



Public services: Essential and Vital.

Australian Council of Trade Unions Submission into Senate Legal and Constitutional Affairs Committee inquiry into the impact of changes to service delivery models on the administration and running of Government programs

ACTU Submission, 26 August 2019
ACTU D. No 30/2019

The Australian Council of Trade Unions (ACTU) is the peak body for Australian unions. We represent almost 1.8 million working Australians and their families. The ACTU and affiliated unions are active advocates for the vital role of the public and community sectors in the delivery of quality publicly-funded services to the Australian community. The ACTU welcomes the opportunity to make a submission to this inquiry. The ACTU also supports the submission of its CPSU affiliates.

The ACTU recognises that accessible, accountable and adequately funded public services are essential to securing a fairer and more prosperous Australia. They play a vital role in supporting families, communities, workers and businesses across our country. Government investment and ownership of public services and infrastructure creates development and economic growth. Public services are crucial to the development of a modern, productive, equitable; and inclusive society.

Public sector workers in Commonwealth, state, territory and local government are essential to the delivery of vital public services. Whether it is the provision visas and citizenship, administration of income support, pensions or family assistance payments; protection of our borders; education, health, emergency and police services; preserving and promoting our cultural heritage; protecting and managing our natural environment, wildlife and fauna; running courts; providing public transport and utilities, scientific research or developing solutions to the highly complex policy challenges our nation faces.

The ACTU submits that outsourcing policies have increasingly undermined the ability to deliver those public services while at the same time forcing workers to accept insecure work and inferior wages and conditions. It has also revealed the inadequacy of outsourced provision of services to recipients who are also workers and their dependents, as well as taxpayers and those who are unable to support themselves and their children. We use the term recipients as consumers or customers would imply that those recipients have direct choice of quantity and quality on a basis of exchange when this is almost always not the case.

Outsourcing has achieved the very opposite of what advocates have maintained it would achieve. This is increasingly recognised by the OECD and the IMF¹. An increasing academic literature indicates that overall the outsourcing of public services across countries does not reduce

¹ IMF 2018 *Managing Public Wealth* October <https://www.imf.org/en/Publications/FM/Issues/2018/10/04/fiscal-monitor-october-2018>

government expenditure.² At the same time the level of GDP spending across all levels of government in Australia is already among the lowest of OECD countries.³

Outsourcing of government services is here conservatively estimated in the absence of direct figures, on the basis of ibisworld data, to provide at the very least a nearly a quarter of the labour hire market for temporary staff, or more than \$5 billion dollars. ⁴ Ibisworld provides a basis for similar estimates for Employment placement and recruitment services, or around 20% being due to outsourcing of public services, or around another \$4 billion.⁵

Government should not be viewed as an inferior provider nor the provider of last resort. On the contrary public provision is superior if not essential when market failure prevails in the provision of services. This means that such services and functions must remain in public hands to ensure that they are for the benefit of everyone and not for the profit of a few, and enabling that workers are not exploited. Government services should be funded and organised without the opportunistic resort of privatisation.

Outsourcing to for-profit companies entails a weakening of worker rights and the exploitation of workers through the casualization of the workforce and oppressive workplace conditions for workers who are providing the service. This is accompanied by a reduction in the workforce for performing any given task and an increased pace, intensity and scrutiny of the workers who are left. At the same time it allows inferior service delivery with little or no accountability. The undefined and unmonitored aspects of the service are gamed out and often these are the intrinsic parts of the service. Outsourcing to for-profit businesses often results in little no recourse by those obliged to consume services of poorer quality or those who are deprived of the services and left to fall off the radar. It facilitates uncontrolled rentseeking through profit-driven providers raiding taxpayer provided funds. This may occur in order to raise share value, or in private companies without the reporting requirements of publicly listed companies. These are outcomes of market failure on a massive scale on a number of fronts.

The market failures relate to observation of principal-agent problems, imperfect and asymmetric information, perverse incentives, open contracts and destructive competition accompanied by



references for
outsourcing.pdf

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³ <https://data.oecd.org/gga/general-government-spending.htm> accessed 23 August 2019

⁴ Allday, A. 2018 Temporary staff services in Australia, Industry report N7212 February, p.14

⁵ Allday, A. 2019 Employment placement and recruitment services, Industry report N7211 April, p.15

the ability to rentseek. These manifest themselves in races to the bottom in terms of worker conditions and quality of service delivery.

These market failures offer the very reasons that public provision is superior. With outsourcing tax payers lose control over the disposition of taxes that is necessary to subsidise the for-profit activities that were once performed in the public sector. It enables buckpassing in which the governments present as if they have saved the budget bottom line and then are able to deny responsibility for inferior delivery of services as they have passed the responsibility for monitoring and reinforcement to industry self regulators. The subsidies to the for-profit outsourced services end up being larger than the imposition to the budget due to public provision. The private firms can plead they are unable to afford adequate resourcing and lobby for more public funds while at the same time making inordinate profits in what has been recognised as a gigantic rent seeking exercise. The unfortunate recipients of these for-profit services may end up facing fee for service if the regime in any way allows for that. Recipients may be left with little recourse for the criminal level of service being supplied, outside an expensive legal process.

Ultimately outsourcing for profit all too frequently is a carve up of the spoils amongst the big business mates. Smaller providers including small business and community run entities may be left high and dry, or facing bankruptcy, in the process. Sometimes the cost of outsourcing for profit is revealed in a political or legal crisis, leading to Royal Commissions and changes of government. The crises of service provision that result eventually are only addressed through big outlays from the government budget and the responsibility for service provision being returned to the public sector. It is demonstrated that no amount of regulation can address the market failure on an ongoing basis and that the cost of outsourcing arrangements for profit in fact exceeds the benefits. Outsourcing is shown not to be a more efficient solution than public ownership and provision of the services over any period of time. What happens is that recourse for stakeholders is only obtained through costly legal processes. The evidence is clear: paying for-profit companies to do the job of public servants is not effective or cheaper. Privatisation would undermine the purpose and integrity of the visa system, create data and national security risks, cost thousands of public sector jobs, and have far reaching negative commercial impacts. It is a privatisation that should not proceed.

The ACTU respectfully refers the Inquiry to the Taking Back Control report initiated by ACTU affiliates CPSU, ASU, ETU, & NSWNMA⁶, which details the impact of privatisation in Australia,

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https://d3n8a8pro7vhmx.cloudfront.net/cpsu/pages/1573/attachments/original/1508714447/Taking_Back_Control_FINAL.pdf?1508714447

including outsourcing for for-profit service delivery. The report found that privatisation of public services and infrastructure, driven by the failed neoliberal trickle-down agenda, has had a devastating impact on Australian workers, service users, and the broader community. This has not deterred the increasing outsourcing of policy development and the government use of labour hire. The ACTU opposes these measures and supports the recommendations made by the CPSU in their submission, namely:

- Ending the privatisation and outsourcing of public service activities to for-profit business and consultancies;
- Remove the ASL cap;
- Make the public service a rewarding place to work with good pay, conditions, rights, and job security;
- Invest in the tools and systems that the public service needs; and
- Commit to providing Australian citizens with the world class public services that they deserve.

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