

Welfare Services and Government Funding

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As if there wasn't enough controversy already about competition and privatisation policies and the sense of powerlessness felt by ordinary Australians, market models are now being applied to community and welfare services. The Victorian Government intends to obligate competitive tendering for all its youth and family services contracts from mid-1999 on. There is, however, substantial and growing opposition to the use of this particular tool in the reconstruction of community services: that which is intended to strengthen the community may, if set in action, destroy the community.

Such a disaster must be averted. When the Consumer Law Centre in Victoria recently hosted a forum on the impact of competition policy on human services an attendance of fifty or sixty was anticipated. Over three hundred turned up. They were clearly *not* in favour of what was being planned in Victoria, despite the efforts at sensitivity made in the presentations given by the respective heads of the Australian Competition and Consumer Commission, the Victorian Department of Premier and Cabinet, and the Division of Youth and Family Services.

Those present in Melbourne were not alone in questioning the application of untested theory in the sensitive area of community services. A month earlier in Canberra, on 29 June 1998, the House of Representatives Standing Committee on Family and Community affairs tabled *What Price Competition?*, a report on the effects of National Competition Policy on welfare and community services in Australia. Their report acknowledged both the absence of any detailed examination of the worth of competitive tendering for welfare services and the need for "empirical studies" to be undertaken before any firm judgements could be made. While it washed its hands of a decisive judgement, the bipartisan committee recommended that "a contestability continuum for welfare services" should be introduced meaning that the measurement of "outputs" for the "customers" of the agencies should not always be required either in tendering or reporting and that "further development of competitive tendering processes" in welfare should not proceed until such an approach is established. Unfortunately this advice is not likely to be heeded in Victoria.

Why is the move to competitive tendering being made? It reflects not only changes in governments' understandings of their role in the community, but also major changes in governments' funding of welfare. In 1995-96 governments in Australia contributed \$5.8 billion to welfare, while clients contributed \$2.2 billion, and the non-government agencies \$0.9 billion plus \$0.1 billion in unpaid volunteer work and unfunded community infra-structures. The major part of all *funding* is thus today provided by governments. This was not the case even twenty years ago. Welfare *services*, however, continue to be chiefly provided by non-government organisations. In 1994/95 some 11,000 organisations delivered \$4.9 billion worth of services to the community, while governments provided around \$3.1 billion worth of services.

Because government spending has increased at a rate of over 7% per year from 1989-90 to 1995-96, and also because traditional community and church groups have declined in numbers and status, the application of national competition policy to welfare has been seen as a way of improving existing services and restraining expanding costs. Competition policy is by definition only a means to an end, the delivery of better services. Most agencies, however, regard the imposition of competitive tendering as, at the very best, ill-conceived and, at the worst, as counter-productive. Governments, they argue, can set too much of the agenda and focus too much on costs; agencies, on the other hand, have to spend too much on tendering and reporting, must abandon interagency collaboration; and, finally, those most in need of help receive less help. Market and business principles cannot so simplistically be applied to non-profit organisations which deal with people rather than with commodities, and which operate in an environment where the usual definitions of customer, purchaser and provider do not apply.

The disenchantment of the rural sector in Australia offers a clear example of the risks inherent in simplistic application of competition policies. Ron Boswell, National Party Senate Leader, thus recently observed that the success of the One Nation Party can be attributed to the gutting of the rural community: "the Hilmer competition policy acts like a giant vacuum cleaner sucking people out of the bush and putting them on the shores in the seaboard."

The opposition from the welfare sector to competition policy does not mean there is no commitment to finding better ways of caring for the community. It does not want to go back to the past, nor is it inflexible. All agencies in the welfare sector support greater effectiveness and more collaboration, but none can see how competition based on contestability alone, that is, on empirical measurement, can take into account the intangibles of human need and community values. All would want to affirm the notion of accountability recognising that agencies, like governments, must be responsible in their use of public moneys but many would question the appeal to classical theories of measurement, theories which are both flawed and limited.

Why are the advocates of the application of competition policies to welfare unable to hear the arguments against their campaign? I would argue that the clash between advocates and opponents is a clash between two world-views, one seeking efficiency and order, the other defending complexity and community. One could be described as atomist, individualistic, analytic, materialist, controlled, and masculine, the other, by contrast, as organic, holist, spiritual, vulnerable, and feminine. No wonder that each has difficulty listening to the other. The two speak almost different languages. To understand these outlooks, then, it is necessary to examine more closely their origin and nature.

The rise of competition policy

In the early 1990s the introduction of greater competitiveness was adopted as a key strategy for improving the Australian economy, and hence of reversing a decline in the Australian standard of living. In 1991 three modern musketeers Hawke, Keating and Button produced their blueprint, *Building a Competitive Australia*. In the following year their Government established the Independent Committee of Inquiry on National Competition Policy. This Committee's 1993 publication, known as "The Hilmer Report", laid the foundations for the National Competition Principles Agreement unanimously accepted at the Council of Australian Governments meeting in 1995. Federal Parliament then passed the *Competition Policy Reform Act 1995*, which established both the Australian Competition and Consumer Commission and the National Competition Council.

The founders of competition policy had their eye on business and industry, not on community and welfare services. That particular stable door, however, was soon opened. In December 1993 Commonwealth Treasury officials asked the Industry Commission to enquire into the efficiency and funding of charitable organisations and welfare services in Australia, specifically "with regard to the established economic objectives" of governments. The Commission's final report, *Charitable Organisations in Australia*, was published in June 1995. The Commission held that any government funding in the welfare sector should be based on *testable defined outputs*, on the establishment of *benchmark standards* of service, and through the *monitoring of performance*.

The Report recommended that the tender process should be "open, transparent, and contestable". When it came to discuss competitive tendering, however, it noted that in some cases "it is difficult to make the trade-off between price and quality" and that "Specific safeguards will always need to be taken into account with a price-competitive approach to tendering." After the failure of its own appointed consultants to establish benchmarking standards in three different areas of welfare services, the Commission acknowledged the complexity, and perhaps impossibility, of such a task. In this it echoed the Hilmer Report, which had noted that there are situations in which competition either fails to achieve efficiency or conflicts with other social objectives.

The Industry Commission's 1996 *Report on Competitive Tendering and Contracting by Public Sector Agencies* also took care to note that it might be difficult to measure and monitor performance for some services "particularly where the service provider must exercise discretion on the amount and mix of services to be provided to clients for example, people with multiple disabilities". It seems from these reports that allowances were to be made in the application of national competition policies to the welfare sector

In 1996, however, the Productivity Commission produced its *Stocktake on Progress in Microeconomic Reforms* and recommended that community services could be improved by, among other things, competition in service-delivery and the effective monitoring of performance. Despite the Industry Commission's report on *Charitable Organisations*, then, the difficulties entailed in measuring outcomes in human services were brushed aside. In Victoria, soon enough, the debate became not just about competition in service-delivery, but about competition in tendering, that is, *competition for the right to deliver services*.

There is one obvious, if suspicious, reason for the enthusiastic support of competition policy. As part of the 1995 agreements, the Commonwealth had agreed to pay the States and Territories some \$16 billion over the period to 2005, provided they make satisfactory progress on implementing National Competition Policy reform. The State of Victoria has been particularly energetic in this area and, as a consequence, well-compensated for its efforts: in March 1998 Victorian treasury officials reported the State to be gaining rewards of at least \$100 million a week as a consequence of the State's compliance with National Competition Policy.

The National Competition Council had its sights set on business and industry and not on not-for-profit enterprises. Its 1996 publication, *Considering the Public Interest under the National Competition Policy*, took pains to enunciate the fundamental principle that governments have social as well as economic responsibilities, acknowledging that "there might be cases, for example, where it is in the public interest to place restrictions on competition to achieve policy objectives relating to ... community service obligations." Similarly, the Trade Practices Act the single guide to judgements made by the ACCC allowed the possibility of "public benefit" to outweigh the strict implementation of open competition.

The horse, however, bolted. In December 1996 the recently appointed director of Victoria's Youth and Family Services, Yehudi Blacher, announced a restructuring of his division based on the government's key reform concepts of contestability and choice, competitive tendering, outsourcing, funder-provider split, unit costing, and output and outcome based funding. He noted that the division *would do away with all existing funding arrangements and would "clearly specify what it is we wish to purchase"*.

The proposed changes were detailed in a 1997 document, *The Redevelopment of Victoria's Youth and Family Services: Strategic Directions*, which imposed both a broad outline and a specific strategy for the future framework of all child, youth, and family services in the State of Victoria. It was written without any formal consultation either of the agencies which actually deliver the services or of the peak industry bodies.

The *Strategic Directions* document announced that the State would "purchase" services from agencies, who would periodically tender, on the basis of government specified criteria, for funds to provide such services. Such total control amounted to a guaranteed monopoly, something rarely conducive to performance. The performance of the agencies, nonetheless, was to be "contestable": their effectiveness, that is, would be measured through specified measurable "outputs" and "outcomes" for the "customers" of the agencies. The intended result of competitive tendering would thus be the efficient reconfiguration of services so as to provide better access to the appropriate service in areas of greatest need for less cost.

Blacher was aware of the opposition the new policy was likely to encounter. When the *Strategic Directions* document was ready for publication, he delivered a paper entitled "Nine Misconceptions about Competitive Tendering". He agreed with his critics that the new policy would result in the closure of smaller agencies; he agreed that in the end the market would be allowed to determine the price it would pay for welfare services, as if human beings have a

finite value; he agreed that it remained to be seen whether or not the planning changes would result in an improved matching of client needs and available funds. And, curiously, he enthusiastically appeals to greater "collaboration" three times in three consecutive paragraphs, somehow believing that competition and collaboration are commensurate concepts.

The desire for better service to clients is admirable. The appeals for greater partnership and collaboration are to be applauded. Competitive tendering, however, cannot be an essential ingredient of reform. Indeed the Division of Youth and Family Services is one division in Victorian Human Services, and it seems to be going further than other divisions in its pursuit of the reform agenda. Its sibling Division of Aged, Community and Mental Health, for example, recently issued a more modest reform proposal in a noticeably more consultative manner. True, focus is on purchase of services, accountability, and better outcomes for clients, but the means to this is through collaboration rather than competitive tendering.

Opposition to competition policy

Academic research units and community-based agencies both oppose the imposition of competitive tendering. This does not mean that these groups are opposed to better coordination of services or to better service to those in most need. The practitioners know, however, that the world of welfare is unpredictable, personal, and not easily constrained into routines.

In 1996 researchers from six Australian universities produced *Contracting for Care*, a review of federal and state programs which indicated flaws in both the philosophy and practice of government policies in the welfare sector. While the contracting out of community services was seen as an appropriate way for governments to act, the application of a competitive model to such processes was judged to produce "disastrous results". In the same year Paul Murfitt, from the Victoria University of Technology, refers to research into 240 case studies to support the argument that human services are too complex to be contracted out on the basis of competitive tenders. There is evidence of the failure of even moderate applications of competitive policies to the welfare sector when attempted in Great Britain, Canada and New Zealand.

A 1997 report from the Royal Melbourne Institute of Technology, on the impact of compulsory competitive tendering on aged and disability service users, showed that in all cases the quality of service was seen as dependent on the individual worker providing the service, and hence continuity was highly valued. Competitive tendering was seen by users to have had an effect on the quality of services, and most users were afraid, or unable, to give appropriate feedback. Further, an increased burden was being placed on families in the community, and, in particular, women were forced to leave employment or study in order to fill gaps when community services were withdrawn.

1998 research from the Victoria University of Technology reported that the emphasis on cost-cutting and outputs produced more problems than benefits: the improvement in professionalism was outweighed by greater pressure and friction; the specification of services produced more gaps in the system; the scramble for money resulted in inappropriate tendering; and uncertainty about the long-term future of programs made planning precarious.

Peak bodies were equally sceptical. In November 1996 the Australian Catholic Social Welfare Commission published *Competitive Care: Understanding the Implications of National Competition Policy and the COAG Agenda for the Community Services Sector*. This paper welcomed the possibility of developing better services, but it insisted that any notions of effectiveness must first factor in the imperative to attend to those in greatest need, particularly including those least likely to offer "successful" outputs. It thus highlighted the problem of measuring outputs which have to do with compassion and advocacy.

A year later the Australian Council of Social Services and the state and territory Councils of Social Services produced a more trenchant critique in *Keeping Sight of the Goal: the limits of contracts and competition in community service*. ACOSS submitted that, while the contracting out of welfare services was not new, the application of "market" approaches was both new and worrying, because human services were not just another business. International experience and considerable research was cited to support the ACOSS case. Competitive funding would, among other things, eventually lead to services being underfunded, by either design or default, and tight service specifications would result in the agencies becoming puppets of government, so that the planned competitive system ended up with a single service profile.

Responses from the various agencies involved in youth and family services in Victoria were equally negative. In March 1998 the Victorian People Together Project organised a public hearing into competitive tendering in human services. Thirty-five agencies presented submissions. While most acknowledged the desirability of reform, there was consensus that, with respect to human services, competitive tendering would undermine rather than improve performance. People in need, moreover, cannot be treated as measurable commodities, nor can patiently developed community support networks survive in a climate of imposed competition.

MacKillop Family services, the second largest provider of child and family services in Victoria and a not-for-profit organisation, submitted a case in point to the public hearing. Under the new *Strategic Directions* policy 80% of its services would be put out to tender in an environment in which it is recognised that tender documents are inadequate, that departmental requirements for assessment vary, that there is inadequate post-tender feedback, and in which the complex nature of society and services requires openness and cooperation rather than secrecy and competition. The agencies which joined to form MacKillop arose out of a particular Christian charism and have developed a community of volunteers and supporters well over a hundred years old. Whether or not the new policies could take such factors into account depended entirely on the shape of the tender documents, and hence on the experience and background of those who authorised them. But the funder has the monopoly on decision-making, the purchaser none.

Government representatives all admit that there is a long way to go in refining competitive tendering in the welfare sector. If they will not change their minds, then at the very least they should consider splitting tendering into a two-step process, calling for expressions of interest and then establishing short lists. This would save time, money and effort. Secondly, while the focus on the client rather than on the service is admirable, if all funding was to be made through the client, then the agencies would be too destabilised. While the formation of larger collaborating organisations can indeed provide better integrated services for many clients, allowances have to be made for the many small organisations which expertly serve those in a community with rare or particular needs.

Competitive tendering in welfare creates friction among once cooperative organisations; threatens continuity of services to clients, and offers already underpaid workers in the sector little relief: in addition to their case-load they must now give time and energy to both tendering and reporting, with less security of employment between contracts. Rarely can a government policy have received such a poor reception. Why, then, is the policy still being pursued?

Paradigms and beliefs

Perhaps the policy is still being pursued because the image of the market-place operates in economic ideology as a paradigm, that is, as a complex master-metaphor, or belief system. The primary idea of "market-place" contains within it a number of implicit ideas like wealth, order, profit, tax, vendor, consumer just as in physics the paradigm of the planetary model of the atom contains implicitly the notion of orbits and spin. Key paradigms offer great explanatory power, are easy to understand, and have an engaging symbolic status. So also, the central notion of "contestability" includes not only notions of measurement and objectivity, but also of the power and progress of empirical science.

But paradigms can be taken too far. There is an irrational element in a person's commitment to a paradigm, which explains why advocates of an existing paradigm rarely shift ground and adopt a new paradigm. Hence the opposition to Copernicus and Galileo. Those who are committed to paradigms are rarely persuaded by empirical evidence. Conversion occurs at a much deeper level of psyche. In the end the old-guard simply dies out and new paradigms win the day because they attract a younger generation with their novelty, because they answer more questions than the older paradigm, because they incorporate all the truths of the outmoded paradigm, and because they offer greater explanatory power.

It could be argued, of course, that the welfare agencies are the ones resisting change and the ones locked into outdated paradigms, and that the market place model is the way of the future. There is, however, nothing new about either neo-classical theory of market economies nor classical empirical science. There is considerable evidence, on the other hand, that welfare networks provide a collaborative model quite different from, and preferable to, bureaucratic hierarchies.

The present commitment to competition policy can be seen as a commitment to a paradigm, but not to a new paradigm. It represents an attempt to impose an outmoded sense of order on a world which today must be comprehended in more subtle and complex ways. Enthusiasm for competition policy is as an attempt at the restoration of nineteenth century liberal individualism in the late twentieth century, a flourishing of the mechanical and the masculine in a world already moving into a new age. In this scheme of things, abandoning competition policy is, for its supporters, like abandoning ship. One's whole world is at stake.

Measuring is not evaluating

It is clear, however, that competition policy is not the whole world. Competition policy must have its limits in the community, or we would end up with the scenario of couples tendering for children and, indeed, husbands tendering for wives and wives tendering for husbands according to contestable measurement scales. The Victorian *Strategic Directions* document seems to agree "Families are recognised as the primary social unit for the growth and well-being of individuals" but it is even more emphatic that measurement of outputs of youth and family services is central to the new strategy. Agencies are to be "held accountable for measurable outcomes and results". "Integral to the redevelopment of the service system will be the development of assessment instruments which ensure the delivery of targeted services to identified, eligible members of the defined client group." Related to this belief in measurement, also, is a strategy of servicing targeted groups on the basis of assessments made by more generalist services, once again raising the difficult problem of calibrating the quality of human lives.

None of these prescriptions show any consideration of the basic problem with empiricism, that measurements may "compare", but they cannot "comprehend". The focus on measurement is related to an empiricist ideology which discounts non-physical elements of reality. If measurement can tell the height and weight and speed and temperature of a thing, it cannot tell its value.

It is impossible to measure non-empirical outcomes or, in other words, to put a value in dollars on a human life. An excellent "output", for example, might be the 100% occupancy of a certain number of youth accommodation beds for a year. The fact that a less satisfactory "output" of a 90% occupancy rate might in fact have better "outcomes" for the youth concerned by encouraging some to try alternative accommodation as a transition to independence, or by occasionally keeping a bed free for emergency cases requires a more subtle system of evaluation.

And there is more to consider. If families are recognised as the primary model for the well-being of individuals, then a complex of unmeasurable values like commitment, love, loyalty, trust, compassion, hope in the future, forgiveness and acceptance comes into play. How can one measure success in a family? Is a family which never has a crisis successful? Or is a

family which endures crisis after crisis but yet which still holds together more successful? Are families that are competitive and efficient better families than those which work through collaboration and compassion?

Evaluation is thus very different from measurement. Evaluation discerns the less tangible. It requires an "entering into" or "passing over" into the unfamiliar and the "other". It requires sensitivity more than measurement. It respects narrative as much as fact. Its results are never exact in the same way that the exact sciences operate, but ethics is not an exact science.

One of the difficulties with the scientific use of measurement, and its associated notion of objectivity, is that we only measure what we choose to measure. We cannot measure things we do not know. For example, when DDT was introduced in the 1950s it was regarded as the solution to all agricultural problems and the harbinger of the green revolution. Why? Because the only outcome that was measured was the reduction in numbers of pests. The effect of DDT on wildlife, eco-systems and the food-chain was never measured until much later, indeed until it was almost too late, because mainstream science was yet to become fully aware of the importance of the ecology of the whole system. Today DDT is universally banned.

While the *Strategic Directions* document notes the importance of continuity and the bigger picture at various points in its text, competition by measurement dominates its discourse. No consideration is given to the limited capacity of measurement and the outmoded classical views of objectivity adopted in this approach. People perform at their best not only when they are in competition, but also when they are motivated by love or compassion.

Masculine competition and feminine collaboration

Raising gender issues may be provocative, but it is pertinent. Competition policy is as old as Cain and Abel, but it is a peculiarly masculine interest. Feminine types are much more likely to assign importance to relational characteristics like interdependency than to think, as the masculine type does, in terms of independent atomic units. Social histories have, for example, established a connection between Isaac Newton's science and its sterility and certainty and objectivity and Isaac Newton's masculine desire to stand at a distance and to control and order things. It was not for nothing that Newton, Boyle and Hume were unmarried, and that women were excluded from the Royal Society. But that is another story..

In brief, the basic feminine sense of self is *connected* to the world, the basic masculine sense of self is *separate*. Movement away from the "other" is a measure of control and autonomy; movement towards the "other" is a measure of vulnerability and love. If classical science has been a peculiarly "masculine" domain marked by analysis into parts, objectivity and control, the world of welfare has been more obviously a "feminine" milieu marked by care and compassion and attention to the whole person.

On this analysis, then, competition policy, particularly with regard to specified criteria and measurable outcomes, is excessively "masculine" and inappropriate as a major instrument in the governance of human services. In attempting to apply the limited classical notions of objectivity into the world of welfare it inadvertently supports the destruction of the very entities it seeks to sustain: the wholeness of the community, the family, the child, those in relationship and those in need of relationships.

The demolition of society

Our complex system of social supports and community services has evolved to create a stronger and healthier community. The application of competition policy is antithetical to the nourishing of community.

There is little evidence for, and much against, the application of competitive tendering in the welfare sector. The current situation is grim, but not without hope. Governments are generally wise enough to acknowledge both economic and social responsibilities. On this point it is appropriate to note the emphasis taken by the Victorian Department of Justice's guide called *Safer Cities and Shires* (1997) which, while appending the vocabulary of performance and measurement, insists on a holistic community approach to safety and crime prevention.

Governments and agencies must work as partners, not as providers and purchasers. The decline of "big" government is a retreat from responsibility and a victory for those individualists who replace the primacy of the common good in our commonwealth with letting loose of market forces. The eventual outcome of any government's monopolisation of welfare via competitive tender would, on the other hand, be the realisation that the ideology of the market place cannot be applied indiscriminately in human affairs. Competition cannot create community. As Karl Polanyi demonstrated in his study of the political and economic origins of our time, *The Great Transformation*,

To allow the market mechanism to be the sole director of the fate of human beings and their natural environment, indeed, even of the amount and use of purchasing power, would result in the demolition of society.