



BUSINESS COUNCIL
OF CO-OPERATIVES AND MUTUALS

Business Council of Co-operatives and Mutuels (BCCM)

Public Service Mutuels Task Force

**Submission to the Senate Economics References
Committee into Co-operative, Mutual and Member-owned
firms**

June 2015



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Executive Summary

This submission draws on the work of the BCCM Public Service Mutuals Task Force established in 2013 to assemble evidence from Australia and overseas on how the Co-operative and Mutual Enterprises (CMEs) build economic and social value and offer an alternative way for delivering public services in Australia. This submission has a specific focus on how supporting the growth of Public Service Mutuals in Australia will foster innovation in the delivery of public services and create social and economic value for all Australians as members of a civil society¹.

On 4 September 2014, the BCCM launched the White Paper entitled, *Public Service Mutuals: A Third Way for Delivering Public Services in Australia*. The former Minister for Social Services and current Minister for Defence, the Hon. Kevin Andrews MP, launched the paper at Parliament House, Canberra. In launching the paper, the Minister said, “*The question I’m keen to explore is how we, the government, can help you, the co-operative and mutual sector, take things to the next level*”.²

The White Paper illustrates and examines the context for delivering public services in Australia. Public service delivery needs radical reform as Governments around Australia face major budget constraints with increasing demand for services. This is especially so in social services and health where the combined impact of the ageing of the population, globalisation, digital disruption, housing affordability and social exclusion require new ways of thinking about how to enable citizens to become more involved as members of a civil society in public service delivery.

As part of this reform, the White Paper calls for the recognition and realisation of a third way of delivering public services based on an expanding role for co-operative and mutual member owned businesses. This includes the opportunity to explore the potential for employee owned mutuals as well as other forms of Public Service Mutuals, such as enterprise co-operatives, producer co-operatives and consumer co-operatives. This conclusion and recommendations follows extensive consultation with stakeholders including governments, social care providers and the wider co-operative and mutual sector in Australia and in the UK.

The White Paper draws on compelling evidence from UK experience where the UK Government introduced legislation to enable the formation of Public Service Mutuals to deliver public services, including in health, social care, emergency services and education.³⁴ Recent evaluations of these policy developments highlight that Public Service Mutuals led to lower production costs and higher productivity. Public Service Mutuals are also more resilient to changes in social and economic conditions and demonstrate higher rates of customer satisfaction, lower staff absenteeism and turnover and increased staff commitment and enthusiasm to their work.⁵

Since 2009, the UK Government has supported the creation of over 100 largely employee-owned Public Service Mutuals, employing over 35,000 people generating more than 3000 new jobs and delivering £1 billion of public services.⁶

These Public Service Mutuals operate in many areas of Government service provision including some in the Minister’s \$155 billion social services portfolio such as disability services, aged care, childcare, health and education.

¹ There are different definitions of Civil Society. Speaking at the Association Forum in Sydney on 18 July 2013, the Minister for Defence and former Minister for Social Services, the Hon Kevin Andrews described *Civil Society* as “*the groups of individuals which freely associate to pursue their mutual social, cultural, professional, sporting, religious or other communal interests. They have one thing in common and that is the desire to associate to fulfill common objectives. They are built on mutuality and trust. They are neither instruments nor agents of the State*”.

² The Hon. Kevin Andrews, Minister for Defence and former Minister for Social Services, Parliament House Canberra, 4 September 2014

³ Le Grand, Julian, UK Mutuals Taskforce (2012) *Public Service Mutuals: the next steps*. Cabinet Office. London. UK.

⁴ ResPublica Trust (2014) *Making it Mutual: The ownership revolution that Britain needs* edited by Caroline Julian

⁵ BCCM Public Service Mutuals Taskforce (2014) *Public Service Mutuals: A third way for delivering public services in Australia* White Paper page 7 <http://www.bccm.coop>

⁶ <http://www.gov.uk/government/news/cabinet-office-mutuals-reach-century-success>



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A broader definition of a Public Service Mutual has been adopted by the BCCM to include consumer, enterprise and producer co-operatives along with those that are employee owned. Despite different structures, these organisations are united in the core mission, which is to create shared economic and social value for Members.

Following the release of the White Paper, the Department of Social Services (DSS) sponsored a series of workshops conducted by the BCCM and held with senior executives. This was followed by commissioning the BCCM to prepare a series of case studies on successful Public Service Mutuals in Australia including Nundah Disability Employment, the National Health Co-operative, Common Equity Housing Ltd and Co-operative Home Care.

The time is right in public sector reform for more to be done to foster the establishment and growth of Public Service Mutuals in Australia. The McClure Report on Social Welfare Reform included a recommendation that *"The Government should work with the Business Council of Co-operatives and Mutuals to ensure legal, regulatory and economic environments promote the development of mutual and co-operatives"*⁷

The Harper Review of Australia's Competition Policy also contains references to the contribution of the Mutual and Co-operative sector in offering an alternative to Government delivery and as an alternative to the privatisation of Government assets.⁸

Significantly, the revised set of competition principles recommended by the Harper Review for Human Services present opportunities to foster the growth of co-operative and mutuals suitable for the new consumer directed policy environments. This includes in the National Disability Insurance Scheme (NDIS), childcare and Commonwealth aged care reforms. There are four revised competition principles for Human Services, which are promoting choice, separation of policy and funding from delivery, encouraging diversity in provision and innovation in service delivery. Collectively, the application of these principles will require new ways of delivering human services in Australia that drive better social and economic outcomes for citizens and taxpayers.

The Council of Australian Governments (COAG) support for national implementation of a new National Co-operative Law provides a national legislative framework to make it easier for citizens, governments and organisations to form Public Service Mutuals as defined in the BCCM Public Service Mutuals White Paper. There is a rich source of case studies here in Australia and overseas where lessons have been learned and should be applied to make it easier for Public Sector Mutuals to form in Australia.

The BCCM Public Service Mutuals Task Force has prepared a roadmap implementation plan to scaffold the development and growth of Public Service Mutuals in Australia. There are three areas of focus in this roadmap, which are Education and Awareness, Policy Reform and Pathfinder Projects.

In its first pathfinder case study, the BCCM has been funded by the NSW Department of Transport to work with 3 large community transport providers in a co-production environment to establish a Community Care Co-operative.

Since the release of the White Paper, the BCCM has conducted meetings, workshops and responded to requests about the feasibility of establishing Public Service Mutuals including in the National Disability Insurance Scheme (NDIS), affordable housing, aged care and community transport. The interest in learning more about the benefits of member owned organisations and their application to human services has been substantial, and beyond the resources of the BCCM to meet this demand.

More needs to be done. The BCCM acting alone cannot achieve the benefits that have been demonstrated in other countries where Government policy reforms complemented the CME sector

⁷ McClure Report: *A New System for Better Employment and Social Outcomes* 2015 page 182

⁸ Professor Ian Harper, Peter Anderson, Su McCluskey and Michael O'Bryan QC (March 2015) *Competition Policy Review Final Report*, Commonwealth of Australia <http://www.competitionpolicyreview.gov.au> page 247



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and citizens to foster the growth of a thriving co-operative and mutual sector to deliver more cost effective services that involve people and local communities collaborating with shared responsibility to create social and economic value.

The particular areas for focus are in:

- Governments preparing a policy and implementation framework to support the growth of Public Service Mutuals across Australia;
- Making it easier for interested citizens, organisations and governments to establish Public Service Mutuals;
- Fostering a culture of innovation in the delivery of public services using co-production environments to develop and evaluate more Public Service Mutuals;
- Embedding the history, operation and benefits of co-operation and mutualism in education programs and professional industry associations to build and sustain a wider body of knowledge about co-operatives and mutuals in Australia; and
- Identifying sources of start-up capital that enable the growth and sustainability of new Public Service Mutuals, especially in the areas of health and human service delivery where significant reforms are underway such as aged care, disability services, community transport, child care, health and housing.

Relationship between this submission and the Business Council of Co-operatives and Mutuals (BCCM)

This submission builds on the BCCM submission that outlines the social and economic contribution of the co-operative, mutual and member-owned sector in Australia.

Economic

- Estimated over 1700 co-operative, mutual and member-owned businesses operating nationally (both large and small entities)
- More than 13.5 million members (representing eight in every ten Australians) generating a turnover of over \$25 billion per annum (excluding the turnover of member-owned superfunds)
- Co-operatives and mutuals including member-owned superfunds contribute around 7% of our country's earnings
- The business model brings economic diversity of enterprise that leads to greater resilience based on broader economic participation and long term commercial outlook
- Generates competition and choice in the market to the benefit of the economy and consumers
- Provides competitive leverage for small to medium enterprises
- The sector invests through the principles of self-help and economic participation, in Australia's future, recycling profits back into the Australian economy for job creation, and local economic development.
- The co-operative and mutual sector practices a prudent and common sense approach to business - the sector does not focus solely on profit, growth and short term gains

Social

- CMEs are grassroots businesses owned and operated at a local level to contribute to and improve the community and its inhabitants
- CMEs empower people and communities to engage in business and entrepreneurial projects to meet their common needs
- CMEs educate communities in the operation of business and create a strong democratic governance culture in communities
- CMEs instill the value of financial responsibility in people and businesses
- CMEs re-build and maintain public trust in business



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Challenges and opportunities

Political

- Many politicians are not aware of the importance and advantages of a burgeoning co-operative and mutual sector
- The sector has no representation at the cabinet table federally or at state level

Legislative

- Legislation covering the sector is inconsistent between jurisdictions, restricts free trade across states and territories and suffers from duplicative federal and state regulatory requirements
- Numerous regulators oversee the sector nationally without any consistent policy administration statements
- There is no clear and unambiguous definition of mutual business that encompasses co-operatives, mutuals and member owned firms, as part of a diverse enterprise sector
- Although 80% of Australians are a member of a co-operative, only three in ten could name one and only 16% believe they are a member of one.⁹

The Public Service Mutuals Task Force

Following a national roundtable on the role for co-operatives and mutuals in public sector reform in November 2013, the BCCM established a national task force to explore the viability and roles for co-operatives and mutuals in delivering key public services. The Australian Public Service Mutuals Task Force (the PSM Task Force) was formed to oversee the preparation of a Green Paper and White Paper to explore the potential for Public Service Mutuals in Australia.

Terms of Reference

Through the Green and White Papers and public consultation around these, the PSM Task Force set about to:

- Gather evidence in Australia and overseas on Public Service Mutuals
- Raise awareness about the benefits of Public Service Mutuals
- Build a business case for expanding Public Service Mutuals in Australia, and
- Execute the recommendations and drive change and adoption for more Public Service Mutuals in Australia

Membership

The members of the PSM Task Force were drawn from the BCCM Membership:

- Gillian McFee – Chair and Strategic Adviser on the Living Well Navigator, NRMA
- Rowan Dowland – General Manager Development, bankmecu
- Melina Morrison – CEO, Business Council of Co-operatives and Mutuals
- Angela Perry – Chair, Employee Ownership Australia Ltd
- John McNerney – Former Managing Director, Common Equity Housing Ltd
- Kimina Lyall – Group Executive Corporate Development, Australian Unity
- Patrick Walker – Executive General Manager, Advocacy and Member Benefits, Royal Automobile Club of Western Australia (RACWA)
- Sheena Jack – Chief Strategy Officer, HCF

⁹ The Australia Institute (2012) *Survey of Brand Awareness of Co-operative and Mutuals in Australia*



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The PSM Task Force was supported by advisers and a secretariat that included:

- Gordon Duff – Executive officer, National Policy Research Unit, National Disability Service
- Robyn Kaczmarek – Co-ordinator and Founder, Co-operative Home Care
- Michael Pilbrow – Director and Founding Chairman, National Health Co-operative
- Morrie O'Connor – President, Nundah Community Enterprise Co-operative
- Les Hems – Director, Net Balance Research Institute and primary author of the White Paper
- Melinda Leth - Senior Associate, Net Balance Institute
- Erica Olesson – Associate, Net Balance Research Institute
- Alan Greig – Board Member, Employee Ownership Australia

Public Service Mutuals: A third way for delivering public services in Australia.

UK Experience

Faced with the need for urgent economic reform in the Global Financial Crisis, the growth of Public Service Mutuals was supported by Government regulatory reform and led by the UK Cabinet Office.¹⁰ Since 2009, the UK Government has supported the creation of over 100 largely employee-owned Public Service Mutuals, employing over 35,000 people generating more than 3000 new jobs and delivering £1 billion of public services.

The introduction of Public Service Mutuals in the UK has transformed the delivery of public services. Recent evaluations of the reforms demonstrate mutuals can deliver substantial benefits to a wide range of public service stakeholders, including service users, service commissioners, service employees and the communities they serve.¹¹

Based on this UK experience and evidence, the case for Public Service Mutuals includes:

- For service users and communities, mutualisation raises the quality of the public services they receive.
- For commissioners, mutualisation increases both the value for money and the effectiveness of the services they commission.
- For employees, mutualisation improves their wellbeing and the conditions under which they work.

The Australian context for Public Service Mutuals

The context for examining the benefits of Public Service Mutuals in Australia was very different to what the UK experience. Leadership has come from the Co-operative and Mutual sector through the BCCM. Following the International Year of Co-operatives in 2012, the BCCM was formed as an industry body to advocate for and grow the Co-operative and Mutual sector in Australia.

Responding to public sector reforms to drive increased productivity across the public sector, in 2013, the BCCM formed the National Public Service Mutuals Task Force. Chaired by Gillian McFee as an independent Chair, and comprising leaders and advisers with deep experience in the public and private sector, the Task Force was charged with assembling evidence from Australia and overseas on the benefits of Public Service Mutuals, with a particular focus on those areas of public service delivery where governments are being challenged to find innovative solutions that solve “wicked social problems” and achieve better outcomes for service users, taxpayers and communities. The Task Force was solely funded by the BCCM with additional contributions from some BCCM members

¹⁰ The Public Service Mutuals Task Force assembled a UK Panel of Experts that included representatives of the UK Cabinet Office. The members of this UK Panel of Experts were Peter Hunt, CEO Mutuo UK, Graeme Nutall, Field Fisher Waterhouse, Ed Mayo, Secretary Co-operatives UK and Natasha Price, Senior Policy Advisor, UK Cabinet Office.

¹¹ Professor Julian Le Grand, Chair UK Public Service Mutuals Taskforce in Public Service Mutuals: The next Steps page 11



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willing to share their experience and resources to facilitate the growth of more CMEs in public service delivery.¹²

The Task Force conducted consultations all around Australia, through “Making it Mutual” workshops, received submissions and drew on experience on the Co-operative and Mutual sector in Australia and overseas. A Green Paper was prepared and following further consultation and feedback on this, a White Paper was launched on 4 September 2014. The (then) Minister for Social Services, the Hon Kevin Andrews provided the foreword to the White Paper in which he recalled the Beveridge Report which became the blue print of the UK’s post war social security consensus and eventually adopted in Australia and New Zealand. The Minister noted, “In the second half of the nineteenth Century, Australians pioneered mutuals and friendly societies ... By the eve of the First World War, around 400,000 friendly society members helped fund benefits for over one million Australians.”¹³

Despite Australia’s 13 million plus members of co-operative and mutual member-owned businesses, co-operatives had lost momentum in the later part of the 20th Century due to increasing Government regulation, the growth of the welfare state and the professionalisation of social services. However, in the 21st century, Australia is experiencing resurgence in the sector at a time when governments (all over the world) are looking for empowerment based public service delivery within increasing budget constraints and rising consumer expectations.

Others have commented on the opportunity presented by growing the mutual and co-operative sector in the delivery of public services. Accenture (2012) reports “co-operatives are enjoying a renaissance the world over so much so that the United Nations declared 2012 the international year of the co-operative organisation”.¹⁴ EY also notes the evidence for Public Service Mutuals building on their success in the UK where the procurement of social care is becoming a value-based commissioning activity to support choice and control.¹⁵ In a recent report, EY estimates up to \$100 billion of services will need to be delivered in the ‘new public private production system’¹⁶

Definition of a Public Service Mutual in Australia

Another important difference between the Australian approach to Public Service Mutuals and the UK experience is that the Public Service Mutuals Task Force in Australia adopted a broader definition. In the Public Service Mutuals White Paper, a Public Service Mutual is “an organisation which wholly or in part delivers public services through co-operative or mutual governance structure, whereby members of the organisation are able to be involved in decision-making, and benefit from its activities, including benefits emanating from the reinvestment of surpluses”.

In Australia, the Public Sector Mutuals Task Force categorised Public Service Mutuals into three categories, which are consumer, producer or employee, and enterprise co-operatives. They can also be all three, and this supports the trend in the UK where increasingly Public Service Mutuals are becoming multi-stakeholder.

These definitional differences are important in the Australian context where to date, there has not been the leadership from Government to introduce the required policy and legislative reforms to enable the formation of employee-owned Public Service Mutuals. Also, this broader definition enables communities and individuals to select the type of membership and ownership structure most suited to member benefit they are trying to achieve.

¹² The BCCM acknowledges the contribution of its membership to the Public Service Mutuals Task Force and the additional contribution from NRMA Motoring and Services (NRMA), Australian Unity and HCF.

¹³ The Hon. Kevin Andrews MP (August 2014) previous Minister for Social Services in the Foreword of the Public Service Mutuals White Paper page 3 <http://www.bccm.coop>

¹⁴ Cooper, Tim Accenture Institute for High Performance (January 2012) The Benefit is Mutuals: Harnessing Old Models or Public Value in a New Age of Austerity Page 3

¹⁵ Ernst & Young, Australia (2014) Creating Public Value: Transforming Australia’s Social Services.

¹⁶ Estimate based on reported 2014-15 Federal Government social services and welfare expenditure of \$146 billion in the Public Service Mutuals White Paper page 7.



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Benefits of Public Service Mutuals

The inherent characteristics of Public Service Mutuals can help government and the market meet the demands of service by consumers and achieve the desired outcomes of user choice and control, efficient, productive and innovative service delivery models whilst delivering a social and economic 'return on investment' for taxpayers.

Public Service Mutuals are well placed to support community resilience where public services cannot be delivered due to market or other service provision failure. Co-operatives and mutuals have proven to be particularly useful when:

- Services are too expensive for government or market forces to provide;
- There are low or variable profits;
- Specialised service is needed; and
- User input is required in service design and delivery.

The Public Service Mutuals White Paper concluded that co-operatives and mutuals should be playing an increasingly significant role in the social services sector and details the key benefits as:

- Increasing organisational diversity in public service markets;
- Harnessing the professionalism of employees and unleashing entrepreneurialism;
- Increasing consumer choice and control; and
- Stimulating innovation.

The case for public service mutuals is rooted in the belief and evidence that employee-owned enterprises are better placed to understand and respond to the needs and demands of local communities.¹⁷

Co-operatives and mutuals serve their members. This means they are better placed to focus on local service delivery where they can tailor services to meet the needs of their members. The mutual member-owned model is often suited to activities that focus on inter-personal relationships, such as community care, aged care, disability services and health care. The natural inclination of most for profit businesses is to scale their activities and in the delivery of health and social services, especially for vulnerable people, this can risk destroying value by loss of community engagement and relationships that build individual and community capacity. This is particularly evident in the NDIS and aged care reform where community based not-for profit organisations risk closure in the face of competition from larger for profit and not-for-profit businesses.

The UK experience with Public Service Mutuals concludes the benefits of mutuals is that they:

- Create diversity in business, which acts as a counterbalance to mitigate systemic risk to the economy
- Operate longer term business strategies
- Provide competition and choice for consumers in a range of markets
- Spread wealth throughout the country
- Re-build and maintain public trust in business
- Provide business structures for public service providers that keep them accountable to their users and to taxpayers, and
- Provide business structures that protect the public interest.¹⁸

Engagement with Government and other stakeholders

During the preparation and after the launch of the Public Service Mutuals White Paper, the BCCM has received significant interest from governments and other stakeholders who want to know more about

¹⁷ Ellins and Ham (2009) NHS Mutual page 38 in the report by the Accenture Institute for High Performance p4

¹⁸ Mutuo (2015) Business for People: The Mutuals Manifesto – How co-operative and mutual businesses can contribute to our nation's growth and prosperity, page 4.



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the benefits of Public Service Mutuals and how to establish them in response to changing regulation and increasing expectations from consumers.

This engagement has included:

- The Commonwealth Department of Social Services commissioned the BCCM to deliver a series of workshops to senior executives on Public Service Mutuals and the development of a series of Pathfinder Case Studies.
- The ACT Directorate invited the BCCM to a series of stakeholder meetings with departmental staff, sector employees and consumers to explore the potential for the delivery of social services through Public Service Mutuals.
- The NSW Department of Family and Community Services commissioned the BCCM to conduct a workshop for senior executives that included a focus on three case studies which were out of home care, tenancy management and disability services.
- The NSW Department of Premier and Cabinet on policy development for Public Service Mutuals
- Transport for NSW on the potential for Public Service Mutuals in the reform of community transport services in the context of the NDIS and Commonwealth Home Support Program
- The Collective, NSW Department of Family and Community Services, on the potential for Public Service Mutuals in the area of social housing
- Disability ACT (DACT) on the potential for Public Service Mutuals in the provision of disability housing
- ACT Therapy about potential for therapists to form a Public Service Mutual
- National Disability Services to explore train the trainer courses for sector development in response to the NDIS
- The application of co-operative and mutual business models as a way to empower consumer choice and control and independence from service provision in the context of the NDIS and Commonwealth aged care reforms
- Parents of children and young people with disabilities interested to form consumer co-operatives as a way of enabling collective purchasing of services under the NDIS
- Engagement with Australia's first intentional retirement community, the Waverton Hub, which is a member-owned mutual centred on healthy ageing
- NRMA's Living Well Navigator, a portal containing independent information, tools and services designed to help Australians age well.
- Logan Innovation Health Hub around a multi-stakeholder co-operative.

Recommendations

The Public Service Mutuals White Paper made recommendations in three areas to support the growth of Public Service Mutuals in Australia. These were:

- Promoting a third way for delivering public services by increasing awareness of the co-operative and mutual business models and promote them as a third way for delivering public services
- Scaffolding to realise the potential of Public Service Mutuals by providing resources and support to help individuals and organisations form Public Service Mutuals through capacity building, expert advice, mentorship and guidance, and
- Creating an enabling environment for the growth of Public Service Mutuals by developing a coalition of committed stakeholders including mutuals and co-operatives, subject matter experts and government to consider any potential barriers, and report on the findings.

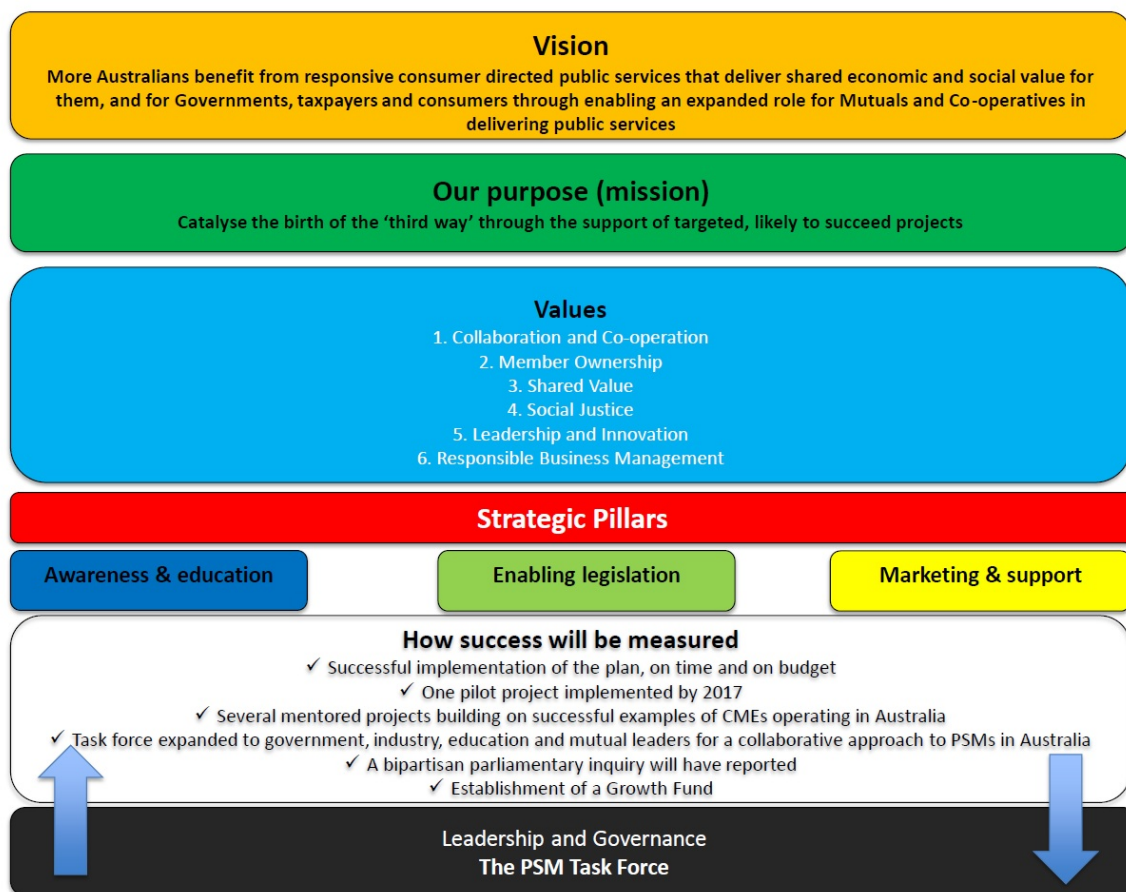


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The Public Service Mutuals Implementation Roadmap

The implementation of these recommendations has commenced through the development of a Public Service Mutuals Implementation Roadmap with three pillars which are:

- 1 Awareness and Education
- 2 Policy Leadership, and
- 3 Projects



These implementation activities have been led by the BCCM Public Service Mutuals Task Force and there has been significant achievement since the launch of the White Paper in September 2014, including:

- A series of four Pathfinder Case Studies has been prepared
- A "How To" toolkit to help individuals and organisations form a Public Service Mutual
- The BCCM helped to advocate for the Senate Economic Reference Committee Inquiry into the co-operative, mutual and member-owned sector, and
- The opportunity to create a new enterprise owned Public Service Mutual through the merger of three large community transport providers currently operating in Greater Western Sydney.



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Pathfinder Case Studies

The White Paper documented some Pathfinder case studies to inform others interested in considering a co-operative structure. These case studies are in the process of being fully documented and when complete, will be part of a “Get Mutual” online toolkit being developed by the BCCM. A similar approach was taken with Pathfinder case studies in the UK and these are included below as further examples in the areas of disability services, housing, home care and primary health.

Public Service Mutuals and Health Services

The National Health Co-operative (NHC) is a consumer-owned Public Service Mutual. The NHC was internationally recognised when it was selected as the only Australian health services case study presented at the International Co-operative Summit in 2014. NHC’s success is demonstrated by its growth in market share of the ACT primary health care sector to 9 per cent of the population since 2010. NHC started with community members in Belconnen who wanted to provide affordable and accessible medical and health services to the local community where there was a doctor shortage. Their membership is growing at a rate of more than 4.5 per cent per quarter.¹⁹

In the UK, the City Health Care Partnership (CHCP) evolved from a Department of Health Pathfinder to a National Health Service (NHS) “spin-out” in a journey that has taken five years. CHCP operates as an independent not-for profit company where the company generates a profit to re-invest in its staff, services and the community and not to external shareholders. CHCP is a co-owned mutual business in which each member of staff has the opportunity to purchase a £1 partnership on a ‘one share one vote basis’. Staff report being more accountable for the success of the business, a partner rather than just a member of staff, with responsibility to deliver excellent, safe and quality services. Other success factors for CHCP are revenue growth, high levels of employee and customer satisfaction, lower rates of sickness and staff turnover and a positive social return on investment in the local community where every £1 spend by CHCP produces a return of £28.²⁰

Public Service Mutuals and Disability Services

The individualised funding and consumer direction that forms the basis of the NDIS is well-suited to consumer owned co-operatives where people with disabilities and their families can have more choice and control about how they are supported to live independently. Staff owned co-operatives also align well with many of the NDIS requirements and can create a strong foundation for effective disability service delivery. The NDIS trial site in Barkly, Northern Territory could prove an ideal pilot area for a disability staff co-operative. Many smaller yet effective disability support organisations may not survive the emerging NDIS markets competing against larger organisations and new entrants. Enterprise co-operatives can support smaller disability providers to compete through co-operation and mutual benefit.

Nundah is an example of a successful disability worker co-operative. It has a track record of sustainable employment for its members, the majority of whom were long-term unemployed before starting the co-operative. Eighty per cent of the original members have been employed by the co-operative for more than a decade. The members with disability are employed on award wages, have job security and participate in the mainstream workforce, a number of them having substantially reduced their reliance on social services and welfare.²¹

¹⁹ BCCM Public Service Mutuals White Paper (August 2014) page 15 (NB: statistics have been updated)

²⁰ Burnell, Andrew (2014) City Health Care Partnership CIC: Health Care Mutuals – a view from the frontline in Making it Mutual: The ownership revolution that Britain needs edited by Caroline Julian for ResPublica.

²¹ BCCM Public Service Mutuals White Paper (August 2014) page 14.



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Public Service Mutuals and Home Care

Co-operative Home Care (CHC)²² began operating as an employee owned co-operative in October 2013 with a mission to improve the lives of the aged, disabled and chronically ill by providing consumer directed, high quality and consistent homecare. Despite being only two years old, CHC has grown from five founding members in 2013 to 18 employees and eight worker members today, providing 500 hours of supported care weekly and generating a first year profit.

CHC is an innovative model of home care service delivery where care workers are employees and owners of CHC. In an industry known for its low pay, poor working conditions and high staff turnover, as an employee owned co-operative CHC is able to provide a unique working environment where worker members are directly involved in the business. This means they co-operatively make decisions on issues, which affect them such as salary, work schedules, client care programs and training. The profits are also re-invested back into the business to improve systems, conditions or save for future expenses.

It is this worker member engagement and autonomy and re-investment of profits, which sets CHC apart from existing public and privately run homecare providers. By creating an empowering and autonomous work environment, CHC believes that worker members' job satisfaction and retention will increase. As a result, the quality and consistency of care provided to clients will improve and therefore their health, wellbeing and loyalty to CHC.

CHC is a public service mutual (co-operative) and an example of how the entrepreneurial spirit of a small group of like-minded people can disrupt the existing model and establish a new way of providing individualised, affordable and quality care in a supportive and empowering work environment. At this time, CHC is developing an approach for measuring and reporting the outcomes achieved. However, research demonstrates that

In establishing CHC, the three key lessons and advice for others looking to establish an employee owned public service mutual are: seek out experience from technical experts such as legal, financial management and governance as well as industry experts to assist you, particularly in developing the feasibility and business plan; seek out diverse sources of capital instead of relying on government funding and contracts which tend to favour larger more established businesses and; build trust with your members and work with them to help build their understanding of the benefits of being a co-operative.

Sunderland Home Care Associates (SHCA) is a UK case study that shows how a worker's co-operative evolved into a fully employee-owned organization. SHCA formed on 4 July 1994. The impetus for forming the worker's co-operative came in 1989 when Councils were being forced by central government to outsource their community care services. The SHCA founders gained support from a local leader co-operative expert and also used American Home Care co-operatives where they obtained help in preparing their first business plan. The founders used the lessons learned and grew the business over the coming decades including the ability to implement employee ownership principles into the care sector. SHCA is principally a care provider, however has diversified its portfolio because contracts for care services did not provide adequate security for their members. One of the diversified services is Café on the Park, a co-production activity with people with disabilities, who work in the café along with SHCA employees. The combination of employee ownership and involving service users in the design of care services proved a winning formula for SHCA and from their experiences, they went on to create Care and Share Associates (CASA). CASA is the vehicle used to replicate the success of SHCA across the region with an over-arching vision to democratize home care services in the region.²³

²² Australian Independent Living Enterprise Co-operative Ltd. trading as Co-operative Home Care (CHC)

²³ Elliott, Margaret (2014) Sunderland Home Care Association: The case for expanding mutuality in social care in Making it Mutual: The ownership revolution that Britain needs. ResPublica.



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Public Service Mutuals and Housing

Housing co-operatives are the quiet achievers in the social housing sector. They have been highly successful in Australia and should be seen as a priority for expansion to assist in addressing issues of affordability, homelessness and community engagement. Democratically run, a housing co-operative is managed by its residents who are responsible for managing tenancy agreements and maintaining the housing. Co-operatives have formed for lower income households in various locations and around cohorts of particular social disadvantage including new arrivals, women escaping domestic violence, disability and older people.

In Victoria, Common Equity Housing Ltd (CEHL) is a leading provider of co-operative managed housing, providing affordable housing to more than 2,200 Victorian households. CEHL has developed expertise in assisting member co-operatives to function well and in developing appropriate housing for a diverse range of consumer groups. CEHL has won numerous awards for its development of low cost, sustainable and for purpose housing.²⁴

In the UK, Rochdale Boroughwide Housing (RBH) is an example of a large public service mutual. Rochdale had 169 years of history with mutualism, dating back to 1844 where disgruntled cotton workers established the first ever formally constituted mutual organization. The impetus for forming the Rochdale housing co-operative happened when the Rochdale Council formed an Arms Length Management Organization (ALMO) to investigate future revenue options for local authority housing service in the face of a looming deficit about five years hence. Rochdale is a highly socially disadvantaged community and tenants were not in favour of the housing reverting to the local authority or being transferred to a traditional housing authority because experience in neighbouring areas was that promises of tenant management and improved maintenance had not materialized with these options. The preferred option was to transfer the stock to a mutual housing organization where tenants are actively involved in management, with 76% of tenants supporting the transfer. The initial business plan was premised on £169 million of investment from public and commercial sources over thirty years, and agreement from government to write off £91.5 million of the debt and a negotiated cost for RBH to purchase the stock for £25.5 million. These concessions negotiated with government were critical to making the business plan viable. RBH was formally constituted as a mutual in June 2013. At the heart of the RBH is co-ownership of the organization by tenants and employees.²⁵

Lessons learned from implementation

Despite these positive case studies and the benefits of Public Service Mutuals in the UK, it is puzzling that more has not been done in Australia to grow Public Service Mutuals, especially in areas like health, social housing and social services where current models are not achieving the productivity improvements required by governments.

The BCCM Public Service Mutuals Task Force has been encouraged by the amount of interest generated from the White Paper. However, delivering the benefits that have been realised in UK reforms will take more than the BCCM drawing on the resources of its members. Leadership is needed in the following areas:

- Governments preparing a policy and implementation framework to support the growth of a Public Service Mutuals across Australia
- Making it easier for interested citizens, organisations and governments to establish Public Service Mutuals
- Fostering a culture of innovation in the delivery of public services using co-production environments to develop and evaluate more Public Service Mutuals
- Embedding the history, operation and benefits of co-operation and mutualism in education programs and professional industry associations to build and sustain a wider body of knowledge about co-operatives and mutual in Australia, and

²⁴ BCCM Public Service Mutuals Task Force (August 2014) White Paper page 12

²⁵ Professor Ian Cole and Professor Paul Hickman (2014) A Marriage of Pragmatism and Idealism: Developing mutual housing in Rochdale in Making it Mutual: The ownership revolution Britain needs. ResPublica.



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- Identifying sources of start-up capital that enable the growth and sustainability of new Public Service Mutuals, especially in the areas of health and human service delivery where significant reforms are underway such as aged care, disability services, community transport, child care, health and housing.

What has become very clear to the BCCM Public Service Mutuals Task Force is that forming a new Public Service Mutual requires deep cultural change, takes time, and usually requires certainty around start-up capital to achieve the scale required for success. Many organisations operating in these sectors have been used to over-regulated markets where Government has provided a guaranteed funding stream to providers who then determine what is best for consumers. Without encouragement, these provider organisations are unlikely to initiate power sharing with employees and consumers as would be required in a Public Service Mutual. That is why governments in Australia must proactively develop policy frameworks on Public Service Mutuals and support employees, consumers and local communities to mutualise services as an alternative to more traditional approaches.

Recommendations to the SERC

The BCCM Public Service Mutuals Task Force welcomes the opportunity to meet with the Senate Economic Reference Committee. We recommend that the Committee:

1. Highlight to Government the benefits of Public Service Mutuals in creating social and economic value and improving the productivity of some public services especially in health, social housing, disability and aged care. **The Business Council of Co-operatives and Mutuals has addressed this recommendation in its separate submission to this inquiry (Recommendation 4: Public Interest in Public Services).**
2. Advise Government to develop a policy framework and supporting legislation, to enable the growth of Public Service Mutuals in Human Services including applying the revised draft competition principles for Human Services.
3. Recommend to Government that a high level advisory committee comprising representatives from Government and the Co-operative and Mutual Sector is formed to oversee the development of a policy framework and supporting legislation to grow Public Service Mutuals in Australia and the selection and implementation of the Pathfinder projects where the evidence supports the realisation of social and economic benefits. The BCCM Task Force considers the priority areas are in the NDIS and aged care.
4. Investigate how tertiary education and professional development programs address the role of co-operatives and mutuals as part of the Australian economy and based on this advice, consider whether specialised legal advice is required to develop a model syllabus.