



Public Services International  
Internationale des Services Publics  
Internacional de Servicios Públicos  
Internationale der Öffentlichen Dienste  
Internationell Facklig Organisation för Offentliga Tjänster  
國際公務勞連

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Senate Standing Committee on Economics  
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12 September 2017

Dear Committee Secretariat

**Re: Financial and Tax Practices of For-profit Aged Care Providers**

Public Services International (PSI) welcomes the opportunity to make a submission to the Committee with regard to the inquiry into *Financial and Tax Practices of For-profit Aged Care Providers*.

PSI brings together over 20 million workers, represented by 700 unions, in 154 countries and territories. We are a global trade union federation dedicated to promoting quality public services. Our role includes the coordination of advocacy on issues that affect our members and the communities in which they live. Our members work in social services, health and aged care, municipal and community services, central and local government, and public utilities.

Australian PSI affiliates participate in the Tax Justice Network Australia (TJNA). PSI supports and endorses the submission made by TJNA and in doing so makes additional comments, and proposes additional recommendations to those made in their report *Tax Avoidance by For Profit Aged Care Companies: Profit Shifting on Public Funds* (hereafter referred to as the *TJNA Report*), which we endorse.

PSI's submission argues that, in light of the *TJNA Report*, there is an urgent need to further regulate for-profit involvement in the provision of aged care services and other social services. We base this given the evidence that the current funding model currently channels government revenue into private profit, aided through tax avoidance loopholes, without a demonstrated benefit to the community.

The *Peoples' Inquiry into Privatisation* ran from 2015 to 2017 and received a number of submissions that commented on aged care services. Points of relevance for the committee are:

1. That the total government expenditure, per capita, for social services such as aged care has increased in the decade 2003 - 2013 and that this is coupled with a decreasing number of public and not-for-profit run places, and increasing numbers of for-profit run places.<sup>1</sup> In other words, more and more of our government revenue is going to the for-profit sector.
2. There is evidence that, contrary to the free market assumptions on which recent aged care policy has been made, that competition increases quality, the standard of care provided by for-profits is generally lower than the standard of care provided by not-for-profits.<sup>2</sup> The government is not getting value for money.
3. The transition to the non-government sector has seen a decrease in the qualifications and number of staff.<sup>3</sup>
4. That costs are increasingly borne by the residents/relatives for service provision<sup>3</sup>.
5. The transition has seen lower wages and poorer working conditions for the staff, when compared to public sector workers in the same line of work, with resulting flow on effects to the economy and local communities.
6. That the existence of the for-profit sector is forcing the not-for-profit sector to increasingly behave as for-profits.<sup>4</sup>

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<sup>1</sup> Baines, D. & Goodwin, S. (2016). *Privatisation: 'They can't afford to keep working'*. Submission to the People's Inquiry into Privatisation in Australia – available on request.

<sup>2</sup> Baldwin, R. (2016). "*Competition, prices, quality and ownership of Residential Aged Care Services in Australia*" Submission to the People's Inquiry into Privatisation in Australia – available on request.

<sup>3</sup> Stevens, A. (2016). Oral submission made at the Public Hearing of the *Peoples Inquiry into Privatisation* 13 September, Brisbane, Queensland, Australia.

<sup>4</sup> Justice and International Mission Unit, Synod of Victoria and Tasmania, Uniting Church in Australia (2016). Submission to the People's Inquiry into Privatisation in Australia – available on request.

There is evidence from the unions covering the sector that low wages and under-staffing are creating high employee turnover and a chronic shortage of workers, despite the sector's growing demand. This, in turn, is leading to decreases in the quality of care, increased costs and loss of productivity associated with staff turnover. Employers state cost constraints as a barrier to remedying these issues.

Taken in conjunction with the findings of the *TJNA Report*, these points raise a significant moral question for government: Should tax payers money, government revenue, be channelled into private wealth creation, particularly where tax avoidance occurs, whilst at the same time aged care services are degraded in the interest of profit?

The current funding model for aged care services, as with other government funded services that utilise for-profit provision of the service, is open to rent seeking behaviour, as:

- There is a societal need that will increase over time (ageing population) with questionable government capacity to meet demand (only 6% of operational places are public<sup>5</sup>).
- There is a societal expectation of service delivery (taxes are collected in order to fund service provision).
- There is a guaranteed source of revenue for the provider (government funding), either directly, or indirectly through the consumer.
- There is limited ability for the user of the service to gain experience and knowledge of the sector, or the provider, prior to the need for the service arising, and, changing provider once engaged is difficult. This creates a significant power imbalance and makes "choice" an abstract construct for the consumer. This is made worse by the current lack of public information on service providers.
- The ability for non-government providers to influence policy due to market position (not-for-profits and for-profits dominate the industry and their exiting of the industry would cause significant societal risk).
- Regulatory bodies may be insufficiently resourced, or lack the legislative powers, to be able to maintain standards at a level the community could reasonably expect.

PSI believes there is ample evidence to demonstrate that the current model is harming our communities with multiple reports and media exposés of resident neglect, coupled with

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<sup>5</sup> Baines, D. & Goodwin, S. (2016).

increasing consumer costs, making residential aged care a financial burden on families or, at best, creating a two-tiered system. Increasingly, aged care residents with high incomes can afford high-quality care by paying for additional services whilst those with more modest means are restricted to receiving a minimum and declining level of care.

PSI supports the principle articulated in the *Taking Back Control: A Community Response to Privatisation* report; that “*citizens have the right to know how and where public funds are being spent and the detail of the services provided by those funds*”, and, the recommendation within that report that “*whether government-funded services are provided in the public or private sphere, the community must be able to hold governments accountable for those services*”<sup>6</sup>.

PSI ordinarily argues that the privatisation of services, where the privatisation has demonstrably failed, should be reversed; that government is best placed to run these services. In this instance however, the government’s first step should be close off the avenues that encourage rent seeking behaviour. Closing tax loopholes that promote tax avoidance is one such step, another is to actively prevent government revenue from being allocated to providers who breach community expectations.

Given the above, and in addition to the *TJNA* Report’s recommendations, the Committee should consider making the following medium (1 & 2) and long term (3 & 4) recommendations to the effect that:

1. Companies or organisations who:
  - a. fail to provide full and complete audited reports on an annual basis to the Australian Securities and Investments Commission in full compliance with all Australian Accounting Standards without using any exemptions for reduced disclosure or special purpose filings, and/or,
  - b. who have business or financial structures that promote tax avoidance, should be precluded from receiving future government funding for any public service provision and should be precluded from tendering to own or operate any government service or infrastructure.

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<sup>6</sup> <https://www.peoplesinquiry.org.au/report> (2017)

2. Companies that provide services, and who receive government funding for those services, must provide clear annual reports that detail<sup>7</sup>:
  - a. a log of all complaints
  - b. a comprehensive and detailed, up-to-date, cost of services, which details government funds received and where the money has been spent (in this case, ensure that funding is directly linked to staffing).
  - c. measurable key performance indicators related to client outcomes
  - d. feedback from service users on quality
  - e. any changes to workloads and employment conditions over the short and long term
  - f. evidence that minimum staffing numbers and standards, including conditions for staff, are met and that accredited qualifications are recognised.
  
3. The government should phase out funding to for-profit providers for the provision of public services, including aged care services.
  
4. Government should mandate for diverse board representation, including union and resident/relative representation, with board obligations to deliver high quality care, rather than deliver profits.

We bring to the Committee's attention that unions from the United Kingdom (UNISON) and Australia (ANMF), with assistance from PSI, have written to one of the companies named in the TJNA Report seeking dialogue regarding their tax and industrial relations practices.

In closing, PSI thanks the Committee for the opportunity to make comment. We welcome the opportunity to answer any questions or make further comment in support of our submission.

Regards



Michael Whaites

Oceania Sub-regional Secretary  
Public Services International

Attch: PSI letter to Bupa (UK)

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<sup>7</sup> Recommendation from *Taking Back Control* <https://www.peoplesinquiry.org.au/report> (2017)