

Submission to the Productivity Commission's Draft Report:

**Introducing Competition and Informed User Choice into Human Services:  
Reforms to Human Services**

*July 2017*

The Western Australian Council of Social Service Inc. (WACOSS) welcomes the opportunity to comment on the Productivity Commission's draft report, *Introducing Competition and Informed User Choice into Human Services: Reforms to Human Services*, and participate in this inquiry.

WACOSS is the peak body of community service organisations and individuals in Western Australia. WACOSS stands for an inclusive, just and equitable society. We advocate for social change to improve the wellbeing of West Australians and to strengthen the community sector service that supports them. WACOSS is part of a national network consisting of ACOSS and the State and Territory Councils of Social Service, who assist low income and disadvantaged people Australia wide.

This submission is presented in different discussion areas that broadly relate to the Commission's terms of reference and recommendations:

- Tensions across competition and collaboration, and the need for shared outcome frameworks
- Uniqueness of regional service delivery
- Mapped, place-based and integrated services
- Strengths-based and co-designed service delivery
- Importance of data linkage
- The impact of the Equal Remuneration Order on human services
- Workforce development needs

WACOSS recognises that the major challenge for human services in addressing the implications of the growing cost of human services is to reduce long-term costs through delivering more transformative and lasting outcomes for those cohorts most at risk. WACOSS is supportive of the areas of work that the Commission has already highlighted for improvement - greater coordination and increased transparency. We also commend some of the assumptions underpinning these, and in particular, the focus on the 'capabilities and attributes of service providers when designing service arrangements and selecting providers'.

The Council would also like to take this opportunity to highlight that reforms to enhance the efficiency and effectiveness of human services take time. In the interim period, where changes to policy and process are developed and implemented, it is imperative that there is a transition strategy to ensure our most vulnerable citizens continue to have access to essential support.

## **Competition, collaboration, and shared outcome frameworks**

Recent service delivery improvement and reform has increasingly focussed on service system integration and more collaborative service delivery models that reduce duplication and complexity (and cover gaps in service delivery) to achieve lasting outcomes for people with complex needs and entrenched disadvantage. Competitive tendering and 'testing the service market' significantly undermines efforts to create and maintain more integrated service models across providers that rely on informal networking and cross-referral arrangements, as well as interfering with the ability to build trust and develop partnerships. WACOSS members frequently report that competitive procurement processes have proved detrimental to the agenda of delivering better services in collaboration. Competitive tenders called on short notice and comparatively short tendering periods also undermine the development of collaborative service models. (For example, service providers in the Midwest working with an Aboriginal community-controlled service reported that long-term efforts to develop a partnership had to be abandoned when the five week tendering window for the Indigenous Advancement Strategy tenders failed to allow sufficient time for community governance and approval processes).

We believe the focus should be on community outcomes as the key criteria for defining service quality, efficiency and effectiveness. In the absence of shared outcomes frameworks and clear and comparable data on service outcomes to enable rigorous evaluation of services, it is not possible to have meaningful 'competition' on services or a functioning 'market' for services. WACOSS is concerned that 'testing the market' via competitive tenders can reduce the process to a desk-top exercise to determine who can write the most compelling application, particularly when funding bodies have lost their local knowledge on community need and service delivery. Community-based providers tend to have expertise in local circumstances that allows them to be flexible in their service delivery and facilitate collaboration with other providers to achieve positive outcomes. However, these providers can be disadvantaged under a competitive model of human services delivery.

A competitive approach to procurement can reduce submission assessments to price alone, and a race to the bottom on delivering minimalist services. Choice does not always improve quality, particularly in the human services, and cheaper services can translate to poorer quality services. Attempts to introduce competition into more complex areas of human services have tended to lead to competition on price, rather than outcomes and quality. In this context, competition encourages over-specification of a particular service model where payments are contingent on service outputs, leading to rigid service models that often don't deal well with those with complex needs, and 'gaming' of service users to attract those for whom outcomes are easily secured and discourage or exclude those in the 'too hard' basket. For this reason, WACOSS does not support the inclusion of for-profit organisations in the human service sector, and are uneasy that efficiencies and throughputs that motivate these organisations will happen at the expense of good outcomes for service users (not excluding social enterprise models that generate meaningful employment and experience for disadvantaged groups).

Significantly more system change is required to overcome a generally siloed approach to service procurement, and which contributes to challenges faced in supporting people and their family's wellbeing. A co-developed shared outcomes framework across community services involving government and non-government agencies is urgently needed. A shared framework would have the

potential to provide the sector with an inter-connected suite of impact indicators to scaffold service delivery and inform measurement methodologies.

Procurement policies need a strong focus on contracting for positive outcomes, external monitoring of standards and increased engagement of service users in the planning implementation and evaluation. WACOSS supports scenarios where there is sufficient information on service outcomes and consumer choice to drive competition to deliver more effective services, rather than cheaper less effective ones (that cost more in the longer term due to the cost of ongoing disadvantage). It is dangerous to simply assume that competition policy will improve social and economic outlooks, and the reverse is in fact more likely.

The Council has an ongoing concern where public sector agencies have both the responsibility for funding and evaluating external services as well as delivering the same or similar services internally, because conflicts of interest can arise where there is not sufficient separation and independence between these roles. Greater transparency and public accountability is needed in these circumstances, which could provide a driver for reducing duplication and service system complexity while also generating opportunities for service improvement.

To sum up, we argue that current competitive tendering processes are not driving greater efficiency and effectiveness in service delivery due to the lack of effective independent evaluation of service outcomes. Service user choice can provide one avenue for driving service quality, while also introducing challenges for those service users lacking the capacity or support to make informed choices (and introducing other complications in relation to appropriate marketing of services and misleading conduct). The development of independent capability and expertise in outcome measurement and evaluation could be a critical driver of more effective and efficient service delivery.

## **Regional Services**

An added complication is how market models that operate effectively in metropolitan areas and large regional centres are applied in regional and remote areas, where there are not likely to be the economies of scale or range of providers to enable competition and choice. It is crucial that the public sector retains and further develops its expertise in service evaluation and program development so that service design and procurement decisions reflect real knowledge of community needs, local capacity and expertise. There are significant lessons to be learned from recent Commonwealth tendering processes (such as the [Indigenous Advancement Strategy](#) and the [DSS 'broad-banding' tenders](#)) where effective regional and local service providers were often displaced by competitive tenders from larger 'outside' organisations, many of whom over-represented their local capacity and relationships and then struggled to deliver comparable levels of service.

WACOSS has advocated for a number of years for greater engagement of the community sector in regional planning processes and the need to increase the capacity of regional community sector networks to contribute to the analysis of regional needs, programs and policies to support regional collaboration. Regional stakeholders consulted have expressed apprehension about the sustainability of medium-sized regional service providers who have historically played an indispensable role in civil society at the local level. Some dramatic shifts in Commonwealth service

funding have contributed to an underlying trend to reduce the number and increase the scope of service contracts across governments, resulting in a loss in regional capacity, less service planning and decision-making at the local level, and a greater role played by larger organisations with centralised management models. WACOSS is worried this ongoing trend may reduce the capacity of local services to participate in critical regional sector reforms and collaborate at a local level to deliver more joined-up, integrated and effective services.

WACOSS has welcomed the WA Government's commitment over the past few years to a significant regional reform process through investment in a regional reform fund, the development of Strategic Regional Advisory Councils in Kimberley and Pilbara, and engagement of local community services with regional human service managers in District Leadership Groups to facilitate a collaborative approach to regional services. These reforms create the possibility for a more inclusive approach to regional human service planning, improved coordination of program design to ensure more integrated and appropriate regional services, and the development of joint commissioning models.

The engagement of existing Regional Human Service Managers' Forums with local community service providers and community leaders, backed by clear direction and endorsement at high levels within the State Government and public service, can create a mechanism for place-based decision making. This process should begin with sharing across agencies and services of data on community need and service evaluation to enable clearer alignment of target cohorts and program outcomes.

### **Mapped, integrated and place-based services**

The issue of service integration becomes increasingly critical to the ability to deliver effective outcomes when we are dealing with vulnerable people and families with complex needs or entrenched disadvantage and a history of trauma. Effective outcomes for these groups will not be achieved within one department or portfolio alone, but require an integrated approach across our service system. When considering examples of service innovation to deliver more transformative outcomes for those cohorts most at risk, as well opportunities for collaboration in designing and delivering services, the clear candidates are service integration and place-based collective impact. These approaches offer significant opportunities to redirect fragmented program and service funding to more joined up and transformative service delivery strategies.

The [Aboriginal Youth Service Investment Reforms](#) (AYSIR), [Regional Human Service Reforms](#) (RHSR), and the [Connecting Communities for Kids](#) pilot in the Cockburn Kwinana region (CCK) all provide good examples of current place-based collective impact initiatives where service integration and seamless supports are ensuring better client outcomes. These reforms are focused in areas where comparatively small cohorts are accessing multiple services and supports at significant cost, but still achieving poor outcomes. Wrap-around services have been shown to address the underlying causes of dysfunction. This approach to service delivery relies on a mechanism to fund, jointly commission and collectively design services. In addition to providing an opportunity to co-develop funding programs driven by community service needs rather than departmental structures, a single and aligned longer term contract reduces the burden of managing and reporting against multiple contracts to deliver a single on-the-ground support service. Other collaborative community-based programs include the [Youth Partnership Project](#) and [Armadale Youth Intervention Project](#) as well as the [Not In Our Town](#) project on the Dampier Peninsula.

WACOSS acknowledges that we should not simply be pursuing service integration or reform for its own sake, but actively targeting our efforts to where they will make the greatest difference for our most marginalised citizens – and ensure the greatest return on investment for limited service funding. We need to be measuring the impact of these interventions so we can determine whether our efforts are proving cost-effective and demonstrating measurable longer-term savings across our service system. Place-based collective impact models, cross-agency co-design processes and joint commissioning strategies can be challenging, time consuming and resource intensive but they are essential to achieve improved outcomes.

The co-location of some government and community sector services are an important step towards more integrated service delivery. More work is required, however, in order to maximise the benefits for service users that come from genuine partnerships, open sharing of information and fully collaborative practice. Further investment in early intervention and prevention is also required to reduce reliance on acute care and to prevent readmission and relapse.

WACOSS continues to encourage its members to embrace a principled approach to partnering with and supporting Aboriginal community controlled organisations in the delivery of service based on nationally agreed best-practice principles. [Principles and guidelines](#) developed by ACOSS and national Aboriginal peak organisations encourage not-for-profit community service providers to commit to partner fairly rather than compete, to empower Aboriginal organisations, recognise their existing capacity and unique community role, and share knowledge both ways on a journey that will increase their resilience and effectiveness with a view to stepping back and handing over control. Many of the same issues and principles equally apply to how larger organisations might partner with smaller, specialist, regional ones. Similar principles can also be extended to Government Departments tendering or commissioning services that ensure they are sensitive to the presence of such partnerships and actively support rather than undermining them (for instance, by allowing transfer of responsibility and control to the ACCO over time).

Mapping services to develop a complete picture of where support programs are can assist in identifying service gaps and facilitating integrated service planning. WACOSS has consistently raised the issue of lack of information on service location and coverage, including the misalignment of the reporting boundaries across government agencies and contracts. At least six government agencies regularly produce their own service directories, which are restricted in scope, updated on an irregular basis and not cross-referenced with each other. Due to their limited and fragmented nature, they do not deliver the kind of effective access and referral service that would be available through a more comprehensive, interactive and up to date service. Nor do they allow a broader understanding of service delivery across sectors and departments.

Online technology and social media models can be used to improve the accuracy, currency and credibility of the information publicly available and facilitate a more informed, collaborative and connected social service sector. WACOSS has developed a simple, intuitive and accessible [interactive directory](#) for emergency relief services that enables service providers to take control of updating their own data. Building on this system it is possible to provide a comprehensive, self-sustaining accessible and up-to-date online directory of the social services to support professional referrers, individuals and families to navigate our complex service system.

## **Strengths-based and co-designed service delivery**

We have learnt a lot about the challenges involved in the procurement of outcome-based services, and independent analysis of recent tendering processes has clearly shown the value of getting the consultation and co-design processes right before entering into a competitive tender. The engagement of service users (as well as service providers) in the co-design and co-evaluation of services is one area that offers the potential to deliver more effective and responsive services. As noted in the inquiry's draft report, "[t]he characteristics of family and community services do not lend themselves to the introduction of greater user choice at this time" ... and instead there is a need for governments to ... "focus on practical reforms to improve the way they select providers on behalf of users, and to plan and contract services in a way that puts users at the centre of service provision."

Putting citizens at the centre of service design and delivery enables human services to take a strengths-based approach to build on the capacity and aspirations of individuals and families to deliver meaningful outcomes. Families experiencing complex need and entrenched disadvantage are also already strong in important ways, but we need to get behind them to make them stronger, especially in the face of inter-generational trauma. We need to recognise the critical role that stronger families can play as the primary source of support and care for those facing significant life challenges. Co-design processes that engage service users and other stakeholders with lived experience of overcoming disadvantage can play an essential role in making our services better.

Community is equally important in assisting individuals and families to respond to and overcome life challenges. Our community has become more unequal in recent years, with increasing numbers left behind during the boom struggling to keep up with the cost of living and at increasing risk of financial hardship. We need to rethink how we prioritise the policies and supports that provide the social safety net we all rely on one way or another on our journey through life – to support and enhance the resilience of our most vulnerable. Community and culture are especially key sources of strength and resilience for Aboriginal families, seeking to overcome a history of exclusion and impoverishment in particular. They thus need to be central in service design and delivery.

For genuine partnership and a commitment to co-design to become embedded practice within the public sector, strong key performance indicators must be put in place at both upper and middle management levels. Without these, the efficiency of the public sector is compromised and its relationship with the not-for-profit sector is impaired. There is a lot we can learn by better sharing experiences across different programs, services and portfolios through the development of good practice guides.

WACOSS has recently developed and launched a [Codesign Toolkit](#) based on collaborations with a number of Government departments and community sector peaks. The definitions and principles on which the toolkit are based were developed through a joint workshop with the Partnership Forum, and it is hoped the processes and guidelines developed will be promulgated across government to inform and direct consistent co-design practice across government. Future development of the toolkit will include practical testing and further refinement of the tools as well as a focus on mechanisms and processes for place-based, cross-agency and cross-disciplinary co-design.

## Data Linkage

Better information on population or cohort coverage and service outcomes is equally important to both improve service access and to enable services to best meet the needs of cohorts and communities. There is an urgent need for robust data on risk factors to identify likely long-term costs of disadvantaged groups. Through better access to data and the capacity to engage in data linkage, governments can open up the possibility for services to better measure outcomes and demonstrate return on investment, and to better understand risk factors and target at-risk cohorts to enable earlier intervention strategies. There is significant public sector data on community need and service outcomes already available, including data generated as a result of the reporting requirements of contracted social services. Evaluations of cohort and community need, service coverage and effectiveness often struggle because this data is inaccessible, incomplete, or incommensurate.

WA has significant opportunity and potential to develop data linkage capacities that could provide transformative outcomes for the community. WA has in the past been a national and even international leader in data linkage, particularly in relation to child health and development. In recent years we have failed to capitalise on this expertise or to progress whole-of-government reforms on data linkage. Recent initiatives in other states (including SA, Victoria and NSW) have demonstrated that changes in policy and relatively small investments in infrastructure can enable significant gains in knowledge and understanding to drive more efficient and effective services. This includes the establishment and resourcing of independent bodies to support and promote data linkage, reduce obstacles to access and proactively partner to develop innovative applications.

Fundamental barriers to data linkage in WA are the lack of explicit data standards and protocols across government departments and agencies, and the lack of a clear role or body driving the interpretation and promotion of data. The absence of Privacy Laws in WA potentially creates an impediment to data sharing, as Commonwealth agencies and other jurisdictions can be reluctant to share and link data in the absence of clear assurances of privacy protection and compliance. State Government agencies may also be reluctant to link data sets in the context of a lack of clear guidelines and protocols about data protection. The cost of data access and the bureaucracy involved in gaining it are also current and significant factors that hinder the chance of data linkage.

Data needs to be at the centre of policy development and evaluation, but in order for that to occur, there needs to be clear leadership in setting priorities for social and 'public good' outcomes and a mechanism for commissioning research and analysis to achieve them.

The issue of data linkage was discussed in more detail in the Council's submissions to [national](#) and state inquiries. We are currently awaiting the release of the [WA data linkage inquiry](#) chaired by WA Chief Scientist Professor Peter Klinken.

## Equal Remuneration Order

In 2012, the Fair Work Commission issued an Equal Remuneration Order (ERO) requiring human services agencies to pay annual increases of between 23% and 45% over 8 years (to 2020). Current annual pay rises as a result are between 5% and 6%. With over 400 organisations providing contract services to WA Government agencies, the impact on sustainability of organisations, services or

programs is a problem. Research on 19 major not-for-profit agencies in WA by the *Curtin Not-for-profit Initiative* has found that:

- There will be a negative financial impact on all organisations covered by the relevant awards.
- The impact varies depending on whether agencies are already paying over award rates.
- 6 of the 19 agencies reported reduced profitability or no longer profitable in the short term.
- 5 agencies expected high impact (i.e. unprofitable and increasing losses).
- In the longer term the numbers of agencies impacted rose to 7 and 8 respectively.
- 4 agencies expected to become unprofitable directly as a result of the ERO.
- Of the 282 programs reported, 8 organisations that were either unprofitable before the ERO or became unprofitable as a result of the ERO, deploy 182 programs which were impacted negatively by the ERO by 10% or more.
- A logical consequence would be to discontinue those unprofitable programs and thereby reduce the apparent losses from operations but the analysis is not conclusive on this.
- The reduced profitability of programs and organisations is an issue of concern to government as a purchaser of services, as profit is directly related to sustainability.

WACOSS is particularly concerned that a growing gap between reduced indexation rates for service funding and scheduled award wage increases under the ERO will inevitably lead to reductions in service delivery levels and/or service quality, and may threaten the ongoing financial viability of some small to medium community organisations delivering essential community services. The public and community sectors face a shared challenge in how we meet our aspirations to both deliver efficient and effective services to those most in need and provide fair and just wages during tight economic times.

The extent to which community service providers and government contract managers fully appreciate the implications of the ERO and have an adequate understanding of how to cost it into longer term contracts remains unclear.

### **Workforce Development Strategy**

[Modelling projections](#) by the State Training Board Workforce Scenarios project show faster than average long term employment growth for the health care and social assistance industry compared to the average of all industries (out to 2030), reflecting a steadily ageing population into the future. The health and social services workforce is predicted to **triple by 2030** – but there currently is no workforce development strategy. In 2014, the Commonwealth Department of Employment also [estimated](#) that Australia will need an additional 230,000 social care and support workers over the next five years. Most of these jobs are likely to be in aged care and disability services, areas where we have an ageing workforce and in which individual funding models have increased workforce insecurity and led to uncertain hours and incomes as well as changing work conditions. Developing and sustaining a skilled community services workforce is both a challenge and an opportunity.

There is increasing concern about how we best achieve the aspirations of user directed services, manage service system costs with increasing demand and constrained funding, and still manage to attract and



develop a skilled caring workforce to deliver quality services. There is some concern that the “uberisation” of service models could mean increasing numbers of workers effectively employed through apps and have no certainty about the work hours or income on a day-to-day basis, and that increasing levels of employment risk and liability passed onto service users unaware of the implications.

Many existing small to medium service providers lack access to the necessary capital to transition easily from an up-front grant funding model to individualised service payments in arrears. Maintaining our current skilled workforce is one issue, addressing skill gaps to develop a future workforce capable of tackling complex needs and comfortable in delivering collaborative wrap-around services across disciplinary boundaries, is another.

Western Australian charities employ **7.0% of the WA workforce**. This is **more than 93,000 staff** – 47,000 full-time and 46,000 part-time. By way of comparison, the Manufacturing sector employs 98,900 or 7.2%, Mining employs 112,100, or just over 8.0% and the Agriculture, forestry and fishing sector only 31,200, or 2.2%. As such, the not-for-profit sector is a significant (and fast growing) driver of economic activity in WA.

WA charities generated **\$14.1bn of income** in 2014 and spent \$13bn on expenses. **59%** of that income is self-generated and raised by donations, fees for service, social enterprises or returns on investments.

More than half (58%) of expenditure by WA charities, or **\$6.68bn**, was spent on employee wages, which is generally spent within the WA economy, and often within the local geographic area in which the charity operates, creating a multiplier effect. Staff on lower average salaries tend to spend a higher proportion of their salaries on daily living expenses.

One of the key differences between not-for-profits (NFPs) and other organisations is the capacity for NFPs to attract and use volunteers to deliver services and administer their business. Nine out of ten WA charities report being supported by volunteer workers. Volunteering not only improves the cost effectiveness of the NFP sector, but has a range of social benefits, including improving community cohesion, along with improving engagement and the mental health of individual volunteers.

Changes in staff costs and availability can have a significant impact on the sustainability of charities. For example, upward pressure on wage costs due to overall economic growth, or even growth in specific public sector wages (for example increase in salary award rates for teachers and nurses), can have a deep and immediate impact on charity costs. Similarly, charities’ wages costs are impacted by policies such as the National Disability Insurance Scheme, which is expected to result in workforce shortages for organisations in aged care and related industries that employ staff with similar qualifications.

Nationally, the not-for-profit sector is expanding faster than the Australian economy, growing approximately 3.2% per annum against GDP growth of 2.9%. In WA in the same period, the Gross State Product only grew by 1.9%.

The Victorian Government [recently committed](#) half a million dollars to help establish a new research and teaching organisation, the [Future Social Service Institute](#) to transform the social support and care sector into an economic powerhouse by recasting it as a strong industry with professional career paths. This will involve the rollout of new qualifications, initially at the vocational level, that will attract the best high school graduates. If we get this right, Australia’s brightest Year 12 students will increasingly look to social support and care as their first career choice.

As people with disability are [disproportionately more likely](#) to live outside the capital cities in areas that also include large numbers of disadvantaged job seekers, a community services workforce strategy could

be used to bolster employment in regional and outer suburb areas suffering from the decline in manufacturing and mining related jobs.