

# **Public Services**

## **Background Paper**

### ***ACTU CONGRESS 2003***

#### ***Quick Fact:***

*There is not a day in our lives when we do not interact positively with public services, even if it is turning on a light switch or putting on a kettle.*

#### **CONGRESS 2000**

1. At Congress 2000 the following was resolved:

*The ACTU supports government regulation to ensure that comprehensive CSOs are required in all public/private partnerships and from all companies profiting from provision of community infrastructure and/or services.*

2. Congress also resolved that Labor Governments should seek to promulgate positive industrial relations practices through its position as a large employer and consumer.
3. There was not a more comprehensive policy about public services. At Congress 2003 such a policy is being proposed.

#### **DEVELOPMENTS SINCE CONGRESS 2000**

4. Since the 1980's, public services have been continually challenged through privatisation, contracting out, national competition policy, moves to "self regulation", deterioration in funding levels, user pays arrangements or marginalisation of services by shifting responsibility to the welfare sector. More recently challenges have come from financing structures such as Public Private Partnerships (PPPs).
5. The ideological nature of many of these challenges is demonstrated repeatedly in the outcomes of greater cost to governments, price increases for the public, less access to services, lower quality services, increased income inequality, lower quality and less affordable services, lower levels of public safety and market failures. Australian

communities in regional, rural and remote areas and the disadvantaged are particularly vulnerable when services are shifted from public to private interests.

6. The experiences of moving complex infrastructure systems to competitive and private sector models has been consistent and dire. Focussing on the cost of inputs, rather than the quality and value of outcomes has in too many cases led to disastrous outcomes both internationally and in Australia, such as:
  - rail disasters in Britain, due to cuts in maintenance to reduce costs;
  - long term electricity failures in New Zealand, and
  - water quality failures in New South Wales.
7. The move to private sector models has damaged our capacity as a society to plan and build infrastructure for the future. The routine summer electricity capacity problems in South Eastern Australia are a failure in planning driven by a requirement to meet short term profitability targets rather than address, plan and build for long term supply requirements.
8. The poor and disadvantaged suffer most from assertions that services are only an individual benefit, ignoring the wider community benefits of services. The St Vincent de Paul Society submission to the Senate Inquiry into Poverty in Australia (page 19) identifies the following cost increases since 1989-90:

<b>Education</b>
<i>An Increase of 173% higher than the increase in the CPI</i>
<b>Health</b>
<i>An Increase of 98% higher than the increase in the CPI</i>
<b>Hospital and medical</b>
<i>An Increase of 137% higher than the increase in the CPI</i>
<b>Dental</b>
<i>An Increase of 113.5% higher than the increase in the CPI</i>
<b>Urban Transport Fares</b>
<i>An Increase of 134% higher than the increase in the CPI</i>

Source: CPI Standard Data Report Capital City Index Numbers by Expenditure Class, Dec, Mar, Jun, Sept quarters.

9. Applying private sector models based on individual benefit ignore the wider community benefits of services. Public services models based on serving the public interest allow for a proper consideration of all relevant "externalities". "Externalities" is used here to describe those things not directly dealt with in transactional accounting. For instance, public transport provides benefits in reduced pollution. Therefore

greater use of public transport can reduce overall transport spending, benefiting all Australians rather than just users. Conversely, significant increases in public transport charges reduce patronage on public transport and leave the brunt of the increases hitting poorer Australians.

10. Increased education and health costs are born disproportionately by the poorest members of the Australian community. However, the benefits of education and improved health do not simply go to the individual but, for instance, assist the productivity of Australian employers.
11. The ongoing goal of the current Federal Government to fully privatise Telstra highlights the vulnerability of Australian communities in regional, rural and remote areas to the impact of transfers of public services to the private sector. Government requirements through community service obligations and capital expenditure programs with titles such as "future proofing" cannot provide the necessary reassurance that vital communication services at affordable prices will be maintained for Australians in regional, rural and remote areas, on an equitable basis with other Australians.
12. One measure on which significant weight is placed by the financial sector is interest rates. Direct government debt attracts lower interest rates than that charged to private sector companies. The bond market created by direct government debt also provides stability and a floor to financial markets. Charging public services at a lower interest rate is a reflection both of the efficiency of these services and the lower risk to the lender. The Federal Government sold DASFleet, the unit managing government vehicles, to Macquarie Fleet Leasing on 17 July 1997. An audit of "Management of the DASFleet Tied Contract" by the Australian National Audit Office in 2002 found that:
  - The risk for the arrangements was still carried by the Federal Government; and
  - The financing by Macquarie Fleet was at a higher interest rate than the rate at which the Commonwealth could have funded the transaction.
13. In Australia we have seen a steady move to replace government financed debt with private sector debt through a range of contract mechanisms, including PPPs. Such moves increase the cost for the Australian public and affect the affordability and access to public services.

## ISSUES FOR POLICY AT CONGRESS 2003

14. All Australians interact on a daily basis with public services in our working, family and social lives. Government, through public services, is a fundamental instrument to improve the lives and wellbeing of all Australians.

### What are Public Services ?

15. Public services is a deceptively simple title. The public sector delivers services in the public good for all Australians. Public services include:
  - Services provided directly in the public interest;
  - Regulatory and enforcement services; and
  - Infrastructure and services building Australia's current and future capacity and wellbeing, including research and development.
16. Public services are the vast range of services and associated infrastructure delivered directly by the three tiers of commonwealth, state and territory and local government and increasingly through contract arrangements on behalf of the three tiers of government.
17. Public services are a key instrument for realising the goals and aspirations of working people. For example, the introduction of universal health care through Medicare was a fundamental improvement in our living conditions. The health field of services demonstrates the range, the complexity and the depth of public services: from providing hospitals to maternal and child health centres, access to affordable pharmaceuticals through the Pharmaceutical Benefits Scheme, maintaining Medicare and regulating health insurance, maintaining professional standards, and the safety of medicines and alternative medicines.
18. The role of public services in improving equity through redistribution cannot be replicated by the private sector. Progressive taxation systems and welfare transfer payments through agencies such as Centrelink as well as support targeted to those who need it most can only be delivered through government action.
19. Public services have the greatest capacity to act in the public interest and in a professional, transparent, equitable and impartial manner. Public services providers must consciously and directly consider the impact they have and the benefits they provide for workers and communities. Private sector providers are constrained from fully considering the public interest by their profit obligations to shareholders and the short-term approach of world financial markets.

20. Public safety and security are well recognised as public services, however the scope of these services is often forgotten. Beyond police and defence services, there are services enforcing by-laws, protective services, prison and detention services and intelligence services. The enormously difficult work done by community services, protecting children and families seldom attract publicity except when something goes wrong. Border protection, through quarantine, customs and immigration services and aviation security, are also public services protecting the Australian people. Justice services through the courts are a vital element of ensuring transparent and fair outcomes.
21. It is public services that provide protection for the community through the regulation necessary in a market economy. Consumer protection and fair-trading services, prudential regulation all serve this purpose.
22. Public services have the capacity to be a vital component in ensuring fair and equitable outcomes for working people. For workers, public services provide OH&S, workers compensation, anti-discrimination and industrial tribunal services.
23. Government through public services provides the fundamental capacity to build long term wealth and benefits for all Australians. Public services build Australia's knowledge infrastructure and capacity through institutions like the CSIRO and universities. Essential infrastructure in utilities like water, gas and electricity, post and telecommunications and public transport are not only individual services but underpin and facilitate growth in our open market economy.
24. Government economic and legislative involvement is essential to provide opportunities for all Australians. Education services at primary, secondary vocational and tertiary levels provide individual benefits to our children. They also provide and develop the skills and knowledge necessary for Australia to continue to improve its wellbeing as a community. The benefits and opportunities of education provide trained workers and encourage a thinking and questioning civil society.
25. Public services have a key role in redressing the inequalities in opportunities and outcomes between men and women. It is in the public services that most progress has been made to redress these inequalities, although it has not gone far enough. It is public services that have a key role to play in challenging and breaking down the fundamental gender segregation in the Australian workforce, a segregation that is worse in Australia than almost all other OECD countries.
26. Government has the capacity and the responsibility to act on behalf of Australians who have been marginalised or discriminated against, including; Aboriginal and Torres Strait Islander peoples, migrants,

people with disabilities, the aged and the young. Public services implement the affirmative action programs, provide the administrative and review bodies and enforce anti-discrimination laws.

27. There is not a day in our lives when we do not interact positively with public services, even if it is turning on a light switch or putting on a kettle. A far from complete list of public services is attached to this background paper.

### **Objective Assessment of Public Services is Required**

28. Public services have the capacity to significantly outperform the private sector in providing services in the public good, and most often do. Allowing the debate over modes of provision of public services to be based on ideological assumptions or narrow sectoral interests is clearly not in the interests of the Australian public. There has been, to date, no coherent, agreed standard against which the retention of public services in public hands has been measured. Overcoming this deficiency requires government implementation of a robust public interest test to be applied, before decisions are made, on shifting provision of public services to the private sector.
29. Any public interest test must incorporate issues of affordability, accountability, transparency and quality of services. It must also consider the indirect effects of the proposal including effects on employment standards, the environment and the balance of risk between the government and private sector providers.

### **Setting Standards for Public Services Outcomes**

30. Standard setting to determine outcomes for services at each tier of government, such as water quality, school curriculum or quarantine and customs services, must be determined on the basis of the objective needs of the Australian community rather than be driven by the lowest common denominator. Unfortunately many efforts to create common standards in Australia have been accompanied by a push to lower standards.
31. The recent collapse of HIH has had huge ramifications for Australia's insurance industry and for the many workers, businesses and community groups that rely on proper levels of insurance protection to continue operating. The Australian Prudential Regulation Authority (APRA) has been at the centre of inquiries into how the HIH was able to collapse in the way it did. Before APRA was created from state prudential authorities, elements of the Reserve Bank and the Insurance and Superannuation Commission, concerns were raised that prudential standards were being lowered.

32. When the Federal Government created APRA in 1998, the new body had significantly fewer resources than those of the combined agencies it replaced. Further, APRA commenced a significant redundancy program that led to hundreds of years of prudential regulation experience walking out the door.
33. When outcomes are identified, public services must have the necessary resources to achieve the outcomes. Accountability and transparency are not fulfilled when governments trumpet outcome goals but do not provide the resources or the legislative tools necessary for public sector workers to achieve the outcomes.
34. Providing full funding and the resources to match the outcomes required is essential, including providing alternative forms of public investment such as offering tax incentives and government bonds which can provide capital guaranteed returns to superannuation and retirement funds. Public services trading enterprises must be provided with an adequate capital structure, including an adequate equity base.

### **Ensuring Public Services Have the Skills and Experience to Meet Their Obligations**

35. For public services to be able to live up to the quality and standard of outcomes required of them, governments must seriously address the skills and experience required to deliver these services.
36. Governments must conduct long term planning and training to ensure the skills base and experience of workers is not lost as the workforce ages. The Management Advisory Committee of the Australian Public Service (APS) recently reported that around 23% of the APS workforce are likely to depart over the next five years. Programs cannot just address retention of existing workers but must also commit to training and developing young workers through apprenticeships and traineeships, as well as graduate placements.
37. Ensuring public services are impartial, transparent and accountable starts with the appointment and selection processes applied within public sector employers. Selection processes in public services workforces must be based on having the necessary skills and merit. Further, public services employers have an obligation to perform a dual role of model employers by setting standards other employers aspire to emulate and by becoming employers of choice, through a range of employment conditions that attract a diverse range of Australians to employment in the sector.
38. The employment conditions of public sector workers is recognised as being critical to their retention and retaining their skills and experience (MAC Report - Organisational Renewal, 2003, page 7, final paragraph). However, governments and particularly the current Federal Government, have sought to undermine working conditions and

sought to ignore choices of workers in bargaining. Governments should commit to respect public services workers' choice to bargain collectively through their unions, to respect workers organising through their unions and being represented by them, and to protect the rights of workplace delegates.

39. Public services employers also have a key responsibility to ensure they reflect the diversity in Australian society. Essential to achieving this is ensuring a rapid increase in representation, including at senior levels, of sections of workers who have been discriminated against, or who have special needs, namely Aboriginal and Torres Strait Islander workers, migrants and workers with disability. Merit based selection processes also assist to address forms of unwarranted discrimination against older workers or on the basis of sexual preference.
40. Board and Statutory appointments by governments to public services entities should be conducted in a manner that is designed to foster transparency, accountability and public confidence. There has been significant debate in Australia over government appointments being made on the basis of factors other than merit. One means of addressing these concerns would be by Australian governments adopting the principles and procedures of the UK Nolan Rules for such appointments. These rules include, position descriptions being made public, full applications being provided by candidates and independent assessments of candidates being made before a ministerial appointment occurs.
41. When the private sector delivers services on behalf of government, governments must ensure that those providers also take these steps. Further, governments should act in conjunction with unions to redress the cuts to workers conditions of employment imposed through outsourcing.

#### **Ensuring Labour and Service Standards in Contracting Arrangements**

42. When government services are contracted out, wages and working conditions are often sent into a downward spiral. This downward spiral occurs as firms seek to secure contracts in a competitive bidding environment by cutting labour costs.
43. This 'race to the bottom' of labour standards affects both the providers and recipients of public services. Service providers suffer lower wages, poor conditions, and work intensification. Under these conditions, service quality can suffer, and the recipients of services ultimately bear this burden.
44. When public services are contracted out, governments should maintain the ultimate responsibility for labour standards and service quality.



45. In addition, governments must ensure that public funds are not used to prevent employees from joining a union, or to undermine collective bargaining.
46. This means that governments must ensure that:
- contract companies comply with relevant awards and agreements;
  - adequate working conditions, including minimum hours of employment, are specified in contracts;
  - the entitlements of workers employed by a series of contract companies, but performing the same work, are protected;
  - when contracts change hands staff, hours and entitlements are maintained; and
  - contract companies do not hinder employees from joining their union and from engaging in collective bargaining.

### **Encouraging Workers Delivering Public Services to Speak Up**

47. The values that public services provide in the services they deliver require rigour and vigilance to be protected. Ensuring the necessary legislative protection is available for public services workers to act in the public interest and that decisions are impartial and fair and decision-makers act in an accountable and transparent manner is essential. Whistleblower type legislation, that protects public services workers who speak up where they feel action is being taken against the public interest, is a means for governments to reinforce the importance of impartial, accountable and transparent decision making.
48. Further, governments must recognise that utilising contingent and precarious forms of employment undermines the capacity of workers to meet their public interest obligations. Acting to reduce these forms of employment in the public services is in the public interest.
49. Governments should pass legislation providing explicit protection for workers, providing services for or on behalf of governments, who speak up about actions or decisions that are contrary to the public interest or the obligations of public services.

### **Quality Public Services Campaign**

50. Unions in Australia have consistently maintained that if public services are to meet the demands of the community, they must be accessible, affordable, appropriate to needs of the community, accountable and equitable. The international public services union, Public Services International (PSI), in conjunction with Education International (EI) has

launched a campaign for quality public services which has the objectives of:

- ensuring public services are adequately funded and resourced;
- developing the ability of public services to meet quality objectives;
- ensuring public services meet high standards of ethical behaviour; and
- ensuring public sector workers have full rights and decent working conditions.

51. The PSI campaign for quality public services provides a framework for Australian unions to campaign on the role of the public sector. Public sector unions should therefore use the opportunities available within the PSI campaign to continue to advocate about the role of the public sector in Australia.

**Attachment:            An Incomplete and Partial list of Public Services**

In Australia, it is public services that generally:

- Provide cultural institutions such as libraries, museums, art galleries and zoos, provide broadcasting services such as the ABC and SBS, and protect cultural diversity through media diversity and local content rules;
- Provide welfare and social services including unemployment benefits, family assistance payments, drought assistance payments and student assistance;
- Provide community services including child and family protection;
- Directly provide support and assistance for Australian industry and Australian agriculture;
- Build, operate and maintain fundamental transport infrastructure such as roads, railways, ports and aviation systems and protect the public through the safety systems and rules that apply to these complex systems;
- Seek to empower those sections of the population who have been discriminated against or who have special needs such as, Aboriginal and Torres Strait Islander peoples, migrants and people with disabilities;
- Provide police, law enforcement services, detention services and protective security services;
- Provide defence services and services for Australian veterans;
- Maintain key elements of Australia's scientific and research and development efforts, building the country's knowledge capability and infrastructure, through institutions such as the CSIRO and research organisations studying marine science, the Antarctic, geoscience and defence science and technology;
- Supply essential daily utility services such as water, electricity and gas;
- Provide health services from hospitals to maternal and child health centres, access to affordable pharmaceuticals through the Pharmaceutical Benefits Scheme, maintain Medicare and provide and regulate health insurance, professional standards and the safety of medicines and alternative medicines;

- Provide meteorological services, warnings and advice to primary producers, airlines, shipping companies and the public;
- Maintain national parks, state parks and conservation zones and provide environmental protection services and regulation;
- Provide justice services through courts and tribunals and protection of human rights;
- Regulate workers rights through industrial relations systems, occupational health and safety systems and workers compensation systems;
- Maintain parks, swimming pools and recreational spaces;
- Provide education services at preschool, primary, secondary, vocational and tertiary levels;
- Maintain communications services and postal services for all Australians;
- Provide caring services for the elderly, people with physical and mental disabilities and children;
- Provide land and urban management and planning services and housing services;
- Maintain ongoing efforts to improve the status of women;
- Provide garbage and recycling services;
- Provide protection and social welfare services for children and families;
- Protect Australians through regulating the market economy, from licensing regimes to the Reserve Bank, prudential regulation, oversight of markets and companies, consumer protection and fair trading protection, superannuation regulation and provision and minting our money;
- Provide direct support for governments, parliaments and Australian democracy, including revenue raising, statistical services, electoral services, audit services and provision of impartial advice;
- Provide border protection, through quarantine, customs and immigration services and aviation security;

- Provide protection through health, food and meat inspection processes; and
- Maintain foreign relations, support Australian exporters and assist Australian travellers overseas.