



The Contribution of the Not for Profit Sector

***Submission in Response to the Draft Report of the
Productivity Commission***

2 December 2009

Introduction

The Brotherhood of St Laurence congratulates the Productivity Commission on its Draft Report. It is an excellent synthesis of the complex range of views received in submissions. It offers a sympathetic understanding of some significant challenges facing the not for profit sector under current policy arrangements while providing a useful framework for thinking about ways to progress the role in the future.

To some extent the Report is constrained by the 'economic' framework informing the analysis. Accounting for the core business of organizations like the Brotherhood – providing services, enabling community connection, influencing government on behalf of disadvantaged citizens and contributing to community endowments - as 'spillovers' of their 'economic contribution' is a pretty eccentric view of our world. It also means that the Report is somewhat skewed towards the service production function of the sector (especially under contract from governments) resulting in a less adequate account of other key roles, especially advocacy and community development. The 'economic' approach also means that other important perspectives for understanding the role of the sector available from social policy, political science, sociology and history are relatively thin.

In this response the Brotherhood of St Laurence takes the opportunity to focus on some selected possible next steps in the Commission's analysis before making its final report. Our interest is in aspects of:

- The 'mediating environment'
- The advocacy role
- Alternative funding models
- Delivery of Government funded services
- Improving evidence informed practice

The Mediating Environment

In our submission we emphasized the importance of being clear about the policy paradigm informing the particular policy settings and goals which shape the role of the voluntary welfare sector. The Report addresses this directly in its discussion of the Australian 'mediating environment'. It provides a useful account of some historical aspects shaping this environment and sums up the current research consensus on the contemporary setting accurately with its reference to the network governance approach. Some aspects though need further development, in our opinion.

Thus the Report concludes that Australia probably best fits into the 'liberal' paradigm. Whilst there is some truth in this, characterizing Australian welfare as liberal is problematic. Thus it is important to note that the sector has never functioned in this country in a way that might

have been seen as a substitute for state provision as has been the case in a truly liberal society like the United States for example. In that model state based welfare is seen as inherently problematic and the preference is to leave welfare provision as much as possible to charities and entrepreneurs. This has not been the Australian way. We do indeed have a leaning towards 'voluntary' organizations for service delivery in many areas but not as a substitute for government's overarching responsibility. Thus in the nineteenth century, our charities were often reliant on funding support from governments and certainly the great expansion of the sector since the 1970s was directly related to government policy initiatives and funding. Overall their role in Australia is better understood more as a partnership with, (most recently as a contracted provider), rather than a substitute for government.

In this regard it is important to emphasise that in the social policy literature the Australian welfare system has always been distinguished from 'liberal' welfare regimes. Until recently the regulated wage system ('wage earners' welfare') was meant to be the basis of people's social security, making us more of a social democratic type rather than the liberal model. We also note that the Prime Minister, Mr. Rudd has indicated that he believes that as a result of the global financial crisis, we are in the midst of a fundamental transition to a social democratic policy model.

It would be really helpful if in your final report a section is included dealing with the implications of this shift to a social democracy for the role of the not for profit sector in Australia. It should certainly have implications for the advocacy role of the not for profit welfare sector.

Inadequate account of the advocacy role

In general terms the treatment of the advocacy role of the Not for Profit sector is less well developed than the account of its role as service producer. For many voluntary welfare organizations it is simply inaccurate to present the influencing or advocacy function as a 'spillover' from another, 'economic' function. For the Brotherhood of St Laurence, for example, influencing social policies through demonstration and research so as to end poverty has been a key aspect of its mission. We do appreciate that the Productivity Commission is an agency established to produce advice on economic policy rather than social policy, but in the absence of any comparable social policy commission it will be important to take greater account of insights from relevant social and political sciences in order to build a more adequate account of the non-economic roles of the sector such as advocacy and community development.

Because of the economic approach, the Report tends to focus on the role of the voluntary welfare sector very much in terms of a producer of services. Here its distinctive role is seen in terms of its capacity to make up for government and market failures, or as a contracted provider of public goods/services – increasingly within a competitive market. In this regard, the emphases given to the traditional 'gap filling' and service innovation roles are to be expected – though a sentimental attachment to the alleged superiority of the sector over government in terms of innovation is actually hard to substantiate with evidence. The

conception and implementation of the purchaser-provider model, for example, was a big scale public sector innovation. The Report is also very helpful in terms of extensive suggestions as to ways of supporting innovation in the sector.

What is missing is a sense of how innovation actually functions as a subset of advocacy. Welfare not for profits typically do innovation and pilots with the ambition that they will be taken up and rolled out large scale by governments and others. In this context it is curious that innovation would have a separate chapter in the report while advocacy tends to figure only in the obiter dicta.

The advocacy role, of course, has not been without controversy and here the Commission addresses some recent deficiencies in a welcome way. It also offers a very useful account of the importance of peak bodies in advocacy and policy development processes. There is room however to reflect moreover the value which the sector can add more generally to the democratic process. Here acknowledging the difference between a 'liberal' and a 'social democratic' mediating environment becomes important again. Thus in a social democratic approach to building an inclusive society, government openly shoulders chief responsibility for upholding the social and economic rights of citizens. Against this rights-based model, a (neo)liberal approach seeks to restrict welfare to a residual 'safety net' endeavour in which families, charities and social entrepreneurs shoulder the chief responsibility.

Thus in a social democratic policy environment the advocacy role of not for profits will be encouraged and resourced as an essential complement to government for overall good social governance. While in a (neo) liberal approach advocacy will be discouraged because it will only lead to unwanted expectations being created about the social policy role of the State. Thus the public choice theories dominant in the nineties tended to redefine not for profit advocacy on behalf of the disadvantaged as rent seeking behavior designed to enrich the sector (although in practice this did not always deter effective advocacy).

We propose that a separate chapter on advocacy be included in the Final report which would reflect more on this key role – especially at a time when many commentators have identified a 'democratic deficit' within society. For most NfP organizations in the Australian welfare sector, advocacy has been central to their understanding of mission. Especially given the current Federal Government's stated preference for a social democratic model, we think it would be important to give a full account of the advocacy role of the sector and the particular ways in which it might be supported and developed. Importantly the sector has always been seen as providing a distinctive bridge into democracy for otherwise excluded groups. The account could include, for example, ways to support the not for profit sector in:

- research and policy development,
- giving a voice to the excluded over policy decisions that affect their lives,
- mediating on behalf of excluded citizens with bureaucracies,
- feeding research knowledge into policy development,
- creating adequate representative peak bodies for the sector, and so on.

While the Report does note ways in which the advocacy role has been constrained in recent times it does so under the rubric of constraints on innovation. The advocacy role is less about program innovation and more about creating adequate political voice and representation for the excluded. In this regard it is those sectoral characteristics of 'trust' in the community which equip the sector for advocacy in ways not possible for government and for profit agencies.

Delivery of Government funded services

'Efficient and effective delivery' of government services was a key term of reference and a major focus of the Report. On this aspect of Not for Profit activity the Brotherhood welcomes the way in which the Commission has taken on board the wide ranging criticisms of what it calls the 'purchaser-provider' model and opened the space for a discussion of alternatives. Indeed the Report does this in a very positive and progressive way. The literature tends to be strong on what was wrong with the old model and sheds light on what might be the alternatives. In its discussion of 'Getting the Model of Engagement Right' the Report proposes several alternatives and in doing so has thrown down a challenge to all parties to come up with alternatives.

We could not expect the Final report to do much more than point to the key issues and processes whereby the kind of programmatic experimentation in alternatives that is clearly needed can take place. In this we would agree with the Report that the guiding principle should be that there ought be no one model of engagement but different models fit for different purposes. Given its reaffirmation of the usefulness of the 'managed market' approach as one model of engagement, it would be good for the Commission to address more clearly those circumstances in which it would be most appropriate.

In our submission we drew attention to the way in which large scale tendering on this model has created a tendency towards the creation of a kind of para-bureaucracy of mega agencies within the sector delivering government services which has had the unintended consequence of crowding out other more intrinsic functions. We also note that it reflects a 'competition and choice' paradigm which is actually inimical to the 'trust' based culture and practices which the Report elsewhere nominates as a defining feature of the sector.

These are weighty considerations and call for a statement from the Commission as to when and how the model can be used in ways which do not detract from the distinctive culture, roles and practices of the sector. The Brotherhood understands that governments will want to save money through large scale, competitive contracting; and in the context of a growing globalization of the human service sector anticipates an ongoing role for large scale international for profits and not for profits competing in that space. At the same time it is hard to see how these type of arrangements can deliver the kind of social value-add typically sought from a trust based not for profit sector. Where the aim is to harvest the more distinctive values which only that kind of sector can create we will need new, more robust 'models of engagement' which will allow the sector to focus on its more distinctive roles: advocacy and community development.

Specifically, we wish to endorse the recommendations that seek to address current weaknesses in direct funding from governments for service delivery (Recommendations 11.1 to 11.3), and those relating to the rethinking the model of engagement with not-for-profit providers (Recommendations 12.1 to 12.4). In respect of Recommendation 12.3 concerning the principle of 'best value for money', we suggest that a more inclusive definition of 'best value' must be developed to enable a longer time period for evaluating impacts and benefits of interventions taking into account social and economic dimensions. This is especially important for interventions that seek to respond to multi-faceted or 'wicked' social problems for which there is no competitive market.

Improving evidence informed practice

The Brotherhood of St Laurence has developed a strong reputation for robust research and evaluation, often in collaboration with academic institutions, governments and colleague not-for-profits. It is a critical element of our central influencing role. We strongly endorse Recommendation 5.4 concerning funding for a Centre for Community Service Effectiveness. However, in addition to the suggested functions, we would recommend that a stronger training role be included. There is a level of inefficiency and waste in the design and implementation of program evaluations currently, with a large number of small studies often poorly designed and duplicating each other. In too many cases, governments and not-for-profits develop and resource evaluations retrospectively. We also consider that the role of philanthropic trusts is critical as funders of many studies.

All stakeholders would benefit from a more structured strategy to the design and development of program or policy evaluations that may be adequately resourced to ensure robust findings. This requires a strengthening of training and professional development opportunities for Government Officers, not-for-profit Managers and Trust Officers. The UK Government Treasury's Magenta and Green Books are cited as an example of guidelines. The US Office of Management and Budget supports a not-for-profit agency to operate a help desk via website with a clearing house for evaluation studies. We also suggest that a recommendation be included for mechanisms to encourage greater collaboration and partnership between government departments, not-for-profits and academic institutions in conducting social research and evaluation studies.

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