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NEWS

With Serco handed the contract for Centrelink's call centre, and the NDIS saddled with inexperienced labour hire staff, the government is privatising the public service by stealth. By *Mike Seccombe*.

Privatisation by stealth



Carillion PLC is not a company name well known in Australia. Heck, it was not even well known in Britain, where it based most of its operations, before January 15 this year, when it went into liquidation.

Then, millions of Britons quickly realised they had business with Carillion – unwittingly and indirectly, in most cases.

It turns out the company, which described itself as an “integrated support services company”, held about 450 government contracts when it fell over. The biggest part of the business was construction, but Carillion and its many subsidiaries were also involved in activities as diverse as providing school meals, maintaining military accommodation, prisons and rail lines, providing 11,500 hospital beds and even library services, among many, many other things.

When Carillion collapsed it not only left tens of thousands of employees and subcontractors unemployed, it left a de-skilled bureaucracy scrambling to deliver services, and led to a lot of people becoming newly aware of the extent to which services they had previously thought were provided by government actually were not.

POLITICAL PARTIES POSSESSED BY THIS IDEOLOGY ARE APT TO IGNORE THE EXPERTISE OF THE BUREAUCRACY UNTIL IT LEAVES.

Most Britons, like most people in this country, had probably thought of privatisation in terms of the sale of government assets, such as banks or telecommunication infrastructure, ports or electricity grids, into private ownership. Such sales, we know, are unpopular. They also are pretty small beer these days, particularly given that so many of the big-ticket items have already been sold.

The big privatisation game now is not so obvious. It is the shifting of functions and responsibilities previously provided by the public sector to the private or non-government sector, including to non-profit and faith-based organisations. It tends to happen incrementally, and therefore often goes unnoticed and unremarked. It is, if you will, privatisation by stealth.

The catch-all term is outsourcing, or contracting out, but it covers a wide range of functions, from global consultancy and accountancy firms that provide highly technical and highly priced advice, to labour hire firms that provide cheap grunt.

It is not always a bad thing, any more than asset sales are always a bad thing. Few would deny that there are some functions – the building of military equipment, for example – that are clearly beyond the capacity of government to deliver.

Equally, though, there is no denying that there are those in politics who take the view that anything that shrinks government is good. Theirs is an ideological, rather than an evidence-based, consideration. It's an attitude best summed up by the simplistic mantra of Ronald Reagan: government is never the answer to the problem – it is the problem.

In the collapse of Carillion, Britons saw this ideology at its ridiculous extreme, where some local councils deemed themselves incapable of running something as basic as a library without the intercession of a private company.

In truth, this belief in the incapacity of government becomes, over time, a self-fulfilling prophecy. Political parties possessed by this ideology are apt to ignore the expertise of the bureaucracy until it leaves – in many cases, only to be rehired as consultants at far higher salaries. They hack away at the number of public servants until there is no option but to outsource if service standards are to be maintained, and even then they are often not maintained.

The ideological belief that privatised services are inherently more efficient than government is these days an article of faith among conservatives. As the American humourist P.J. O'Rourke quipped: "The Republicans are the party that says government doesn't work and then they get elected and prove it."

In the case of Britain, the rise in the use of companies such as Carillion, Serco, G4S, and other service providers was paralleled, indeed necessitated, by mass sackings in the public service. According to official statistics, the number of civil servants fell by more than 25 per cent in just over a decade to 2017. Credit largely goes to the austerity policies of the Tory government, made under cover of the global financial crisis.

The same thing is happening in Australia: privatisation by stealth, outsourcing of all manner of functions previously performed by the public service, declining levels of service. The difference is that in this country we have yet to experience a disaster such as the Carillion collapse.

The Australian Public Service has long been used to having to do more with less, under so-called "efficiency dividends" imposed by governments of both persuasions. But under the current government, that has accelerated and taken on a far more ideological hue.

The government's own figures make the point. The number of Australian Public Service employees dropped by 1.8 per cent to 150,489 in the 12 months to December 31 last year, according to the year-end APS Statistical Bulletin. Overall numbers have fallen about 15 per cent from their peak in 2011. The rate of decline was slight in the last two years of the former Labor government, then sped up dramatically under the Abbott–Turnbull government.

The ideological nature of the cuts, says Nadine Flood, the national secretary of the Community and Public Sector Union (CPSU), is evident in the way the government has gone about making them.

"They imposed an 'average staffing level' cap in the 2015–16 budget, when they arbitrarily determined the APS must be smaller than when John Howard lost office. So every agency has a number of people they are able to employ, and any other work has to be done by consultants or labour hire staff," she says.

"Our conservative guess, based on available public information, is that there are at least 20,000 contractors or labour hire workers in the Australian Public Service.

"But it's hard to be precise. The Australian Public Service commissioner could not tell estimates how many labour hire staff the Commonwealth has, because they don't track it. They only look at direct public service employment, which is shrinking."

The staffing level cap ignores the fact that Australia's population has grown about 20 per cent since Howard and, more pertinently, Flood says, it does not take account of the reality that the Commonwealth has taken on new functions since 2006–07.

Let's go now to examples, the standout being the National Disability Insurance Agency.

"Here we have a new agency, the NDIA, responsible for delivering the biggest social reform in decades, and it has had its public service staffing allocation slashed, and the gap is being filled with a mishmash of contractors and labour hire," Flood says.

Figures provided by the government to a Senate estimates committee in March bear out her claim, showing the workforce trying to implement the new scheme comprised 2329 APS employees and 1105 contractors, as well as 2054 "partners in the community".

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Under questioning in the committee, senior bureaucrats conceded repeatedly that the agency continued to face "substantial" challenges, which amounts, given the circumspect language public servants tend to use in such situations, to an admission of big trouble with the implementation process. It does not take a great deal of reading between the lines to understand that they were very concerned about their ability to make accurate calls on the 200,000 assessments that must be made in each of the next two years about individual needs for National Disability Insurance Scheme support.

Flood says those concerns are amplified by frontline NDIA staff.

“I have met with staff in a number of states who tell us how concerned they are at the damage being done to people with disabilities and their carers as a result of the use of low-paid, poorly trained labour hire staff to do this work.

“Many of the people they deal with have complex needs and psychosocial disabilities. Carers have incredibly difficult situations they’re trying to navigate. And the assessments done by labour hire staff, face to face, feed directly into how much assistance a person receives.

“Those staff have told us they received no training apart from a short script to introduce assessment. To make this legal government then gets a public servant to tick off the assessment.”

While the government would take issue with the claim that these contracted staff are inadequately trained for their roles, a growing chorus of complaint from the disability sector indicates otherwise. The seventh and most recent quarterly report on the progress of NDIS implementation, released this week, recorded 4146 complaints in the third quarter of 2017–18.

This was a record number, and brought the total to 17,352 total complaints made since scheme “transition” began in July 2016.

The report conceded, in copybook bureaucratese: “The NDIA is concerned about the level of complaints it has received. The challenges experienced in implementing the scheme are recognised and work is proceeding on the participant and provider pathway review to address the issues that underlie the complaints.

“In addition, the NDIA’s complaints management approach is under review.”

The report also showed only about 60,000 support plans had been approved to the March quarter since June 30, 2017.

Therese Sands, the co-chief executive of People with Disability Australia, told *Pro Bono News* this week that she was not surprised by the latest findings.

“People with disability are reporting to us that they are frustrated with plans that aren’t right, delays in getting reviews and with the NDIA getting the basics wrong,” she said.

To Flood and the CPSU the level of complaint and the slow implementation of the NDIS highlighted the need for the staffing cap to be lifted. Labor’s shadow social services minister, Jenny Macklin, concurred.

“It’s clear that the agency doesn’t have enough staff to roll out the scheme on time,” Macklin said, “[and] if we are going to sort out the problems with poor-quality NDIS plans the staffing cap on the NDIA needs to be lifted.”

Impartial, non-partisan analyses have reached similar conclusions. The Commonwealth ombudsman has also expressed concern about the level of complaints. The Productivity Commission – an agency not known for its endorsement of big-government solutions – was critical of the inadequate funding and staffing of the NDIA. It warned that capping staff levels “could lead to poorer outcomes”, particularly in the rollout phase of the scheme.

The Senate estimates examination of the NDIS has served, too, to highlight another aspect of the move to greater outsourcing: the high cost of outsourced advice.

Senator Derryn Hinch, with an old tabloid nose for the outrageous example, singled out one of the NDIS contractors, asking NDIA chief executive Robert De Luca:

“Could you tell me about Canberra-based Aquasora Pty Ltd? Apparently, one special adviser from Aquasora was paid more than \$800,000 in one year as a special adviser, which is about \$300,000 more than you earn. I’d like to know who the adviser was advising. And what was the advice.”

De Luca’s deputy answered for him, although she didn’t reveal much.

“That was an individual with a great deal of experience who had worked with the scheme from the outset of the scheme and had previously held a very senior role in the Commonwealth.”

The deputy chair of parliament’s joint committee of public accounts and audit, Labor MP Julian Hill, says increasing recourse to outside experts – often former bureaucrats – is one of the big false economies of the ranks of public servants and one of the hardest to quantify.

Notwithstanding an inquiry his committee began last November into government contracting, Hill says, “the issue of former public servants becoming independent contractors with ABNs [is] opaque.

“We have no idea how much of that goes on, but there’s a lot of it, particularly in Defence.”

His committee is gaining some insight into the costs of the loss of what he called, in a very blunt speech to the House this week, “internal capability”.

He cites evidence from the Bureau of Statistics, which had a disastrous glitch that delayed the 2016 census.

“They admitted, in evidence, that the cost of a labour-hire IT contractor – IT workers do computers, which is why the ABS needs them – is 200 per cent more than just employing that person as a public servant.”

But decades of outsourcing had left the bureaucracy with “no internal capability”. Not only did the bureaucracy lack the capacity to do its own IT; it lacked the capacity to assess the value of outsourced IT services.

“As someone in the private sector told me, the problem with government departments now is that they’re not an informed purchaser; they have no one left who understands this stuff and knows whether they’re buying \$200 million of crap or not. That’s a direct quote...”

Hill worked through a raft of staff and funding cuts to a range of departments and agencies. He saves his strongest language, though, for the government's decision to contract out services to the welfare agency Centrelink.

"Buried" at the back of last year's budget papers, he says, was a sketchy reference to a "trial" outsourcing 250 Centrelink call centre jobs.

"The cost was listed as NFP – not for publication. It was a secret," Hill says.

The contract went to Serco, one of those integrated support service providers, akin to Carillion, best known in this country for its association with offshore detention.

"Serco," he rails, "is a British-based company, well known for snatching up any chunk of any public sector around the world that it can get its hands on for a tidy profit. It's become a byword in many countries for privatisation: immigration detention centres, prisons, the NDIA call centre, defence assets, Centrelink. Whatever, it will do it. In my view, companies like this expand like an organism, a parasite that feeds off the taxpayer."

Ultimately, he says, such contractors "suck the life out of the [bureaucratic] host and kill its capacity, because, over time, once the loss of capability in the public sector is complete, it's a seller's market and prices go up".

"WHAT THE GOVERNMENT IS ABOUT IS GETTING POORLY PAID, POORLY TRAINED STAFF TO FLICK PEOPLE THROUGH QUEUES."

The move to outsourcing, Hill says, was driven "by a mistaken ideological belief that the private sector is inherently more efficient – always more efficient, always better. It is also driven by the desire to transfer operational and political risk to the private sector and away from ministers."

He is at least half right: right about the motivation, but wrong about the inevitable consequence of outsourcing being an increase in the prices. In fact, the Carillion collapse in Britain, to which Hill referred, was, according to all the expert analysis, the result of it bidding too cheaply.

Long experience – and in this country we now have several decades of experience in the provision of things like employment services – suggests that competition between service providers tends to drive down costs. The greater problem is that it also drives down the quality of the services provided.

As one expert in the field put it to *The Saturday Paper*: "If you use simple tender processes for the delivery of complex services, you inevitably over time drive down the price, you endanger the commercial viability of the contracting organisations, and you diminish, incrementally, the quality of the services."

The Centrelink contract with Serco is a case in point.

The first thing to note, Flood says, is that thousands of Centrelink jobs have been cut by this government. The addition of 250 Serco phone staff last year does not make up for that. The announcement just before this year's budget of another 1000 outsourced workers is offset by the announcement in the budget that 1280 public service jobs will be cut from the Department of Community Services.

Even if one accepts the assurance by the minister, Michael Keenan, that "there is no reason why private operators can't do it as efficiently as permanent staff", the net loss of jobs would indicate a net loss of service.

But Flood says it is worse than that. She says the move is a smoke-and-mirrors effort to try to get phones answered, rather than problems solved, and that the department is paying the Serco contractors to "click through" calls as a means of artificially improving Centrelink's phone service statistics.

And those stats are appalling. Last year 55 million calls to the agency went unanswered. Average waiting times for those who did get through were 15 minutes and 44 seconds.

"What the government is about is getting poorly paid, poorly trained staff to flick people through queues," Flood says.

"But that doesn't mean callers are being helped by these people, who can't answer questions, don't know the programs, don't know the intersection of different benefits..."

Flood says her union's members know it's a con. More importantly, she says, Centrelink's customers must know it, too.

"You try telling a working mum who's been on the phone for an hour-and-a-half that she's only been waiting 11 minutes. She's not going to believe you."

There are innumerable other examples of this government's ideologically driven efforts to accelerate the stealthy privatisation of government services, but let's go to the big picture.

In a graduation day address to students at La Trobe University last December, Terry Moran, AC, formerly Australia's most senior public servant as head of the prime minister's department, reported on research by the Centre for Policy Development, a think tank he now leads.

“Australians are highly sceptical about the outsourcing of social services. Eighty-two per cent want to see government retain skills and capability to deliver these services directly,” he told them.

The public mood was turning, he reckoned. “Right now, the policy pendulum is swinging away from a consensus on the primacy of light-touch regulation of markets, the unexamined benefits of outsourced service delivery, a general preference for smaller government, and a willing ignorance of public sector values and culture because they’re not always compatible with efficiency as viewed by treasuries.”

Instead, he said, there was a growing acceptance of a larger role for government, “including involvement in service delivery, more effective regulation and bolder policy initiatives”.

The ideologues of the Turnbull government might do well to heed his words. Alternatively, they could just look at the dire polls in Britain, post Carillion. There, about eight in 10 voters want the privatisation agenda reversed. Basically: the public is fed up; it wants services and it wants governments to provide them; the lie of market solutions has been found out.

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