



Committee Secretariat
in Australia
PO Box 6021
Parliament House
Canberra ACT 2600
Health.Reps@aph.gov.au

27 February 2018

Re: Submission to Inquiry on Quality of Care in Residential Aged Care Facilities in Australia

Dear Committee Chair

This submission is made by the Business Council of Co-operatives and Mutuals (BCCM) on behalf of Australia's member-owned business sector.¹

Some of our members are involved in residential aged care, as well as related areas of community care and retirement villages. We are specifically concerned about the frequency of public reports about the incidence of mistreatment of residents in residential aged care facilities. Our submission therefore is primarily designed to address term of reference one.

We observe that, more often than not, the approach to addressing quality in aged care is to consider how adjustments to regulatory settings around quality can change workforce behavior and treatment of consumers. Whilst this is very important, it risks overlooking one of the root causes of many resident complaints which is the quality of residential care jobs and the extent to which the workforce is consistently engaged and invested in the service.

About the Business Council of Co-operatives and Mutuals

The BCCM is the peak body for Australian co-operatives, mutuals and member-owned businesses. The BCCM represents a diverse range of businesses operating in sectors including agriculture, finance and banking, insurance, motoring services, health services, aged care, disability employment, education, indigenous services, social housing and retail.

The BCCM advocates for recognition of the sector and for measures that create a level playing field between co-operatives and other businesses, including implementation of the recommendations of the Senate Economics References Committee report into co-operative, mutual and member-owned firms.²

About Co-operative and Mutual Enterprises (CMEs)

Co-operative and mutual enterprises (CMEs) are a significant contributor to the Australian economy. 8 in 10 Australians are members of at least one CME, with many being members of multiple entities (there are 28 million memberships). Total value added of the CME sector is \$140 billion - 8.3% of GDP, and, excluding mutual superfunds, total revenue of the top 100

¹ A list of BCCM members can be found at: <http://bccm.coop/our-members>

² Commonwealth of Australia (2016) *Report of the Senate Economics Reference Committee Inquiry into Cooperative, Mutual and Member-Owned Firms*.

CMEs is \$30 billion.³ The sector provides core business support for over 174,000 businesses.

The distinguishing feature of all CMEs, regardless of what legal form they use, is that they are owned by their members and operate for member benefit. Member benefit can mean a wider range of social or non-financial benefits as distinct from the financial returns enjoyed by an investor. Membership is tied to contributing to or making use of the CME; this ensures the CME is made up of people who share its common purpose.

The vast majority of CMEs are incorporated and regulated under one of two legislative regimes: the State/Territory-based Co-operatives National Law (the CNL)⁴ or the *Corporations Act 2001* (Cth). Whether a company under the *Corporations Act* is a co-operative or mutual will depend on its constitution.

Employee ownership drives higher quality in social care

The BCCM wants to draw the Committee's attention to how member-ownership of an organisation in the aged care sector contributes to improving consumer and staff engagement. This makes them happier places because compared to other ownership forms, staff are engaged and have more influence over their work. There is significant evidence supporting these claims, particularly where organisations are owned by the workers.⁵⁶⁷⁸

Most of this evidence is drawn from over a decade of public sector reform in the UK where staff have been supported by policy reforms to "spin out" from the public service and form worker-owned mutuals, which in turn have contracted back to Government for specific periods of time. Most of these new worker-owned mutuals have formed in health and social care. The UK experience is also supported by a substantive body of research on the benefits of employee ownership.⁹

Employee ownership can take a number of forms. This includes employee share ownership or employee equity ownership, where a company gives its employees shares in the company in which they work. This can be part ownership or full ownership, where the employees effectively own the company as occurs in a worker co-operative.¹⁰

International analysis¹¹ has highlighted that when ownership and participative management are combined, substantial business gains result. Employee ownership increases employee

³ Business Council of Co-operatives and Mutuals, *National Mutual Economy Report 2017*, <http://bccm.coop/wp/wp-content/uploads/2017/11/BCCM-2017-NME-Report.pdf>, 20.

⁴ CNL, adopted in all States and Territories except Queensland. Western Australia has adopted consistent legislation.

⁵ Julian Le Grand (2017) *The Hybrid Economy*. Keynote address to the National Conference of the Governance Institute of Australia. Melbourne. Julian chaired the UK Mutuals Task Force, is an internationally respected economist, having held the Richard Titmuss Chair of Social Policy

⁶ [Mutuals Task Force Our Mutual Friends and The Next Steps London: Cabinet Office](#)

⁶ [The Next Steps Report](#)

⁷ CIPFA The UK Chartered Institute of Public Finance & Accountancy (February 2017) Research into the Public Service Mutuals Sector CIPFA Research page 7

⁸ UK Office for Public Management (August 2010) New Models of Public Service ownership: A Guide to Commissioning, Policy and Practice. Public Interest Research Report. Pages 10-11.

⁹ Perotin, Virginie (2014) "Worker Co-operatives: Good, Sustainable Jobs in the Community", *Journal of Entrepreneurial and Organisational Diversity*, 2 (2), 2014, p34-47

⁹ Perotin, Virginie "What do we really know about worker co-operatives?" in a publication for Co-Operatives UK

¹⁰ [Employee Ownership Australia](#)

¹¹ Anthony McMullen (18 May 2016) Ownership Disruption in the Sharing Economy in Pro Bono News

engagement and work satisfaction, helps improve individual and company performance and workplaces are more diverse, inclusive and sustainable.

Could worker ownership be the future of aged and disability care in Australia?

The BCCM has previously made submissions to the Productivity Commission Human Services Inquiry¹² on how member-ownership can improve the productivity of health and human services. Our submissions argued for the importance of organisational form and that greater diversity in the types of organisations was needed in the delivery of human services, such as aged care.

Australia has a thriving co-operative and mutual sector with over two thousand co-operative and mutual enterprises (CMEs).¹³

However, in a recent visit to Australia by Professor Julian Le Grand who chaired the UK Mutuels Task Force, he observed Australia does not seem to have many employee-owned mutuels and that an opportunity exists to consider how to increase this form of mutual, especially in social care.¹⁴

We appreciate that our submission may take a different approach to others. This is our intent. We consider that the evidence about the effectiveness of employee ownership is so persuasive that inquiries such as this need to consider new and innovative ways to address widely held community concerns about the quality of aged care in Australia.¹⁵ More divergent views from people and organisations with an interest in quality and choice in aged care need to be encouraged.

The Carnell and Patterson Review of Aged Care Quality Regulatory Processes (2017) highlighted the shortcomings about how quality is regulated in aged care in Australia.¹⁶ The usual industry response to these and other similar inquiries is to argue for more government funding and regulatory changes that usually favors a provider's perspective. We do not suggest these claims are not without merit. However, they are not the complete solution. Pursuing them may overlook this emerging body of evidence showing that ownership does matter in the delivery of human services, and that facilitating the growth of a vibrant employee-owned economy, could also be part of the solution to lifting quality in aged care as well as achieving a sustainable aged care workforce strategy.

Barriers to the formation of co-operatives and mutuels in Australia

Significant barriers still limit the ability of CMEs to innovate, compete and grow in Australia. Following the *2016 Senate Inquiry into Co-operative, Mutual and Member-Owned Firms*, there has been some progress.¹⁷ The Government's support of all recommendations in the

¹² Commonwealth of Australia. Inquiry into Human Services. The BCCM made 4 submissions –No. 216 (26 July 2016), No. PFR302 (20 October 2016), No. 470 (17 February 2017) and No. DR529 (14 July 2017)

¹³ Business Council of Co-operatives and Mutuels (2017) National Mutual Economy Report Incorporating the Top 100 CMEs in Australia.

¹⁴ Julian Le Grand (December 7, 2017) Public, private or in-between? Staff-led mutuels may be the future of aged and disability care in the Sydney Morning Herald.

¹⁵ Australian Government Department of Health (2017) Review of National Aged Care Quality Regulatory Processes by Ms Kate Carnell AO and Professor Ron Paterson [National Aged Care Quality Review](#)

¹⁶ [National Aged Care Quality Review](#) ibid

¹⁷ Commonwealth of Australia (2016) *Report of the Senate Economics Reference Committee Inquiry into Cooperative, Mutual and Member-Owned Firms*. Op Cit

recent Hammond Review on removing barriers to capital raising in CMEs is a significant step¹⁸.

Despite this progress, there are still significant barriers to be addressed. This is particularly so in raising awareness and understanding about the co-operative and mutual legal form and having appropriate advisory resources in place to help people interested in forming co-operatives and mutuals to obtain the information and practical support they need.

Recommendations

The BCCM recommends:

1. The full and immediate implementation of all recommendations from the Senate Inquiry on Co-operative and Mutual Enterprise Firms, and
2. The Commonwealth Government closely examines the evidence on the benefits of employee ownership and the potential of this to improve choice, quality and sustainability of aged care in Australia, including reference to the work of [Professor Julian Le Grand](#)

We thank you for the opportunity to make this brief submission to this important inquiry. We would welcome being able to meet with the Committee to elaborate on this different way of considering how to develop a sustainable approach to improving quality in residential and other areas of aged care.

Yours sincerely



Melina Morrison
Chief Executive Officer
Business Council of Co-operatives and Mutuals

¹⁸ Greg Hammond OAM (July 2017) *Review on Report on Reforms for Cooperatives, Mutuals and Member-Owned Firms* undertaken by an independent facilitator appointed by the Commonwealth Treasurer, the Hon. Scott Morrison. Op cit.