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BUSINESS COUNCIL
OF CO-OPERATIVES AND MUTUALS

Submission to the Interim Report of the Review of Australia's Welfare System

August 2014

About this submission

The Business Council of Co-operatives and Mutuals is an association of the chief executives of Australia's leading co-operative and mutual member-based businesses, which promotes the role of co-operative and mutual businesses in the economy and community development of Australia.

The BCCM brings together the entire range of co-operatively and mutually owned enterprises across many industry sectors from agriculture, insurance, motoring and retail, to health, housing, education and financial services. The BCCM engages with government on the benefits of the co-operative business model for building dynamic local economies, sustainable, local employment, and community reinvestment and community-generated, self-help solutions to shared needs.

The BCCM acknowledges the government's steps to consult with a broad range of stakeholders in undertaking this Review of Australia's Welfare System and we appreciate the opportunity to make a submission in response to the Interim Report of the Welfare Inquiry.

Please direct all queries with regard to this submission to the Business Council of Co-operatives and Mutuals.

Yours sincerely,



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Summary

Structure of this Response to the Interim Report

This response has a focus on the contribution of co-operatives and mutuals to Pillar Four of the 'Interim Report: A New System for Better Employment and Social Outcomes': Building community capacity. The response also highlights that co-operatives can play a unique local level role for people with complex needs, in the area covered by Pillar Two: Strengthening individual and family capability. However, it is important to note that the co-operative and mutual sector plays a strong role *overall* in delivering better economic and social outcomes in Australia.

Pillar Two: Strengthening individual and family capability

Area addressed by this response:

- Improving individual and family functioning

Question addressed by this response:

- How can services be improved to achieve employment and social participation for people with complex needs?

Staff co-operatives, discussed in greater detail in the Pillar Four response provide a strong foundation for addressing intransigent or wicked problems for people with complex needs. They can greatly assist in the goal of providing integrated services for people and families with complex needs, such as homelessness, mental health conditions and drug or alcohol addiction.

Pillar Four: Building community capacity

Areas addressed by this response:

- Role of civil society
- Role of local business
- Community resilience

Questions addressed by this response:

- How can communities generate opportunities for micro business to drive employment outcomes?
- How can mutuals and co-operatives assist in improving the outcomes for disadvantaged communities?
- What strategies help build community resilience, particularly in disadvantaged communities?
- How can innovative community models create incentives for self-sufficiency and employment?

Co-operatives and mutuals¹ have a long history of contributing to the development of civil society, local business and community resilience. As the Interim Report identifies: co-operatives and mutuals: 'provide jobs for local people, offer goods and services and use procurement practices that support local business. They are grassroots businesses owned and operated at a local level and their profits remain in the community contributing to local economic development. They are a great example of social and economic participation.'

There are an estimated 1,600 Australian co-operatives and mutual businesses with more than 13 million members. Co-operative and mutual member-based businesses in Australia play a significant role in the economy providing;

- services to consumers (buying and selling goods to members at a competitive rate)
- marketing (branding, marketing and distributing members' products and services, particularly in the agricultural sector)
- services (providing services to members, such as health, childcare, electricity, travel, housing and roadside assistance services) and
- contributing to social capital (education resources and information and skill sharing that encourages ownership and participation).

Recent reports produced by the UK Mutuals Taskforce highlight that mutuals lead to lower production costs and higher productivity. They were also demonstrated to be innovative, profitable and more resilient to changes in the economic climate. They show

¹ Please note the terms 'mutual' and 'co-operative' are used interchangeably throughout this response.

higher consumer satisfaction, lower absenteeism and sickness rates, less staff turnover, and increased levels of staff commitment to, and enthusiasm for, their work.²

The key characteristics and benefits of co-operatives and mutuals that contribute to civil society, local business and community resilience are that they:

- are member owned for member benefit
- utilise democratic governance
- promote autonomy and independence of operation
- engage member economic contributions
- re-invest profits
- produce high levels of employee productivity and wellbeing
- promote cooperation in the community
- engage in long-term value creation.

At the community level, co-operatives and mutuals are great contributors to the broader concept of mutual obligation and social cohesion. As the Interim Report identifies: ‘for societies to function effectively, individuals, communities, businesses and governments all have responsibilities.’ Co-operatives encourage the principles of self-help, sustainability and democracy through community engagement, mutual responsibility and collective ownership.

An example of mutuals investing in local communities is **bankmecu**, a customer owned bank with a commitment to financial wellbeing.³ The bank is committed to responsible investment and community investment in the areas of environment, housing, community resilience and international development. To grow employment opportunities in regional Australia **bankmecu** has a commitment not to off shore call centre jobs and instead has invested in the development of its call centre into regional Victoria (Moe, Latrobe Valley) which is a low socio-economic community.

High levels of engagement by members and the community are key features of co-operatives. In turn, mutual obligation is supported by high levels of engagement between consumers, employees, employers and community members. The strong sense of ownership and engagement that underpins co-operatives and mutuals means they promote community vitality. They can also tackle difficult social problems at the local level using local expertise and commitment.

Despite the problems with aspects of the ‘Big Society’ agenda, the UK Government remains extremely enthusiastic about the role of mutuals in supporting civil society. Francis Maude of the UK Cabinet Office stated in July 2014 that: ‘mutuals are the future of public services’.⁴

The UK Government has put in place policies and a supporting framework that has resulted in the development of 100 mutuals since 2009; employing over 35,000 people

² www.gov.uk/government/uploads/system/uploads/attachment_data/file/61776/Public-Service-Mutuals-next-steps.pdf

³ Cited in A New System for Better Employment and Social Outcomes, Interim Report.

⁴ <https://www.gov.uk/government/news/cabinet-office-mutuals-reach-century-success>

generating 3000 new jobs and delivering over \$1.5 billion of public services.⁵ The majority of these new mutuals have been developed in the health and community services sectors.

The UK Government has championed the role of mutuals and provided both financial and developmental support. They have recognised that the motivation of members is mission critical to the success of co-operatives. Mutuals require a high level of commitment and collaboration. To succeed they require members who have the ability to learn the business and communication skills required. Members must also have a strong commitment to the principles of co-operation. Mutuals cannot be foisted upon unwilling or unskilled communities; they can however act as a conduit for community members to develop those skills. In this context co-operatives and mutuals have a strong workforce educative role.

Co-operatives and mutuals have many advantages in supporting community resilience in areas where services, including social services, cannot be delivered due to market or other service provision failure. There are a wide range of areas in Australia that are not well serviced by markets or traditional service providers because they are too small, remote, complex or specialised. The July 2014 Joint Standing Committee report into the NDIS roll-out is a recent example highlighting many of these issues arising in the early implementation of the scheme.⁶ Co-operatives and mutuals have proven particularly useful when:

- Services are too expensive for government or market forces to provide
- Diversity in approaches is required
- There are low or variable profits
- Specialised service is needed
- User input is required in service design and delivery.⁷

An example of the contribution of the sector to community resilience is the Traditional Credit Union in the Northern Territory.⁸ The credit union offers banking services to its member-owners in remote Indigenous communities where there were previously no services. As well as employing Indigenous staff it offers loans and budgeting services.

⁵ <https://www.gov.uk/government/news/cabinet-office-mutuals-reach-century-success>

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http://www.aph.gov.au/Parliamentary_Business/Committees/Joint/National_Disability_Insurance_Scheme

⁷ http://bccm.coop/wp/wp-content/uploads/2014/06/PSMs_GreenPaper_FinalV11.pdf

⁸ Cited in A New System for Better Employment and Social Outcomes, Interim Report.

There are three main types of co-operative and mutuals: consumer, producer (staff) and enterprise; with hybrids of these three types also occurring. Each has significant potential to enhance employment outcomes, assist disadvantaged communities and contribute to local business, civil society and community resilience.

Consumer Co-operatives

Consumer or community-owned co-operatives have much to offer in improving outcomes for disadvantaged communities. Co-operatives work best where people with a common sense of purpose collaborate towards agreed goals. Consumer Co-operatives can be ideal for disadvantaged groups where there is the energy, commitment and expertise in their community to tackle problems.

Consumer co-operatives have demonstrated success and have enormous further potential with some of Australia's most disadvantaged groups including Indigenous groups, small rural communities, people from CALD backgrounds, people with disability and their families and older Australians in need of care and their carers. If given the right support, many more of these groups will collaborate to find develop their own solutions to the issues they face.

Consumer co-operative examples that should be further expanded include:

- people with disability and their families can establish NDIS driven purchasing co-ops in rural and remote areas to maximise their ability to attract, retain and vet service providers; this model of co-operative would also provide carers (co-op members) with the contacts and increased confidence to assist their return to work when their caring role changes
- in a similar vein to above, Indigenous and CALD groups could establish purchasing co-operatives across a range of services to ensure service delivery is culturally appropriate and suited to local needs
- residential aged care services are extremely expensive to provide in remote locations, local communities of support like the older persons co-operative in Beacon Hill USA⁹ can support people to remain living in the community, and outside of residential care, for many years longer
- housing co-operatives have been highly successful in Australia and should be seen as a priority for expansion to assist in addressing the issues of affordability and homelessness
- social enterprises can be another form of consumer run co-operative, where social purpose is combined with the entrepreneurial spirit of private enterprise.

An example of a successful consumer or community co-operative is Westfund Health Insurance, which operates throughout Australia, reinvesting its profits into healthcare.¹⁰ Members have access to state of the art dental clinics which has taken the stress off public dental service provision. As well as its role in health care delivery, Westfund is a

⁹ www.beaconhillvillage.org

¹⁰ Cited in A New System for Better Employment and Social Outcomes, Interim Report.

significant supplier of long-term sustainable employment in regional Australia employing 120 people in Lithgow, NSW.

Retail co-operatives are community owned consumer co-operatives that 'maintain market diversity in regional Australia against increasing competition from national chains that have head offices domiciled often in capital cities. They act as a social support network providing jobs and training for young people in regional areas. They also buy goods and services from local businesses. They understand the economic and social challenges of the local community.'¹¹

Another retail example of a community cooperative that supports local economic participation and development is the Macleay Regional Co-operative Limited in Kempsey New South Wales.¹² Macleay assists local producers by sourcing fresh local produce, unlike its competitors. Members receive loyalty discounts lowering the cost of consumables. The co-operative also employs disadvantaged young local people and supports numerous local health and education projects.

Staff Co-operatives

Staff Co-operatives work best with people who share a common goal and have the skills to operate co-operatively. This is the reason for their success in the health and community services sectors. Professionals work best when they have a broad freedom of action; when they can make judgements as to how to provide a good service; when they can exercise their discretion in making decisions; when they can act entrepreneurially, and innovate independently.¹³

Staff co-operatives also provide a strong foundation for addressing intransigent or wicked problems. They can greatly assist in the goal of providing integrated services for people and families with complex needs, such as homelessness, mental health conditions and drug or alcohol addiction. These problems require:

- holistic responses,
- local collaboration and communication,
- autonomy to act combined with transparent accountability,
- user and expert multidisciplinary input
- flexible, incremental approaches with review
- sharing and knowledge
- relationships and trust
- an empowerment approach modelled by staff and delivered to consumers.

These are also the key features of staff co-operatives that are characterised by relationships and personalised services. Staff co-operatives are most successful working with people with complex needs where there is a need for consistency of personnel and where services are empowering, both individually and collectively.

¹¹ A New System for Better Employment and Social Outcomes, Interim Report.

¹² Cited in A New System for Better Employment and Social Outcomes, Interim Report.

¹³ www.thenews.coop/39452/.../public-service-mutual-revolution-making/

The UK Government argues that it is the benefits delivered by staff co-operatives that explain many of recent the improvements demonstrated in the UK health system. New health and social service mutuals in the UK are consistently demonstrating higher productivity and higher consumer and employee satisfaction in services that have moved to the mutual model.¹⁴

Public Service Mutuals in the UK currently deliver approximately one billion pounds of health services. Many of the 40 health organisations that have become mutuals are staff run co-operatives. These mutuals have an average staff size of around 500 and average turnover of around £20m. Examples of success in these new mutuals include the Hull's City Health Care Partnership that identified savings worth £600,000 a year and raised user satisfaction by 7%. Another success story is Partners in Central Surrey Health where a staff co-operative boosted productivity by 41% on the stroke ward in Epsom General Hospital.

Staff based co-operatives should be encouraged in Australia:

- in rural areas where staff attraction and retention has proven problematic, the NDIS trial site in Barkly NT could prove an ideal pilot area for a disability staff co-operative
- in aged services where the Dutch experience is showing collaborative teams of highly skilled nurses are delivering higher quality home care at greatly reduced cost¹⁵
- where complex problems such as homelessness, mental health conditions and drug or alcohol addiction require motivated, skilled staff to share knowledge and build relationships
- in areas that a poorly serviced because they are remote, complex or specialised.

The USA based Evergreen Cooperatives are a connected group of worker-owned co-operatives that have promoted community resilience in Cleveland, Ohio. Evergreen co-operatives were developed when the local economy suffered a downturn. They are committed to local, sustainable, green and democratic workplaces and community economic development. Evergreen is based on a connected group of semi-autonomous businesses, each owned and controlled by its staff.

Enterprise Producer Co-operatives

Governments throughout Australia are pushing for more efficient social services with a single point of entry for a wide range of complex social problems. In the for-profit sector, many larger corporations are taking over or replacing smaller local companies. In many jurisdictions, this means larger organisations are replacing smaller local groups with long held relationships, local knowledge and specialist expertise. Many local people and organisations are becoming concerned over what is being lost in these reforms and industry restructuring.

Enterprise Producer Co-operatives can assist smaller organisations to continue to survive

¹⁴ <http://www.thenews.coop/39452/news/co-operatives/public-service-mutual-revolution-making/>

¹⁵ Although not a co-operative model the Dutch approach shares most of the characteristics of co-operatives: <http://journal.aarpinternational.org/a/b/2013/06/Buurtzorg-Nederland-Nurses-Leading-the-Way>

and provide localised services while their back of house functions are made more efficient. Enterprise Co-operative can share corporate functions amongst a range of smaller organisations including accounting, HR, marketing and OH&S services. Enterprise co-operatives can assist smaller and specialist organisations to develop back of house economies of scale and retain local input and keep jobs local.

HunterNet is an Australian example of an enterprise co-operative promoting economic resilience and supporting local business. HunterNet has supported Newcastle's manufacturing sector and hence, local employment, since a downturn in the local economy in the early 1990's. It involves over 200 small and medium manufacturing, engineering and consulting companies. HunterNet provides business development and training opportunities and markets the combined capabilities of its members.¹⁶ Its success has helped sustain the future of manufacturing in the region and greatly contributed to the economic vitality of the area.

¹⁶ www.hunternet.com.au

Conclusion: Building community capacity

Co-operatives and mutuals can strengthen community capability and support people to build their capacity to participate economically and socially. They offer integrated models of support and employment assistance for people with a vast range of needs. As the Interim Report states co-operatives and mutuals 'are premised on self-help and empowerment rather than aid and charity. In developing intergenerational self-reliance co-operatives help to reduce welfare dependency.'

The recent report by the UK think tank IPPR¹⁷, advocated five big steps to deliver real efficiencies in social services and thereby build community capacity:

- ✓ A decentralisation of budgets to local authorities and city-regions to unlock innovation, improve responsiveness and break down silos
- ✓ Allowing greater pooling of funding, so that services can take a 'whole person' or 'whole area' view
- ✓ Enabling greater integration of professionals into multi-disciplinary teams
- ✓ Greater frontline autonomy combined with accountability for outcomes achieved, such as through the publication of performance tables that rank providers
- ✓ Expanding new collaborative infrastructures.

This sort of thinking is increasingly being seen in a range of current Federal and State Government reforms throughout Australia. Co-operatives and mutuals can tick all the boxes described in the five big steps above. They are a key method for delivering local, holistic, multidisciplinary, collaborative approaches that promote autonomy.

The role of government at all levels should be to help mobilise civil society and to actively support co-operatives and mutual approaches. Co-operatives and mutuals delivering public services have the potential to:

- generate better social outcomes for individuals and communities
- offer greater value for money for purchasers of public services
- generate higher social and economic returns for investments in public services
- generate greater economic and social resilience for individuals, communities and organisations
- achieve higher levels of consumer engagement in public service delivery
- achieve high levels of employee wellbeing for those delivering public services.¹⁸

The Federal Government should work with BCCM to further promote the value to civil society of mutuals and co-operatives. It is an ideal time to develop and announce a broad based initiative which provides seed funding and 'light touch' monitoring and support to assist the development of co-operatives and mutuals throughout Australian social and community services. Co-operatives and mutuals can be very significant contributors to a new system for better employment and social outcomes.

¹⁷ <http://www.ippr.org/news-and-media/press-releases/new-public-service-reform-agenda-needed>

¹⁸ http://bccm.coop/wp/wp-content/uploads/2014/06/PSMs_GreenPaper_FinalV11.pdf