

# ACTU submission to the Productivity Commission Inquiry into Human Services: Stage Two

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## INTROUDUCTION

The Australian Council of Trade Unions (ACTU) is the peak body for Australian unions, made up of 46 affiliated unions. We represent almost 1.6 million working Australians and their families. The ACTU and affiliated unions are active advocates for the vital role of the social and community sectors in the delivery of quality publicly-funded services to the Australian community. The ACTU welcomes the opportunity to provide feedback on the issues paper released by the Commission as part of the second stage of this inquiry.

This will be the third submission the ACTU and numerous other organisations have provided to the Commission highlighting the evidence that privatisation is not an effective solution to issues within human services, that government stewardship of human services can be problematic and that choice and contestability have proven to inevitably result in worse outcomes for service users, governments and the wider community. These submissions, motivated by concern for workers, service users and the community as a whole, have been ignored or dismissed by the Commission as part of what can only be described as a government-driven neo-liberal hunting expedition, aimed at selling off human services to private for-profit providers no matter the cost.

We note that nowhere in this issues paper does the Commission provide any new evidence that competition and contestability will result in better outcomes for workers, service users or government, instead relying on tired stereotypes about the 'efficiency' of for-profit providers, ignoring the clear evidence provided in earlier submissions as well as the vast amount of anecdotal evidence provided by workers and service users as part of the People's Inquiry Into Privatisation that this is not the case. That this issues paper continues to ignore this evidence is no surprise, given the political and pre-determined nature of this inquiry. What is surprising is that the Commission would suggest, for sectors so integral to the wellbeing of disadvantaged Australians and which provide employment for thousands of Australian workers, such poorly considered and obviously damaging reforms.

This submission addresses the specific recommendations for reform that the Commission has made, where it has made specific recommendations. The innumerable broad and nebulous references to the desirability of competition and contestability will not be addressed each time they occur, as earlier submissions have dealt with these more than adequately.

The Commission has produced specific recommendations in two sectors, social housing and public hospitals. This submission will deal with those two sectors first and then move on to a short analysis of the more general recommendations made for the remaining human service sectors targeted by the Commission.

While we consider it unlikely that this submission will be able to be heeded by a Commission hemmed in by ideologically-driven terms of reference, there may still be some hope that the Commission will take action to protect thousands of Australian workers and struggling families and produce a final report which is evidence based and therefore gainsays the government's stated assumption that human services must be privatised to be improved.

## SOCIAL HOUSING<sup>1</sup>

The issues that the Commission has identified with the social housing sector – poor standard of housing, lack of supply, poor location of existing supply and a demographic mismatch between supply and users are broadly accurate. Where the Commission has gone wrong is not in the diagnosis of issues in this sector, but in the remedies specified.

In the opening paragraph of the issue papers section on ‘The supply of, and demand for, social housing’ the Commission has written

‘Some participants raised the potential for additional government investment, either in the form of new government construction or subsidies for the private sector to construct new homes, to boost the supply of social housing. Given the 200 000 households on social housing waiting lists, this could require a substantial boost in government funding for social housing.’

The ACTU does not dispute that there would be a cost involved in the repair of the social housing sector. Nor, we believe, would many of the other participants who raised increased government investment as a solution to the issues in the sector. Two points arise from this. Firstly, the simple truth must be put forward – a solution being expensive does not preclude it from being the best solution to a problem. The social housing system has suffered greatly from neglect at all levels of government for decades. Properties have been allowed to fall into disrepair and funding growth has slowed to the point that many jurisdictions spend a vast proportion of their funding on maintenance rather than new properties acquisition or construction. The issue of decades of low funding and the decay of the social housing stock is indeed extremely difficult to remedy without higher funding.

Secondly, it is unclear how the Commission believes that these issues, even if passed on to private providers, will be solved without significant costs. Contracted services rarely result in government avoiding infrastructure costs; indeed they are often included in the contract costs charged to government. As outlined in the previous ACTU submission, the NT Department of Treasury and Finance states that approximately 500 properties need to be managed within this industry before even a community-sector organisation, which operates without a need for profit, can achieve economies of scale.<sup>2</sup> It is unclear, due to the lack of detail in the issues paper, how the Commission envisages the additional competition and contestability operating in this sector, but it is difficult to imagine a situation in which a private provider would agree to take on 500 existing properties for a cost lower than the maintenance/upgrade expenses of those properties or would build 500 new properties without the expectation that costs would be recouped through the service contract.

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<sup>1</sup> The term ‘social housing’ is used throughout this document to refer to both social and public housing. This is merely for clarity and does not represent an exclusion of one of these sub-sectors from this submission or its perspective.

<sup>2</sup> Productivity Commission, *Introducing Competition and Informed User Choice into Human Services: Identifying Sectors for Reform*, Australian Government, 2016. pp 84

Future governments will pay the price for having largely ignored the social housing market. The ACTU submits that it would be preferable if this were done at least without the additional expense of profit-seeking and the damage to the public and community service workers that would occur through further privatisation. This is a particularly good time to undertake investment in social housing due to the record-low interest rates for government borrowing and the much needed jobs boost that could be created through infrastructure spending, as discussed in the ACTU Pre-Budget Submission.<sup>3</sup> Governments around Australia need to begin exploring options which will allow them to build more social housing in a cost effective manner, accepting that some expense is inevitable.

The issues paper divides its recommendations for social housing into four sections, each dealing with a distinct element of the reforms suggested.

In the section titled 'Giving users more choice over the home they live in' the Commission's main recommendation is a move toward choice-based letting that allows prospective households to 'bid' on social housing properties that they would like to live in. While this appears desirable on the surface, and may operate effectively in a system with sufficient and suitable housing stock, it is largely unfeasible in the current social housing market. The impact of this system would be to ensure that only those households most able to support themselves would, through an ability to pay higher rents, secure the most desirable housing. This would include housing with fewer maintenance issues, better access to schools and places of employment and, due to the largely homogenous nature of the new social housing cohort, a suitable number of bedrooms. This would force those who most need assistance into the worst housing available. More likely, due to vast shortage of social housing, the most disadvantaged users would be forced out of the 'market' entirely. While this could be ameliorated through the use of 'priority' lists, rent 'bidding' there would also ensure only those most able to pay were able to access housing. This recommendation would either segregate the social housing market, forcing those most in need into the worst homes or would raise rents in the market above the ability of those worst off. Either outcome would be a betrayal of the purpose of the social housing system.

The issues paper goes on to, in the section titled 'The supply of, and demand for, social housing' to suggest that the government may be able to realise lower expenditure through the rental of privately-owned housing to serve as social housing properties. There are, at a basic level, two potential models for how this could be carried out, both of which would have significant negative effects on social housing and potentially the private rental market. Perhaps the most obvious issue with this scheme is that there are likely to be, certainly in growth areas of capital cities with low vacancy rates, a significant shortage of private owners willing to rent their property for government for use as social housing. If, in order to make the scheme attractive to property owners, it was operated in a manner similar to the Defence Housing Authority, under which market rent is paid for properties, all maintenance is undertaken at government expense and houses are refurbished at the end of lease periods, this would significantly increase the cost. This recommendation, if successfully implemented, would also have the effect of removing a large number of affordable, well-situated rental

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<sup>3</sup> ACTU, *ACTU Pre-Budget Submission*, 2017. Pp. 5 <http://www.actu.org.au/media/1033062/actu-pre-budget-submission-2017-18.pdf>,

properties from the rental market. This would reduce rental market supply for private renters, increasing rental costs and forcing the most disadvantaged renters out of the market – actually placing additional demand on social housing. This effect would be exacerbated under a Defence Housing model as government would essentially be paying above-market rent, further forcing prices up.

Finally, the issues paper makes reference to a lack of ‘transparency’ in the value of subsidy each social housing client receives because assistance is based on income rather than the market rent of the property they are living in. While the Commission’s belief in the importance of transparency is laudable, it is unclear what point is being made here. Social housing tenants are charged rent based on income precisely because they are unable to afford market rent and income-based rents ensures that rent is unable to become unmanageable. In a system where social housing stock is limited and scarce, which as discussed above is unlikely to be improved without significant investment from government, rents must be based on income to ensure that a family in desperate need of housing assistance is not precluded from occupying a vacant property because its market-calculated rent is too expensive. Transparency can be a useful attribute of a system, but pursuing it is counter-productive when it undermines the purpose of the system – placing families unable to access housing into subsidised accommodation which they can afford.

The specific recommendations the Commission has made in this issues paper are unworkable, damaging, ineffective and irresponsible. That the issues paper ends its section on social housing reform reiterating the inquiry’s baseless assumption that private providers would be more effective managers of social housing, based on the inaccurate conflation of for-profit and community sector actors<sup>4</sup>, indicates that the voluminous evidence provided contrary to this assertion has been largely ignored by the Commission.

## PUBLIC HOSPITALS

The Commission concedes, early in the section on public hospitals, that Australia’s public hospital system

“compares well to that in comparable countries in terms of quality, equity, efficiency, responsiveness and accountability”<sup>5</sup>.

Despite this reality, the issues paper goes on to say that nevertheless, “there is scope to improve”<sup>6</sup>. While it is difficult to contradict the assertion that Australia’s public hospitals have not yet achieved perfection, this reveals the true nature of this inquiry. Public hospitals have been selected for reform, not because they are not operating effectively or because the public interest is not being served by current arrangements, but because public hospitals represent

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<sup>4</sup> For more information as to why this is not valid, please see the previous ACTU submission to this inquiry.

<sup>5</sup> Australian Government, *Reforms to Human Services*, Australian Productivity Commission, 2016. Pp. 19

<sup>6</sup> Ibid pp. 19

significant costs to government and could be sold off to corporate interest to reduce that cost – regardless of the impact on service users and workers.

In terms of specific recommendations, the issues paper largely restricts itself to small-scale recommendations about patient information and choice of doctors. While the ACTU has no specific position on these recommendations, we note the Royal Australian College of General Practitioners has already cautioned that these recommendations would result in an increased cost of care.<sup>7</sup> With regards to increasing contestability, the issues paper fails to make any detailed or specific recommendations. While we note that the Commission warns that lessons about the past impact of attempts to privatise this sector should not be forgotten, it appears that the Commission has missed the true lesson from past experience in this sector – to not attempt privatisation at all. The ACTU is also deeply concerned that the issues paper, when discussing contestability within the sector, plainly discusses “Changing the employment arrangements for a hospital’s employees, or replacing them with a new workforce”<sup>8</sup>. That the Commission sees the result of its reforms as allowing entire hospital workforces to have their employment arrangements changed or their employment terminated en masse is clearly indicative of the anti-worker nature of these reforms. While it is reassuring to see that this situation is considered unfeasible by the Commission, the issues paper makes clear that this is because it would be ‘particularly disruptive’ rather than devastating to a workforce of dedicated professionals who deserve stable and secure employment. The healthcare sector is projected by the Department of Employment to be a major source of employment in the Australian economy over the next five years.<sup>9</sup> That the Commission would suggest reforms which could result in the undermining of job quality, pay and conditions in this sector is extremely concerning.

## **PUBLIC DENTAL, END OF LIFE CARE, FAMILY AND COMMUNITY SERVICES AND HUMAN SERVICES IN REMOTE INDIGENOUS COMMUNITIES.**

The remaining sectors identified for reform by the Commission will be dealt with collectively, not due to any lesser importance than the sectors dealt with separately above, but because the issues paper largely fails to make specific recommendations about any of them. The ACTU is concerned that the Commission has designed this inquiry such that meaningful feedback on the actual reforms being proposed will not be possible until the final stage of the inquiry, possibly only months before the Commission reports to government. In our view this calls into question the authenticity of Commission’s desire for full and informed stakeholder involvement and feedback.

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<sup>7</sup> Ibid pp. 21

<sup>8</sup> Ibid pp. 23

<sup>9</sup> <http://lmip.gov.au/default.aspx?LMIP/EmploymentProjections>

Instead of providing detailed recommendations for these sectors, the issues paper falls back on the same vague assumptions about the desirability of competition and contestability which have been relied on throughout this inquiry. It is not our intention to re-prosecute the arguments of earlier ACTU submissions on this topic – we believe the preponderance of evidence that this is not the case must be clear to all parties at this point.<sup>10</sup>

For detail on the family and community services sector, the ACTU is aware that the Australian Services Union is making a submission to this inquiry. We fully support that submission and its content.

## IN SUMMARY

The Commission has managed to produce concrete recommendations for only two sectors in this issues paper. The recommendations for the social housing sector are likely to result in higher rents for social housing users, higher rents for private market renters and more disadvantaged Australians losing access to housing. Those relating to public hospitals appear to be aimed at undermining the wages, conditions and stability of employees in the sector and would result in higher costs of care. That these are the best reforms of which the Commission can conceive, within the framework government has forced upon them, speaks to the true policy bankruptcy at the heart of this inquiry.

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<sup>10</sup> For more information, see previous ACTU submissions  
[http://www.pc.gov.au/\\_data/assets/pdf\\_file/0009/203211/sub100-human-services-identifying-reform.pdf](http://www.pc.gov.au/_data/assets/pdf_file/0009/203211/sub100-human-services-identifying-reform.pdf),  
[http://www.pc.gov.au/\\_data/assets/pdf\\_file/0009/209592/subpfr334-human-services-identifying-reform.pdf](http://www.pc.gov.au/_data/assets/pdf_file/0009/209592/subpfr334-human-services-identifying-reform.pdf)

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