacity Building** - fund an independent entity provide capacity building to users, support communities, monitor providers and liaise with government departments. Government staff must receive professional development to ensure they have the capacity to provide effective stewardship within the affected markets. However the money used to do this should not impact on the funding allocated to services for delivery
- **Social Justice** – ensure it underpins all Human Service provision, tender applications and evaluations
- **Co-design** - ensure that service users, service providers and funding bodies are all involved in the design of any new system
- **Contracts** - Mission driven non- profit distributing organisations should be the only organisations who are commissioned to deliver Human Services contracts and should have the security of long term funding contracts
- **Social return** should be the primary assessment criteria in contestable and competitive tenders rather than price.
- **Authentic consultation** – Time, resources and respect are given to planning and implementation
- **Service Provision** - universal and specialist must be provided to meet the complex needs within communities
- **Support Collaboration** – create a funding stream to support services in examining potential partnerships either within or outside of the sector.
- **Support innovation** - if innovation and evidence based practice are valued it must be adequately resourced.

Thank you for the opportunity to comment on the Productivity Commission Issues Paper on Reforms to Human Services. Please feel free to contact this office for further information.

Sincerely,

Nicky Sloan

CEO