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Submission to:

The People's Inquiry into Privatisation in Australia

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The People's Inquiry into Privatisation in Australia is a very important initiative. This submission focuses on the Inquiry's agenda item (d) *Alternative models of service delivery to privatization (including evidence from other jurisdictions)* and item (e) *What should be the role of government in service delivery.*

I focus on alternatives to privatisation because of its central role in any critical analysis of privatisation and in organising and action strategies. There is a large volume of evidence on the negative impact and consequence of privatisation, but this has to be used in the context of alternatives. Time and time again action strategies have led to campaigns, rightly, being highly critical of privatisation, but have often failed because of the lack of a coherent alternative around which people can organise and build support. They have often been defensive strategies, sometimes implying retaining the status quo, but this approach is strategically and tactically inadequate. Of course, an alternative policy does not guarantee success, but experience shows it is vitally important.

Privatisation is "...a comprehensive strategy for permanently restructuring the welfare state and public services in the interests of capital" (Whitfield, 1983). It has never been limited to the sale of national corporations; outsourcing local public services; imposing fees, charges, tolls and/or higher rents and fares; private finance of public services; or to imposing competitive regimes that have drastic consequences for service users and public sector staff.

Finance capital and business believe that private ownership and provision, choice, competition and markets, are essential to maximise productivity and efficiency to create the conditions for economic growth. Neoliberal objectives in the last three decades have centred on free trade, competition and markets to allocate resources and deliver services with state control of money supply; deregulation to create new opportunities for accumulation; the deconstruction of democracy to a partnership between state and business; reconfiguration of the state to reduce its role and to consolidate corporate welfare; and a reduction in the cost and power of labour.

Neoliberal public sector transformation has ensured a sequential combination of financialisation, personalisation or individualisation, marketisation and privatisation (Whitfield, 2014a). Public assets that could not be sold outright for political and economic reasons have been subjected to 'transformation' to commodify, reconfigure and marketise them for private provision.

The mutation of privatisation has created new pathways, such as the transfer of services to arm's length trading companies, trusts and social enterprises, wider use of private and social finance and the commercialisation of public services. Public provision is being

fractured into a plethora of individual or chains/networks of increasingly private or quasi-public organisations, particularly in health, education and housing, all competing against each other. Commissioning (the separation of purchaser and provider functions), competition and markets are embedding a contract culture and business values, with profound consequences for the public and voluntary sectors.

Australia has been in the forefront with its 'recycling privatisation' providing states with financial incentives to privatise public assets to fund infrastructure investment. It has implemented Public Private Partnerships (PPPs) with fervour, but has a higher failure rate than many developing countries. Some Australian organisations have supported the G20 initiative, led by the UK and US, to promote Social Impact Bonds as the 'solution' for early intervention and prevention.

But a different model of transformation is needed in the public sector due to the nature of public goods and services, social and economic objectives, and to achieve social justice and democratic governance (Whitfield, 2012a).

There are three critical issues:

Firstly, a demand for public ownership alone is inadequate. It must be accompanied by proposals to radically change the way public services are managed and held democratically accountable. Otherwise, public ownership alone will ultimately lead to re-privatisation later.

Secondly, organising and campaigns play a key role in explaining the impact and consequences of privatisation, but by implication they frequently give the impression of maintaining the status quo or business as usual. This is not a viable option. It is vital to develop visions and ideas about what public services could be like and how they could operate with user and staff involvement. It should draw on people's ideas and experience to set out how innovation and improvement could radically change provision.

Thirdly, the development of plans and proposals that challenge the status quo is not rocket science. The key is to create the conditions and trust whereby frontline and support staff, who have ideas, experience, knowledge of social needs and the scope for improvement, can be engaged in an honest, transparent and meaningful process.

Vision and alternatives

In *Unmasking Austerity* I made the case for positive action on alternative policies:

"Public service workers, users and community organisations must 'own' a vision for services, facilities, communities and the economy, otherwise government and capital will completely dictate policies and plans. Alternative policies and proposals must demonstrate how public provision can meet social needs and objectives, maximise benefits and minimise negative consequences. Service user, community organisation, public and staff/trade union ideas help to sharpen critical analysis of marketisation and privatisation proposals. This helps recruitment and organising, and builds confidence and momentum in a campaign."

This should not be interpreted as 'doing management's job for them' or using 'the fear of incorporation' as justification for doing nothing about proposing alternatives. It does not require trade unions to submit bids or tenders, but it does require intervention to promote best practice, to advocate improved in-house options and to critically assess the flaws in the scope, methodology and conclusions of management's options appraisals and business cases.

Innovation and improvement

A long-term perspective is needed beyond the short-term political interests shaped by election cycles. Public Service Innovation and Improvement Plans are an important way of developing and applying innovation and improvement. Furthermore, innovation and improvement roles should be reflected in job descriptions, so that they are integral to the job and not a part-time activity. Innovation is a key means of increasing the effectiveness of public services and increasing productivity (Whitfield, 2015a).

Innovation is often exaggerated for political objectives. The private and third sectors are frequently claimed, or are assumed to be, 'more innovative' than the public sector. For example, social finance organisations and social entrepreneurs claim that social impact bond projects are the only genuine source of innovation, because they are not burdened by bureaucracy, risk is transferred to private investors and large savings in public spending are achieved as the need for crisis interventions are reduced.

But this model privatises public services, creates a new market in private investment in public services, creates new vested interests and further embeds neoliberal ideology in the public sector. Social enterprises and non-profit organisations can be innovative, but they do not have a monopoly on innovation. Furthermore, many social impact bond projects have merely copied public sector early intervention and prevention policies, because banks and private investors are risk averse and prefer 'guaranteed' returns by copying proven innovative public sector projects.

Public Innovation and Improvement Plans (PSiIPs) have three important functions.

Firstly, to embed a systematic and continuous methodology that will increase innovation and improvement in public authorities.

Secondly, to involve citizens, users, staff and their respective representative organisations to generate ideas, develop and evaluate proposals.

Thirdly, to establish good practice to embed innovation and improvement in the planning and delivery of public services.

PSiIPs should be prepared for in-house services and lead to a significant improvement in in-house effectiveness to pre-empt the need for options appraisals and procurement. They should be prepared in-house and if additional technical support is required then it should be provided as part of a strategy to increase in-house capability. The process should include workshops for staff and managers in the services within scope to discuss the changes needed to improve effectiveness and efficiency and strengthen the case for in-house provision.

Plans should be developed in one of two ways. Firstly, by public bodies involving staff/trade unions and service users/community organisations. Secondly, jointly by staff/trade unions and service users/community organisations to demand a public body adopts a new approach to innovation and improvement. The scope of a PSiIP is summarised below.

Public Service Innovation and Improvement Plan headings			
1	Scope	10	Management of change and capability
2	Service objectives and priorities	11	Training, staff recruitment/redeployment & workforce development
3	Current and future service needs	12	Addressing inequalities
4	Participation of service users and staff	13	Democratic accountability
5	Service performance	14	Planned changes and achievements
6	Priorities for innovation and improvement	15	Action Plan
7	Scope for innovation	16	Responsibility and management accountability and corporate action required
8	Methodology	17	Monitoring, reporting progress and scrutiny review
9	Resources and investment required		

Public investment

Public investment is critically important. Australia has one of the lowest levels of government debt as a percentage of GDP in OECD countries. Many countries, such the US, UK, France, and Canada, have a government debt/GDP ratio over twice that of Australia.

There is an enormous amount of economic evidence that public investment has a significant positive effect on private sector productivity – hence growth in average living standards – and increases both output and jobs. Additional publicly financed investment

may increase public debt in the short-term, but it will create economic benefits that will ultimately reduce national debt in the long-term. It is vital to challenge the demands of right wing deficit hawks for governments to adopt a rapid debt reduction strategy (Whitfield and Spoehr, 2015a).

Radical public management

Public ownership alone is inadequate. Neoliberal public management has systematically eroded the capability and capacity of the public sector. A new radical public management is required to rebuild the capability and capacity of the public sector to plan, design, finance and deliver public functions and services.

Innovation, improvement and early intervention and the continuous engagement of service users, community and civil society organisations, staff and trade unions will be critically important to ensure public service principles and values replace the discredited and failed neoliberal public management. This will require five strategies:

Firstly, the abolition of commissioning would enable the re-integration of client and service provider, and together with in-house service innovation and improvement plans, to stem the flow of outsourcing contracts and PPPs.

Secondly, a new radical public service management to advance democratisation and participation, public planning, innovation and improvement strategies together with flatter and accountable organisational structures. Democratic innovation could widen service user and staff involvement in the policy making process and strengthen scrutiny and review by drawing on evidence from community organisations and trade unions (Whitfield, 2012a).

Thirdly, adherence to public sector principles such as democratic accountability, participation and transparency; social justice; collective responsibility through universal provision; evidence-based policy making, good quality integrated, responsive and flexible services; and quality employment could limit policy drift and implementation failure:

- Democratic accountability, participation and transparency with user/employee involvement in the planning, design, delivery and policy-making processes.
- Social justice to eliminate discrimination and to eliminate or mitigate adverse impacts and inequalities.
- Good quality integrated, responsive and flexible services that meet social and community needs.
- Solidarity and collective responsibility through universal provision for health, education, welfare, transport and the environment.
- Sustainable development to take account of economic production and supply chains and conserve natural resources.
- Climate change policies to reduce emissions, prioritise renewable energy, retrofit homes and infrastructure.
- Quality employment with good terms and conditions, pensions, equalities and diversity, training and the right to organise.
- Evidence-based policy making with economic, social, health, equalities and environmental impact assessment and cost benefit analysis.
- Public goods, infrastructure and services should be designed, financed and delivered by skilled in-house staff.

Fourthly, job satisfaction has a significant impact on service quality and, ultimately, on organisational effectiveness in a service organisation. The adoption of inclusive workplace practices in Australia has been demonstrated to improve organisational performance by up to one third.

Finally, rigorous economic, social, health, equality and environmental impact assessment of public policies and projects could significantly strengthen the evidence base for democratic decision making. Reducing class, race and gender inequality should be a high priority in public and industrial investment decision-making.

Key elements of a radical public management:

- Participative
- Democratic accountability and transparency
- Public service principles and values
- Innovation, improvement and early intervention
- Integration and coordination
- Equalities and social justice
- Rebuild capabilities and capacity and regain skills and experience such as project management and minimise use of consultants
- Public investment
- Public ownership and direct provision
- Long term planning of social and community needs
- Good quality employment

Service integration

Increasing the coordination and integration of public services is vitally important, particularly in health and social care. There are basically two approaches. Local joint working initiatives that focus on changing working methods and more joined-up service provision, which lead to operational and managerial changes such as the pooling of budgets, realignment of objectives, joint planning and decision-making of projects or services. Workforce training and development to develop a culture of cooperation and joint working is equally important. Service integration also requires a significant reduction of the contract culture.

This approach is likely to be more effective than reliance on system-wide organisational change that is almost certain to be more costly, and, under current policies, could increase marketisation and privatisation. Top-down initiatives could destabilise services and focus on organisational change rather than joining up working methods and service delivery. Organisational change may ultimately be required, but it should arise from experience and need.

Reducing inequalities

Social justice should include the distribution of opportunities locally and nationally, redistribution and improving life chances, reducing inequalities, eliminating discrimination, improving quality of life and community well-being and ensuring participation in the policy making process and service delivery.

Early intervention and prevention are only part of a strategy to tackle the root causes of poverty and inequality. More fundamental policies are required, such as progressive taxation, economic development, good quality jobs, public investment and affordable housing.

Democratic renewal

The involvement of public, service users, public staff, trade unions and civil society organisations in budgeting and policy making processes including: a) involvement in the design, planning and delivery of services, infrastructure, regeneration and other initiatives; b) involvement in service innovation and improvement plans; c) providing and giving evidence at scrutiny committees.

The governance of arms length public sector companies, public private partnerships, joint ventures and public sector contracts should be assessed with the objective of strengthening democratic accountability and increasing transparency. Freedom of information legislation, primarily applicable *after* decisions have been made, is no substitute for disclosure in the planning and policy making processes to ensure participation is genuine and effective. This can be achieved at the same time as retaining any necessary public and private sector confidentiality.

Quality of jobs

There is a significant relationship between the quality of service and the quality of employment. For example, health and social care employers that have addressed excessive hours, bullying, harassment and stress have better attendance, lower staff turnover, less agency spend, higher patient satisfaction and better outcome measures. Better working conditions for nurses has been linked to positive outcomes in terms of patient safety; the reduction of medication errors, reductions in re-admission rates, the occurrence of complications such as pneumonia; reductions in falls, the occurrence of pressure ulcers; and health care associated infections (references in Whitfield, 2015).

Economic development

The health and social care economy model provides a framework to take account of the inter-relationships between the different functions of the health and social care system. Similar economies are evident in education, public transport. For example, the same framework for education would take account of preschools, schools, higher education, training, teacher training, education research, the education supply industries, the quality of employment, economic output and employment.

For example, the health and social care economy ranges from the funding and provision of hospital and social care to the role of research, innovation, training and supply chain industries in service redesign. Change in one part of the system usually has a positive or negative knock-on effect in other parts. For example, the procurement of hospital medical and related services inevitably impacts on other services and the financial stability of health organisations. Assessing impacts and, if necessary, taking mitigating action, should be an integral part of the planning and design process. Although options appraisals, value for money and impact assessments should identify potential costs and benefits, they often have limited effect in constraining a commercialisation strategy.

For example, health services accounted for 14.5% of employment in the North West region, UK, in 2013, but this rose to 27.3% when the direct, indirect and induced employment was included for all ten elements of the regional health and social care economy (Whitfield, 2015b).

All public services have economic impacts:

	Meet social needs, tackle inequalities & strategic planning	
Education & training	Democratic governance and principles	Economic output
Research and development	Service provision innovation & improvement	Sustainable development
Supply chain industries and services	Public infrastructure	Quality of jobs

Climate change

Public investment in clean energy economy initiatives has an important role in improving the quality of the public infrastructure and environment. Furthermore, they create more jobs, dollar for dollar, than equivalent spending on road construction, fossil fuel energy projects or tax cuts.

Replace PPPs with a new infrastructure model

Firstly, public investment should be directly financed through public sector borrowing, municipal bonds, a public infrastructure bank and/or other similar sources.

Secondly, the capability of public bodies to plan, design and project manage infrastructure capital investment projects in-house must be increased. The use of consultants should be limited to exceptional circumstances and dependent on democratically approved and monitored briefs.

Finally, in-house multi-skilled facilities management services should be (re)established to deliver support services.

This strategy would have many benefits:

- Better quality buildings that meet service requirements and community needs.
- Good quality and responsive repairs and maintenance services.
- Provide greater flexibility of use and remove all 'charging for change'
- Wider community use of buildings, sports facilities with low user charges.
- Increase community control.
- Improve jobs, terms and conditions.
- Democratisation of infrastructure planning - increase democratic accountability and transparency at all stages of the planning, design, construction and operational stages
- Increase opportunities for training/apprentices and local benefits from supply chain.
- Prioritising what gets built, where and when, which balances social and economic infrastructure needs instead of the priorities and banks and construction companies.

Public sector approach to early intervention and prevention

Early intervention and prevention requires a holistic approach with long-term planning for integrated provision, not a succession of ad hoc projects determined by whether private investors will or will not fund them.

Role of government

The state has played a central role in funding, supporting and developing information technology, hardware and software (for example, Apple), the Internet, biotechnology, green technology, pharmaceuticals, aeronautical and space industries. Furthermore, public investment has a significant positive effect on private sector productivity, growth in average living standards and increases both output and jobs.

Infrastructure spending has a significantly larger impact on economic output (GDP) than other forms of public expenditure, such as spending on public services, and between nine and sixteen times larger than tax incentives for business. Both output and employment multipliers vary between countries, economic conditions and types of infrastructure, but nevertheless, the economic impact of infrastructure investment is significantly greater than individual or corporate tax cuts.

It matters who delivers services and there is a powerful economic, financial and democratic case for in-house provision - an economic case; democratic accountability; improved quality of service; quality employment; social justice; sustainable development; improved service integration; and the public interest.

Three key reasons why public provision is so important.

Firstly, quality and overall cost advantage for same scope and standard of service with a commitment to and implementation of public service principles and values. In-house provision means greater capacity and flexibility to respond to changing needs and circumstances, increased scope for innovation and avoids a contract culture.

Secondly, direct democratic governance, accountability and participation eliminates or reduces the risk of contractor and/or market failure, better protects the public interest and ability/commitment to tackle inequalities and social exclusion.

Thirdly, better quality jobs and workplace conditions including terms and conditions, pensions, health and safety with greater potential for staff and trade union and user/community engagement in service design and delivery. A skilled and trained workforce with trade union representation and industrial relations framework is important for service delivery and also supports the local economy through goods and services supply chain.

Taxation and redistribution of national income

Alternative economic strategies require governments to secure resources and the ability to fund, plan, provide and regulate for the medium and long term, taking account of generational interests, innovation and transformation of the economy, redistribution, and the need to legislate and enforce regulations, protect rights, advance a social justice agenda and protect the environment. Fundamental to all these goals is a progressive tax system.

Progressive taxation should be the prime revenue source to fund public functions and the welfare state and to redistribute income and wealth, reduce poverty and inequality, with the percentage tax rate increasing as income rises. Equally important, a progressive approach is needed for the scope and rates of other forms of taxation such as sales taxes, excise and other levies, accompanied by measures to tackle tax avoidance and evasion and a reduction in corporate welfare.

A progressive system should also address the decline in corporate tax rates (and effective tax rates) and increasing levels of tax avoidance and evasion. A Financial Transaction Tax is on the verge of being introduced by ten European countries.

The redistribution of national income is imperative. The gap between productivity and pay is a key factor. The International Labour Organisation revealed that average labour productivity increased more than twice as much as average wages in 36 developed economies between 1999-2011.

Opposition free trade agreements

The ability to implement alternatives to privatisation is gravely threatened by free trade agreements currently being negotiated, such as the Trade in Services Agreement (TISA) and Trans-Pacific Partnership (TPP). They will have far reaching implications: all public services will be subject to liberalisation (deregulation, marketisation and privatisation); restrict re-municipalisation and public ownership; impose restrictions on universal service obligations; weaken labour standards and regulations; impose an investor-state dispute settlement, which would allow multinational companies to sue governments for compensation when public policies reduce the value of an investment and/or profits. Continuing opposition is, therefore, critically important.

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