



Green Paper

**Public Service Mutuals:
The case for a Third-way for delivering
public services in Australia**

June 2014

Report

Disclaimer

All statements and conclusions, unless specifically attributed to another source, are those of the authors and do not necessarily reflect those of any individual persons. The report has been prepared by the Net Balance Research Institute for the Business Council of Co-operatives and Mutuals and the Australian Public Service Mutual Task Force.

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About Net Balance

Net Balance is Australia's largest sustainability consultancy, providing research, assurance and advisory services. The Net Balance Research Institute conducts applied research to inform the development of innovative solutions to create lasting societal impact for clients and their stakeholders. The Research Institute focuses on strategically important emerging issues, theories and trends which have the potential to transform businesses, not-for-profit organisations, social enterprises and government conducted and the value they create. For more information see www.netbalance.com or join our social media site for public service mutuals www.yammer.com/publicservicemutualtaskforce

About the Business Council of Co-operatives and Mutuals

The Business Council of Co-operatives and Mutuals (BCCM) is an association of the chief executives of Australia's member and customer-owned businesses and peak industry groups, representing a sector with a combined membership of more than 13 million. It is the only organisation that unites the entire, diverse range of co-operative and mutual businesses in Australia.

About the Australian Public Service Mutual Task Force

Following a national roundtable on the role for co-operative 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 Task Force was formed to oversee preparation of the Green Paper and White Paper which explore the potential for public service mutuals in Australia. The Terms of Reference for the Task Force are included in Appendix D.

Foreword

This Green Paper shines a light on some of the distinctive contributions co-operatives and mutuals make to Australian communities and the economy. It has been prepared to stimulate discussion and inform new policy and social innovation on the role of cooperatives and mutuals in delivering public services for Australians. A final report, the Public Service Mutual White Paper, will be released in July after a period of consultation.

As communities and governments all over the world struggle with addressing some difficult social and economic problems, this form of member ownership combined with commercial and business acumen has potential to contribute significantly to improving Australia's productivity by operating services more efficiently and effectively. This particularly applies in areas such as health, aged care, disability, education, housing and agriculture. Other countries like the United Kingdom have great stories to tell about how encouraging greater mutualism in social and economic life has led to better outcomes.

As Governments consider privatising and outsourcing more public services, and favour consumer directed care and community empowerment, the co-operative and mutual sector has a greater part to play. The sector offers an alternative Third-way to complement existing strategies based on investor owned businesses and community service organisations. The unique ownership structure and ethos of serving members first, enables co-operatives and mutuals to deliver services around the needs of people using those services. Achieving this potential requires greater public policy attention and for the co-operative and mutual sector to come together to demonstrate how it can add more economic and social value in Australia.

In recognition of this potential, the Business Council of Co-operatives and Mutuals sponsored the development of this Green Paper. Led by a Task Force of member organisations, the Green Paper has involved extensive consultation and research, including in a series of national "Making it Mutual" workshops involving overseas experts, meetings with senior Government officials and agencies where the adoption of mutual and co-operative principles and structures was most relevant.

On behalf of the Task Force members, I extend thanks and appreciation to the Business Council of Co-operatives and Mutuals for creating this important opportunity to put a public lens on how together we can re-ignite the spirit of mutualism and co-operation in addressing areas of unmet need in Australian society.

A handwritten signature in black ink, appearing to read "Gillian McFee".

Gillian McFee
NRMA Motoring and Services
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June 2014

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Executive Summary – Public Service Mutuals: The case for a Third-way for delivering public services in Australia

The context for delivering public services in Australia is fundamentally changing. Demand for services is increasing significantly, driven by an ageing population, a desire to provide opportunities for all segments of the population – especially people with disabilities, and a focus on addressing the wicked social problems such as obesity, Indigenous disadvantage, affordable housing and homelessness. In addition there are increasing expectations in terms of the quality and accessibility of public services, and a preference for recipients of public services to have choice and control over the services they access.

In Australia, like many jurisdictions, governments are withdrawing from directly delivering public services in favour of public private partnerships (PPPs) and devolving service delivery to non-governmental organisations. Currently privatising and outsourcing public services has focused on an expanded role for for-profit and community service sectors, however these options have limitations and there is now increasing emphasis on public service innovation. This Green Paper seeks to explore and evidence a viable alternative, a Third-way where co-operatives and mutuals play an expanded role in delivering public services, where they utilize their inherent characteristics to generate comparative advantage and address the failures associated with government, for-profit and community service sector provision. ([Chapter 1](#))

To date the full potential and distinctive contribution of co-operatives and mutuals delivering public services have not been recognised and therefore not realised. There are many existing co-operatives and mutuals delivering public services and they take a range of forms. This diversity is an essential element for the establishment and expansion of public service mutuals and to offer a viable Third-way to approach public service delivery. This Green Paper proposes an inclusive definition of Australian Public Service Mutuals (PSMs; [Chapter 2, Section 2.2](#)):

An organisation which wholly or in part delivers public services through a co-operative or mutual 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. Australian Public Service Mutuals may be one or a combination of consumer owned, employee owned, and enterprise owned.

The inherent characteristics of PSMs that generate comparative advantage relate to the control and decision-making by members, their autonomy and independence, member economic contribution, reinvestment of profits, and co-operation. (Chapter 4) These combine to deliver the four key benefits:

- 1. Increases organisational diversity** in public service markets that generates a different form of competition and addresses market failures such as information asymmetry and missing
-

markets. It also helps small and medium sized service providers to collaborate and operate more efficiently and effectively in public service markets.

2. **Facilitates the establishment of new employee-owned organisations** that can deliver affordable and quality services in expanding public service markets. Employee-owned organisations are an alternative for government privatising and outsourcing services that harness the ethos and professionalism of public service employees and unleashes their enterprise and entrepreneurialism.
3. **Increases consumer choice and control** by helping individuals and communities to realise choice and control in client directed care markets such as the National Disability Insurance Scheme, and formulate their own responses to problems. In doing so, it also encourages community resilience and empowerment through community and multi-stakeholder owned co-operatives.
4. **Stimulates public service innovation** by existing member owned organisations such as motoring service and health insurance mutuals, which provides a method for existing service providers to transform their business model to focus on service consumers and employees.

Public service mutuals now play a significant role in some other jurisdictions including the UK, where there has been concerted effort through public policy levers and capacity building activities to establish and expand PSMs. The learning from other jurisdictions is considerable, however this learning will need to be contextualised for it to contribute to the expansion of PSMs in Australia. ([Chapter 5](#))

There are a range of potential strategies to expand the role of public service mutuals including expanding existing PSMs; existing commercial co-operatives and mutuals extending their activities to include public services and in doing so create shared value; and creating new organisations some of which can be spun out from government and other organisations whilst others will be created by individuals and communities ([Chapter 6](#))

A range of activities will be required to scaffold¹ the development and growth of PSMs including mechanisms: to increase awareness; to provide training, capacity building and expert advice; to create an enabling legal, regulatory and policy environment; to provide access to start up and working capital; and to develop an ecosystem for existing co-operatives and mutuals to help create PSMs. These scaffolding activities will require the involvement of a wide range of stakeholders including the co-operative and mutuals sector, government, not-for-profit organisations and intermediary agencies. ([Chapter 7](#))

The Green Paper concludes with a set of questions as the basis for consultation with all interested stakeholders.

¹ Scaffolding refers to support structures to enable PSMs to develop effectively and successfully. It includes learning and development which seeks to maximise self-initiative and provide additional support through collaborative mechanisms such as mentoring, peer support and use of grounded expert knowledge.

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1. Introduction

The context for delivering public services in Australia is fundamentally changing.² Demand for services is increasing significantly, driven by an ageing population, a desire to provide opportunities for all segments of the population – especially people with disabilities, and a focus on addressing the wicked social problems such as obesity, Indigenous disadvantage, affordable housing and homelessness.³ In addition there are increasing expectations in terms of the quality and accessibility of public services, and a preference for recipients of public services to have choice and control over the services they access.⁴

In Australia, like many jurisdictions governments are withdrawing from delivering public services and devolving service delivery to non-governmental organisations. Currently privatising and outsourcing public service delivery has focused on for-profit and community service organisations, however these options also have limitations and there is increasing emphasis on public service innovation. This paper seeks to explore and evidence a viable alternative Third-way where co-operatives and mutuals play an expanded role in delivering public services. To date the full potential of co-operatives and mutuals delivering public services has not be recognised and therefore not realised.

Both the Coalition and former Labor Governments have recognised the importance of alternative approaches to public service delivery including consumer directed care (e.g. National Disability Insurance Scheme), social impact bonds (NSW - relating to out of home care and parenting), and payment by results mechanisms (Queensland State Government). The recent National Commission of Audit report and 2014 Budget Statement confirm that Federal Government, where possible, is withdrawing from its role of delivering public services as part of a protracted fiscal restraint program. This has initiated a process of abolishing, privatising and outsourcing components of the Government apparatus.⁵

The drivers for this strategy are about achieving long-term fiscal sustainability and increased economic and social productivity. Underpinning this approach is a belief that:

- governments can achieve better value for money through non-government agencies delivering public services
- tax revenues are not keeping pace with increasing demand for public services

² Advisory Group on Reform of Australian Government Administration, *Reform of Australian Government Administration: Building the world's best public service*, Australian Government, 2009, <<http://www.ippr.org/events/54/6278/lord-adonis-on-public-service-reform>>.

³ Australian Public Service Commission, *Tackling Wicked Problems: A Public Policy Perspective*, Routledge, 2007.

⁴ Advisory Group on Reform of Australian Government Administration.

⁵ M Considine, JM Lewis & S O'Sullivan, "Quasi-Markets and Service Delivery Flexibility Following a Decade of Employment Assistance Reform in Australia," in *Journal of Social Policy*, vol. 40, 2011, 811–833, <http://www.journals.cambridge.org/abstract_S0047279411000213> [accessed 25 March 2014].

- more efficient and effective approaches are required to better meet the needs of users such as the case with disability services.

State Governments have also adopted public service reform strategies to address the demand and supply side issues⁶. State governments are also looking at new commissioning frameworks that focus on achieving outcomes (e.g. Tasmania⁷) and opening up the potential to use social finance (e.g. Queensland).

Whilst there are already many Australian co-operatives and mutuals providing public services, the full potential of their role in public service reform is yet to be recognised in Australia.^{8,9,10} Evidence, outlined in this Paper, suggests that 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.^{11,12}

The rapid growth of public service mutuals (PSMs) in the UK – through public service employees creating their own independent employee-owned social enterprises – across many public policy areas has attracted considerable interest in Australia.¹³ In the UK, a series of policies including the right to request, has led to a rapid expansion of PSMs. Since 2007, there have been two million new members of PSMs and as at July 2013 there were 71 public service mutuals employing 35,000 people and delivering over \$2 billion of public services.¹⁴ The early indications are that these new PSMs are delivering against government expectations¹⁵, although further research is required as the

⁶ NSW Government, *Legislative Assembly Committee on Community Services Inquiry into Outsourcing Service Delivery NSW Government Response to Questions on Notice*, , 2012..

⁷ Community Sector Relations Unit, *DHHS Funded Community Sector Outcomes Purchasing Framework*, Department of Health and Human Services, 2014, <[http://www.tascoss.org.au/Portals/0/IDU/DHHS Funded Community Sector Outcomes Purchasing Framework \(2014\).pdf](http://www.tascoss.org.au/Portals/0/IDU/DHHS Funded Community Sector Outcomes Purchasing Framework (2014).pdf)>.

⁸ R Denniss & D Baker, “Who knew Australians were so co-operative ? The size and scope of mutually owned co-ops in Australia,” , 2012. Denniss, R., & Baker, D., 2012,

⁹ T Mazarol, “Mutual Ownership within Australia’s Top 500 Private Companies,” in *Sustainable Cooperative Enterprise Research Program*, vol. September, 2013.

¹⁰ Net Balance Research Insititute, *The Role for Co-operatives and Mutuals in Delivering Australian Public Services*, , 2013, <<http://www.netbalance.com/sites/all/themes/netbalance/research/PublicServiceMutuals.pdf>>.

¹¹ Mutuals Taskforce, *Public Service Mutuals: The Next Steps*, in *Cabinet Office*, , 2012.

¹² Mutuals Taskforce, *Our mutual friends: Making the Case for Public Service Mutuals*, in *Nursing times*, , 2011, xcvi.

¹³ Net Balance Research Insititute.

¹⁴ A Brown & L Watt, *Soft Finance, Hard Choices: A review of the finance market for public service mutuals*, The Boston Consulting Group, 2013.

¹⁵ R Leontaridi, “Public sector mutuals are Cabinet Office success,” in *The Guardian*, , 2013, <<http://www.theguardian.com/social-enterprise-network/2013/feb/01/public-sector-mutuals-cabinet-office>> [accessed 30 May 2014].

PSMs demonstrate how they operate over time¹⁶. This early success has prompted consideration of emulating these policies in other jurisdictions.

The public service reform processes, the evidence from other jurisdictions and the persistence of market, government and community service organisation failures in public service markets – especially those relating to wicked social problems – suggest that an alternative approach, a Third-way, based on co-operative and mutual approaches may be beneficial.^{17,18}

Evidence from both within Australia and other jurisdictions suggests that co-operatives and mutuals play an effective and potentially distinctive role in public services based on client directed care where consumer co-operatives help individuals and communities to derive better services, and greater value for money by overcoming information asymmetries.^{19,20,21,22,23} Similarly, as public service markets change, enterprise co-operatives can provide a mechanism for existing service providers to collaborate to both market their services and also derive efficiencies by sharing costs.²⁴ New producer (employee) co-operatives could also emerge as new entrants to expanding public service markets.²⁵ Finally, as Governments withdraw from direct service delivery the evidence from the UK is that Governments now have the real option to consider privatising and outsourcing services by spinning out agencies and teams into independent social enterprises using an employee-owned, co-operative or mutual structure.^{26,27}

Co-operatives and mutuals have not featured in the analysis, recommendations and proposals of the National Commission of Audit, Budget Statement 2014 and State Government reports on public service reform. However, there is now increasing interest and awareness amongst key stakeholders, primarily through activities promoted by this initiative including:

- the 2013 briefing paper²⁸ on public service mutuals
- the formation of the Public Service Mutual Task Force and UK Experts Panel
- a series of public service mutual workshops including UK expert Peter Hunt, Chief Executive Officer of Mutuo that have engaged over 150 people
- a series of workshops and meetings for the Department of Social Services
- sector engagement through the Business Council of Co-operatives and Mutuals (BCCM)

¹⁶ R Hazenberg, *Public service spin-outs 2014: Needs and wants*, University of Northampton, 2014.

¹⁷ J Birchall, "The potential of co-operatives during the current recession: theorizing comparative advantage," in *Journal of Entrepreneurial and Organizational Diversity*, vol. 2, 2013, 1–22.

¹⁸ Net Balance Research Institute.

¹⁹ Net Balance Research Institute.

²⁰ Mazzarol.

²¹ J Bland, *Time to get serious: International lessons for developing public service mutuals*, Co-operatives UK, 2011.

²² Denniss and Baker.

²³ Co-operatives UK, *The UK co-operative economy 2012: Alternatives to austerity*, , 2012.

²⁴ RDA Mid North Coast, *Co-operatives in Australia: A Manual*, Co-operatives Federation of New South Wales, 2013, pp. 1–113.

²⁵ All Party Parliamentary Group on Employee Ownership, *Sharing Ownership: The Role of Employee Ownership in Public Service Delivery*, , 2011.

²⁶ All Party Parliamentary Group on Employee Ownership.

²⁷ Communities and Local Government Committee, "Mutual and co-operative approaches to delivering local services," vol. 5, 2012.

²⁸ Net Balance Research Institute.

- a social media platform with over one hundred participants
- individual meetings and conference presentations.

These communication and engagement activities have reached public service employees from all tiers of government, a wide range of co-operatives and mutuals, community service organisations – both service providers and advocacy / representative bodies, social enterprises, for-profit businesses, intermediaries, trade unions and professional advisors.

1.1. Green Paper

This Green Paper seeks to set out the potential roles for co-operatives and mutuals delivering public services in Australia and how this potential may be realised for the benefit of Australian citizens and communities. The preparation of this Green Paper has been overseen by the Australian Public Service Mutual Task Force which was initiated by the Business Council of Co-operatives and Mutuals. The Task Force Secretariat has undertaken a comprehensive desk review of evidence from Australia and internationally. The Task Force and its Secretariat have undertaken a series of workshops in four State and Territory capitals, engaged with a range of existing co-operatives and mutuals delivering public services, consulted experts from the UK, held workshops and meetings with a range of relevant government agencies, and established and maintained a web based collaborative platform to gather evidence.

This paper explores where co-operatives and mutuals may effectively address a particular problem, emerging issue or market need and provide an alternative. The systemic changes to disability, aged care and employment services, for example, provide an opportunity to consider more fundamental changes in approach to maximise the comparative advantage of co-operatives and mutuals.

The Green Paper therefore investigates, evidences, and demonstrates the value of using co-operative and mutuals arrangements in the delivery of public services in Australia. The Green Paper will inform and promote debate through a range of concluding questions. The intended outcomes are to engage key stakeholders and prompt feedback on the findings, and to present a compelling economic and social rationale to target opportunities for co-operatives and mutuals that can be executed in the near future. The feedback from this Green Paper and consultation will be used to prepare a White Paper that will present the key findings and recommendations of the Public Service Mutual Task Force.

The audience of this Green Paper are those involved in public service reform, public service delivery and community governance and may play a role in facilitating, implementing, supporting, and challenging the development of co-operatives and mutuals. This includes government, existing co-ops and mutuals, community service organisations, social enterprises, unions, corporates, and consumers of public services.

The Green Paper first presents an overview of co-operative and mutual approaches to public service delivery, including their inherent characteristics, lessons learned from the UK experience in

developing PSMs, and the scale and scope of public service delivery by existing cooperatives and mutuals in Australia. The paper then provides a discussion of the comparative advantage of PSMs over other arrangements, with a summary of key PSM typologies which can be used to address the typical failures of current approaches. The paper then considers the potential mechanisms to support the establishment of co-operatives and mutuals in Australia. The Paper concludes with a series of consultation questions, to stimulate feedback on the Green Paper and to inform the following White Paper.

1.2. Background

In 2013 the Business Council of Co-operatives and Mutuals (BCCM) and **bankmecu** commissioned the Net Balance Research Institute to prepare a report which explored the potential roles for co-operative and mutuals in delivering Australian public services.²⁹ This research, and the experience in the UK and other jurisdictions, demonstrated that co-operatives and mutuals have the potential to generate better social outcomes, greater value for money, higher social return on investment, greater economic and social resilience, and higher levels of consumer engagement and employee wellbeing. The Net Balance Research Institute report recommended the establishment of a Public Service Mutual Task Force to support further evidence gathering and develop implementation strategies to realise the potential for Australian Public Service Mutuals. The Task Force was established in January 2014 and comprises a Chair, Members, Advisors, and Secretariat. This Green Paper, and following White Paper, represent the evidence gathering and has been commissioned by the Task Force. The Task Force Terms of Reference are provided in Appendix B.

Key finding 1: The existing and potential roles of co-operatives and mutuals in public service delivery are absent from the major public service reform initiatives.

Consultation question 1: What mechanisms can be used to ensure that current and future public service reform initiatives recognise co-operatives and mutuals?

²⁹ Net Balance Research Institute.

2. Co-operatives and Mutuals in Australia

Co-operatives and mutuals are member-owned and controlled organisations that exist to generate benefits for their members and can be distinguished from other business and organising models such as investor owned businesses and charitable organisations.³⁰ Co-operatives and mutuals can take many forms and are flexible organising models.³¹ Members may include customers, employees, enterprises, a defined community, or a combination of these. There are three main types of co-operatives and mutuals: consumer, producer (employee) and enterprise (Table 1).^{32, 33} Co-operatives and mutuals may also be a hybrid of these three types, with different aspects of each operating within one organisation.³⁴

There are an estimated 1,600 Australian co-operatives and mutuals businesses with more than 13 million members with four out of every five Australian adults being members of a co-operative or mutual.³⁵ Despite this prevalence, the co-operative and mutual sector remains in the shadows with only 30 per cent of Australians aware that they are members of a co-operative or mutual, and only 16 per cent being able to name a co-operative or mutual.³⁶ The launch of a national peak body, the Business Council of Co-operative and Mutuals (BCCM), in July 2013 was an important step for the development of the co-operative and mutual sector in Australia.

Whilst there are many Australian co-operatives and mutuals delivering public services, they are also in the shadows and their distinctive roles and contributions are generally unrecognised and often subsumed into community service organisations sector.^{37, 38, 39}

Key finding 2: The roles and distinctive attributes of co-operatives and mutuals in the Australian economy and public service delivery are often unrecognised.

Consultation question 2: What mechanisms can be used to increase awareness and recognition of the roles of co-operatives and mutuals in delivering public services?

³⁰ Birchall, 1–22.

³¹ RDA Mid North Coast, pp. 1–113.

³² J Atherton et al., *Practical tools for defining co-operative and mutual enterprise*, Co-operatives UK, 2012, p. 12.

³³ Denniss and Baker.

³⁴ Birchall, 1–22.

³⁵ Australian Bureau of Statistics, “International Year of Co-operatives: Regulation of co-operatives in Australia” in *Year Book Australia 2012*, , 2012.

³⁶ Australian Bureau of Statistics.

³⁷ Mazzarol.

³⁸ Denniss and Baker.

³⁹ Net Balance Research Institute.

Table 1 Consumer, employee, enterprise and hybrid co-operatives⁴⁰

Type	Description	Examples
Consumer	<ul style="list-style-type: none"> Members jointly purchase programs and services, improving value for money and access to expert advice. Formed by members to increase their bargaining power in the market (e.g. bulk buying from suppliers to gain volume discounts). 	<ul style="list-style-type: none"> Consumer retail societies: The Barossa Community Store Co-op Collective purchasing co-operatives: The Co-op (University Bookshop) (also see consortium enterprises) Customer owned banks and credit unions: Teachers Mutual Bank, bankmecu Motoring clubs: NRMA, RAC WA Health mutuals and non-profit health insurers: HCF, Australian Unity
Producer (employee)	<ul style="list-style-type: none"> Provide members with an income as well as empower employees with a stake in the organisation's decision-making process. Pursue long-term strategies that smooth out the peaks and troughs of the business cycle. Not all employee-owned businesses are co-operatives (for example, accounting and legal firms are limited liability partnerships). 	<ul style="list-style-type: none"> Employee benefits trust co-operatives: Sunderland Homecare Co-operative Worker co-operatives: Co-operative Home Care, Nundah Community Enterprise Co-operative
Enterprise	<ul style="list-style-type: none"> Enable self-employed members and member businesses or community groups to band together and find strength in numbers. Includes secondary co-operatives, a consortium co-operative where all members are co-operatives, and consortium mutuals which umbrella organisations with like needs. 	<ul style="list-style-type: none"> Consortium co-operatives: Community Child Care Co-operative Community co-operatives: Dandenong and District Aboriginal Co-operative Agricultural co-operatives: Murray Goulburn, CBH Group; Coleambally Irrigation Co-operative Limited Market trader co-operatives: Capricorn Society, Hunternet Artisan co-operatives: Associated Newsagents Co-operative SA, Hairdressers' Co-operative
Hybrid	<ul style="list-style-type: none"> Hybrid co-operatives combine any elements of the three other types of co-operatives. 	<ul style="list-style-type: none"> Housing co-operatives: Common Equity Housing Ltd – a consumer and enterprise co-operative Consulting: PwC Indigenous Consulting

⁴⁰ Atherton et al., p. 12.

2.1. Legislative context for Australian co-operatives and mutuals

Co-operatives and mutuals can operate under a range of different legal structures. Whilst there is dedicated legislation for co-operatives, the broader principles underpinning a mutual can be applied using other legal forms such as associations and corporations.

Co-operative organisations are registered and regulated by State and Territory governments, with the exception of financial co-operatives. They usually assist with establishment and registration, and provide information on rights, responsibilities and legal framework.

The associated legislation is currently being revised through the Co-operatives National Law to provide consistent legislation across all States and Territories. The legislation is being progressively introduced across Australia with the following benefits.

- **Enable co-operatives to operate on a national or cross-border basis** without costly processes to register in each jurisdiction.
- **Reduce reporting requirements** for small co-operatives. These are defined as co-operatives which do not raise funds through the public issue of securities and meet several criteria on size of entities, assets, and number of employees.
- **Model rules** are provided with the legislation, which may be used or modified if the co-operative has not developed its own rules. This ensures the rules are in line with the legislative requirements.
- **Better access to external capital funding** through hybrid security, co-operative capital units (CCUs⁴¹), to access external capital without compromising member democratic control. CCUs can be issued to non-members anywhere in Australia.
- **Alignment of the statutory duties** of Directors and Officers with corporate governance standards.

Existing organisations, such as associations or corporations operating under co-operative principles, can transfer to a co-operative form. Registrars of Co-operatives will be created, if not already existing, in each State to administer the legislation. Any co-operatives registered under previous legislation do not need to re-register under the new legislation.^{42,43,44}

Credit unions, mutual building societies and friendly societies are not covered by the Co-operatives National Law. These organisations are Authorised Deposit-taking Institutions and are federally regulated as Australian banks⁴⁵.

⁴¹ Co-operative Capital Units were introduced in NSW as part of changes in co-operative legislation in the early 1990s. It allows for capital raising, where the capital does not provide rights of membership. NSW Office of Fair Trading, "Co-operative capital units and co-operative principles," , 2007.

⁴² NSW Government, "NSW Government Fair Trading," , 2014, p. Co-operatives National Law, <http://www.fairtrading.nsw.gov.au/ftw/Cooperatives_and_associations/About_cooperatives/Cooperatives_national_law.page> [accessed 28 May 2014].

⁴³ Consumer Affairs & Fair Trading, "Co-operatives National Law – A Tasmanian Perspective," , 2014.

⁴⁴ RDA Mid North Coast, pp. 1–113.

⁴⁵ Customer Owned Banking Association, "Customer Owned Banking Association," , 2013, p. Are credit unions, mutual building societies and m, <<http://www.customerownedbanking.asn.au/consumers/faqs/211-are-credit-unions-mutual-building-societies-and-mutual-banks-safe>>.

2.2. Defining Public Service Mutuals in Australia

In this paper, we define public services as services, which are funded, directed, managed, or delivered by government⁴⁶. In addition to services provided directly by government organisations, this may include services which have been privatised or outsourced and remain funded by government but delivered by for-profit, community service sector, or co-operative and mutual organisations.

This Green Paper explores the roles of co-operatives and mutuals in contributing to solutions to the social problems summarised in the previous chapter, and detailed in section 3.6. To support this, the concept of an Australian Public Service Mutual (PSM) is defined as:

An organisation which wholly or in part delivers public services through a co-operative or mutual 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. Australian Public Service Mutuals may be one or a combination of consumer owned, employee owned, and enterprise owned.

This definition allows for a broad range of organisational structures to deliver public services with flexibility for arrangements, which best suit the members, customers, and government stakeholders. The definition includes:

1. **Existing public service mutuals** that are dedicated to delivering public services
2. **Existing co-operatives and mutuals** extending their activities to include public service provision and thus create shared value
3. **Newly formed PSMs** created by:
 - a. government outsourcing, privatisation, and ‘spinning out’ public services and public service teams
 - b. communities in response to their specific community needs
 - c. employees to meet individual and community needs
 - d. existing non-government public service providers grouping together into an enterprise producer co-operative
 - e. corporate and community organisations spinning out teams
 - f. corporate and community organisations choosing to transform their business model to a co-operative or mutual structure.

The processes of establishing a new co-operative or mutual structure and converting to a co-operative or mutual from another organisational structure may require an informal or transitional structure which may not comply completely with the legal requirements for co-operatives and

⁴⁶ J Whelan et al., *The State of the Australian Public Service: An Alternative Report*, , 2011.

3. The Challenges for Delivering Public Services

This section presents failures of the prevailing arrangements of government, market and community service organisations to deliver public services. The analysis utilises existing theories of government, market and community service organisation failure including the failures associated with government structures, market drivers, and the resource constraints of the community service sector. This section is followed by a discussion of the comparative advantage of PSMs to address some of these failures.

3.1. Government failure

It is primarily the responsibility of government to ensure the delivery of services, which are needed for society to be economically, socially and environmentally sustainable⁴⁸ – sometimes on their own or in partnership with business and community. Governments deliver public services through five different arrangements:⁴⁹

1. Providing the services themselves (i.e. ‘provider’)
2. Managing, funding and regulating external providers through grants and the purchase of services including where a market or quasi market for public services is created (i.e. ‘purchaser’)
3. Subsidising users who then purchase services from external providers
4. Imposing community service obligations on public and private providers
5. Encouraging individuals and communities to be responsible for their public services and to use mutual aid and philanthropic resources to supplement government funding.

In Australia the incumbent Government has stated its preference to, where possible, withdraw from its role as service provider in preference to the other arrangements. The limitations of government delivering public services – government failure - are well documented and presented in

Table 2.

As a result of these limitations, bureaucracies are suited to managing problems with well-defined boundaries (i.e. tame problems) rather than ambiguous, complex issues that may require experimental and innovative approaches, and holistic thinking⁵⁰. Governments are required to have a clear accountability system, where there is a distinct division between those who control the agency, the paid staff or bureaucrats and the users or clients which combine to restrict the scope and nature of their activities⁵¹. Government agencies can therefore be risk averse, and intolerant of

⁴⁸ Productivity Commission, *Contribution of the Not-for-Profit Sector Productivity Commission Research Report*, Australian Government, 2010, <http://www.pc.gov.au/__data/assets/pdf_file/0003/94548/not-for-profit-report.pdf>.

⁴⁹ Productivity Commission, “Overcoming Indigenous Disadvantage,” 2012, <<http://www.pc.gov.au/gsp/overcoming-indigenous-disadvantage>>.

⁵⁰ Australian Public Service Commission.

⁵¹ D Billis & H Glennerster, “Human Services and the Voluntary Sector: Towards a Theory of Comparative Advantage,” 1998, 79–98.

messy processes⁵². Furthermore, governments’ bureaucratic vertical silo structure can mean that it is difficult to provide ‘whole-of-government’, integrated and holistic responses.

Table 2 - Aspects of government failure^{53,54,55}

Aspect of government failure	Description
Missing market	Government services are limited by the amounts of funds it is able to mobilise, mainly via tax revenue. Limited resources mean that there are areas of public policy, which are not funded, hence some services are not delivered.
Monopoly service provision	If provision of a public service is undertaken by a single agency, the absence of sustained competition can lead to poor service quality.
Principal-agent problem	Literature suggests that government (i.e. the agent) can make decisions based on self-interest rather than the interests of consumers (i.e. the principal). This occurs when consumers do not have clear information about the service (i.e. information asymmetry).
Political cycles	Government decision-making related to public services can be driven by re-election, rather than achieving the intended outcome. Political cycles also encourage a short-term perspective. Solving wicked problems requires a sustained long-term commitment.
Perverse incentives	Government departments are incentivised to grow their allocated budget, and are therefore incentivised to justify costs rather than reduce them. This leads to redundant and rising costs.
Distributional inequity	Government services are structured to be accountable to median voters, and therefore may overlook the needs of other consumers.

3.2. Market failure

As noted in the previous section, government can engage with the market, comprising for-profit organisations, to provide public services and has been widely adopted as the policy where government failure exists. The onset of the ‘new public management’ (NPM) reforms in the last two decades in Australia and other OECD countries has seen an ongoing process of using the market for outsourcing, privatisation and decentralisation⁵⁶. This approach arose in response to the weaknesses of traditional bureaucratic models of public administration, which, as described, were perceived as costly, ineffective and unresponsive to consumer needs⁵⁷. NPM approach was driven by both mounting fiscal pressure and the belief that delivering services through competitive market mechanisms would achieve better quality, an enhanced focus on customer needs and better value

⁵² Australian Public Service Commission.

⁵³ C Wolf, “A Theory of Nonmarket Failure: Framework for Implementation Analysis,” in *Journal of Law and Economics*, vol. 22, 1979, 107–139.

⁵⁴ Billis and Glennerster, 79–98.

⁵⁵ Australian Public Service Commission.

⁵⁶ J Johnston, “The New Public Management in Australia,” in *Administrative Theory & Praxis*, vol. 22, 2000, 345–368.

⁵⁷ R Muir & I Parker, “Many to many: How the relational state will transform public services,” in *Institute of Public Policy Research*, , 2014, <http://www.ippr.org/images/media/files/publication/2014/02/Many-to-many_Feb2014_11865.pdf>.

for money⁵⁸. This approach was extended to include outsourcing services to community service organisations where there may not be a competitive market but a quasi-market could be established.

One aspect of this approach is identifying activities that could be undertaken more efficiently by the private or the community service sectors. Another important aspect is the use of markets to improve service quality where there is evidence of success, however this success depends on how particular markets are structured and regulated⁵⁹. Indeed, some commentators suggest outsourcing to reduce cost as its primary objective fails to achieve this due to the approach not delivering social impact⁶⁰.

Like government, markets can also fail to distribute goods and services in a way that balances economy, efficiency, effectiveness, equity. Table 3 summarises aspects of market failure.

Table 3 - Aspects of market failure^{61,62,63,64}

Aspect of market failure	Description
Missing market	Private companies may no longer provide a service if it becomes unprofitable.
Monopoly service provision	If provision of a public service has been outsourced to a single company, the absence of sustained competition can lead to poor service quality.
Increasing returns	For-profit service providers are driven by need to maximise returns to shareholders. These increasing returns can lead to high costs for consumers, diminished service quality or diminished labour conditions, particularly in the case of monopoly service providers.
Distributional inequity	High costs can result in some consumers being priced out of the market or private organisations “cherry picking” the lower risk /more profitable users.
Market imperfections – information asymmetry	Where consumers do not have access to information about products and markets that they need to make appropriate consumer decisions.

3.3. Community service sector (voluntary) failure

The community service sector is recognised as having primary responsibility for addressing the problems which businesses and government are not able to resolve i.e. where there is government and market failure.⁶⁵ Where there is a resourcing problem, this role can be fulfilled through use of a range of philanthropic resources including charitable donations, grants from charitable

⁵⁸ K Brown, N Ryan & R Parker, “Delivery in the Public Sector: Commercialising Government Services,” in *Journal of Public Sector Management*, vol. 13, 2000, 206–221.

⁵⁹ Muir and Parker.

⁶⁰ R Hazenberg & K Hall, *Enterprise Solutions: Barriers and solutions to public sector spin-outs*, , 2013.

⁶¹ Considine, Lewis and O’Sullivan, 811–833.

⁶² Wolf, 107–139.,

⁶³ Billis, D., & Glennerster, H., 1998,

⁶⁴ Australian Public Service Commission.

⁶⁵ L Parker, “Non-Profit Prophets: Strategy in Non-Commercial Organizations,” in *Australian CPA*, , 1998, 50–52.

foundations, volunteering, returns on charitable investments, and the generation of funds from trading activities such as opportunity shops.⁶⁶ Where there are principal agent problems and market imperfections community service organisations can use public trust as the basis for service provision – where they are trusted to operate in the interests of the recipients of public services. On this basis, many Australian community service organisations, such as hospitals and social service providers with historical roots in Australian churches, have retained their traditional role in delivering public services which are directly or indirectly funded by government through contracts, fees and grant arrangements^{67,68}

The community service sector benefits significantly not only from the financial support of government but also business, charitable foundations and individual donors. Community service organisations therefore operate on the basis of a complex web of interdependencies with a range of other organisations. However, despite increasing levels of government funding and philanthropy, and the strengthening of these interdependencies, the wicked social problems have persisted and there remain concerns about the efficiency and quality of services which constitute community service sector failure⁶⁹. Studies have revealed that the nature of these failures are associated with the challenges of insufficient resources, resulting in increased potential for lower quality services, vulnerability to focus on the interest areas of donors, and tendency to take a paternalistic approach to service delivery⁷⁰. Table 4 outlines these and associated failure mechanisms of community service organisations delivering social services.

Table 4 - Aspects of community service sector failure^{71,72,73,74,75}

Aspect of market failure	Description
Paternalism	Governance is controlled by interests who engage in decision making on behalf of service recipients without giving them a voice in planning or delivery.
Amateurism	A lack of expertise and professionalism required to effectively deliver service.
Particularism	Service delivery is targeted at a select group of beneficiaries, at the exclusion of other groups. Moral and or ethical organisational constructs drive service delivery and particularism.
Resource inefficiency	Consistency and sustainability of service delivery is impacted by inability to secure ongoing and reliable funding.

⁶⁶ Deloitte, *Survey into the Not for Profit Sector: 2012 - Fundraising*, , 2012, p. 15.

⁶⁷ Net Balance Research Insitute.

⁶⁸ Deloitte, p. 15.

⁶⁹ L Salamon, “Of Market Failure, Voluntary Failure, and Third-Party Government: Toward a Theory of Government-Nonprofit Relations in the Modern Welfare State,” in *Nonprofit and Voluntary Sector Quarterly*, vol. 16, 1987, 29–49.

⁷⁰ Billis and Glennerster, 79–98.

⁷¹ Wolf, 107–139.

⁷² Billis and Glennerster, 79–98.

⁷³ Australian Public Service Commission.

⁷⁴ LM Salamon, *Defining the Nonprofit Sector: The United States*, Institute for Policy Studies; Center for Civil Society Studies, 1996.

⁷⁵ K LeRoux, “Paternalistic or Participatory Governance? Examining Opportunities for Client Participation in Nonprofit Social Service Organizations,” in *Public Administration Review*, vol. May/June, 2009.

3.4. Third-way for public service provision

As outlined, Government is increasingly privatising and outsourcing public services. The evidence presented in this Green Paper suggests there is an alternative Third-way, of the use of PSMs, which could be considered.

The risks for Government associated with these different types of failure are increasingly understood and over time Governments have refined their use of competitive and quasi-markets, and the type of regulation and incentives required for public service markets to function. A high level and simplified analysis of these failures suggests that:

- **For-profit organisations operate where there are “tame” problems** and there is potential to achieve efficiencies and market share for their public services to generate profits. Government intervenes through regulation if there is a risk of super-normal profits or quality issues, and through incentives if there are missing markets.
- **Community service sector providers operate where there are complex and wicked problems** and they can use a range of resources to deliver public services where there is market failure. Government intervenes through regulation to ensure that services are delivered with a minimum quality and subsidises services if there are missing markets and government failure.

In specific service delivery markets it is likely that both for-profit and community service organisations operate where clients are often polarised towards for-profit and community service sector providers. For-profit organisations may also respond to incentives to serve a broader range of clients whilst community service organisations may adopt business-like practices to gain a bigger share of the client base where it is possible to generate a surplus and cross-subsidise complex cases. On this basis it is likely that both for-profits and community service organisations are adapting their structures to serve the middle ground and not just the polar opposites. The risks of these adaptations have recently been highlighted as public service organisations becoming “extensions of government” with smaller organisations unable to compete for government funding⁷⁶.

The focus on for-profit and community service organisation service providers and the prevalence of these government, market and community service organisation failures prompt exploration of an alternative arrangement. A Third-way to achieve government objectives could be the establishment of PSMs. On one level the use of PSMs would increase organisational diversity and may lead to greater resilience and better outcomes. However, PSMs in certain circumstances may address some or all of these failures and offer an efficient and effective alternative. This is shown in Figure 2. It is also important to mention that different business models can co-exist. For example, NRMA

⁷⁶ cited in F Tomazin, “Fears charities are doomed,” in *The Age Victoria*, , 2014, <<http://www.theage.com.au/victoria/fears-charities-are-doomed-20140524-38vot.html>>.

Motoring and Services is Australia’s largest Member-owned mutual however it owns and operates for profit companies designed to generate returns to re-invest in member benefits.



Figure 2 - Continuum of benefits of organisation types

3.5. The composition and functioning of public service markets

The challenges of operating public service markets with diverse providers is well illustrated by Job Services Australia, which supports placements of job seekers into employment through a network of organisations which receive funding from the Australian Government.⁷⁷ The network comprises a large number of both for-profit and community service organisation providers.

Whilst the original funding mechanism was focused on placing a job seeker in work for 13 weeks and 26 weeks, this was modified due to over-claiming, lack of evidence of outcomes, and increasing complexity of the arrangement.⁷⁸ An audit of the service found that the complexity stemmed from seeking to manage clients with complex needs, such as the long-term unemployed, homeless, Indigenous, and clients with a mental illness or disability.⁷⁹ Government’s response to the related recommendation was noted but no specific action to address this was identified.⁸⁰

The market now includes a small number of large profitable businesses and a range of community service organisations that serve the most complex clients and often subsidise their services through

⁷⁷ Australian Government, “Job Services Australia,” in *Department of Employment*, , 2013, <<http://employment.gov.au/job-services-australia-ja>> [accessed 20 May 2014].

⁷⁸ Australian National Audit Office, *Administration of Job Network Outcome Payments*, Department of Education, Employment and Workplace Relations, 2009.

⁷⁹ Advisory Panel on Employment Services Administration and Accountability, “Advisory Panel on Employment Services Administration and Accountability – Final Report Feedback,” , 2012, 1–13.

⁸⁰ Department of Education Employment and Workplace Relations, *Initial Government Response to the Advisory Panel on Employment Services Administration and Accountability*, Department of Education, Employment and Workplace Relations, 2012.

donations and volunteer support. The audit report also found that greater customer focus would support greater achievement of the desired outcomes, and recommended these outcomes be expressed as ‘achieving economic participation and social inclusion for jobseekers’,⁸¹ reflecting the value of the service beyond economic outcomes.

Both the market and community service organisation arrangements to deliver this service therefore display failures relating to missing markets, need for regulation, resource deficiencies, variable quality and inadequate outcomes. The upcoming review of Job Services Australia may provide an opportunity to explore a Third-way - the potential role of PSMs to deliver this public service.

3.6. Wicked social problems

Despite the combined efforts of government, business and community service organisations, Australia faces a number of complex and intractable economic, social, and environmental issues. These include affordable housing, aged care, out of home care, recidivism, obesity, domestic violence, the wellbeing of Indigenous Australians, people with disabilities and those on low incomes.⁸² These types of issues are often referred to as ‘wicked problems’ and are characterised by the fact that they are difficult to define, are complex, multi-causal, dynamic, and have no obvious solution.⁸³ This is in part due to a characteristic of issues crossing institutional and geographic boundaries, and requiring significant behaviour change as part of the solution.⁸⁴ A further challenge is that wicked problems need to be addressed in the context of the demographic pressures of an ageing population, globalisation, rapid technological development and challenging fiscal environment.

An Australian Public Service Commission report,⁸⁵ which investigated ‘wicked problems’, suggested these problems require big picture thinking to solve. It noted that these problems are subject to chronic policy failure. This is due to the nature of the problems being beyond the capacity of any single organisation to understand and respond to, resulting in disagreement on the cause and appropriate solutions. For example, despite decades of policy action on the treatment of Indigenous Australians, there is still a significant gap in the life expectancy, child mortality, education and employment outcomes experienced by Indigenous Australians compared to non-Indigenous Australians.^{86,87} This problem demonstrates the need for innovative, comprehensive solutions, which can work across organisation boundaries and engage a wide range of stakeholders in order to address complex issues.

⁸¹ Advisory Panel on Employment Services Administration and Accountability, 1–13.

⁸² Australian Public Service Commission.

⁸³ H Rittel & M Webber, “Dilemmas in a General Theory of Planning,” in *Policy Sciences*, vol. 4, 1973, 155–169.

⁸⁴ Australian Public Service Commission.

⁸⁵ Australian Public Service Commission.

⁸⁶ Council of Australian Governments, “Closing the Gap in Indigenous Disadvantage,” 2014, <https://www.coag.gov.au/closing_the_gap_in_indigenous_disadvantage>.

⁸⁷ Productivity Commission, “Overcoming Indigenous Disadvantage.”

In addition to achieving better value for money, public service reform must therefore also seek to find innovative solutions to these wicked social problems including the potential roles for mutuals.

Key finding 4: Traditional approaches to delivering public services have significant weaknesses including government, market and community service organisation failures. These approaches are associated with problems in public service markets and have combined to have limited impact on Australia's wicked social problems. These problems provide a context for innovation and alternative approaches including PSMs.

Consultation question 4: In the context of broad public service reform, what are the arguments for continuing to focus on business and community service organisation approaches and not to consider a PSM approach?

4. Comparative Advantage of Public Service Mutuals

This section applies the concept of comparative advantage to demonstrate that PSMs are a viable alternative to the prevailing arrangements of government, market, and community service sector delivery of public services. It is argued that the inherent characteristics of PSMs address failures relating to the prevailing arrangements. First a definition of comparative advantage is given. This is followed by a summary of the failures of the prevailing arrangements, and discussion of how these can be addressed with PSMs.

The term comparative advantage is generally associated with economics, which define it as the ability of an individual, firm or country to produce a particular good or service at a lower marginal and opportunity cost over another.⁸⁸ In this paper, we use the concept of comparative advantage as defined by the social sciences relating to delivering public services and meeting individual and community needs:^{89,90}

The 'inherent structural characteristics' of an organisation such as structure, governance, resources and ownership lead to advantages which enable the organisation to be more competitive over its rivals not only in the short term but also the long term.

Comparative advantage differs to competitive advantage. Competitive advantage, as first proposed by Michael Porter⁹¹, is the ability of an organisation to stay ahead of its competitors by succeeding in one key strategic area using non-inherent characteristics: cost leadership; differentiation; innovation; and operational effectiveness. It can be argued that comparative advantage may be an additional source of competitive advantage but not vice versa.

4.1. Inherent characteristics of PSMs

In terms of public services, the 'inherent characteristics' of PSMs may predispose them to respond more or less effectively to different states of 'disadvantage' experienced by their users and provide better outcomes.⁹² Inherent characteristics stem from organisational structures of ownership, stakeholders, and resources. Billis and Glennerster⁹³ propose that under different situations or types of system failure such as for-profit, government and community service organisation failure, one type of organisation will have a comparative advantage because of its inherent characteristics, and hence will be more effective in delivering on services. The structural elements of the different organising models are summarised in Table 5. These elements provide the basis for the inherent characteristics for each model, which in turn provide the basis for identifying comparative advantages.

⁸⁸ D Ricardo, "On The Principles of Political Economy and Taxation," vol. 1, 1817.

⁸⁹ Billis and Glennerster, 79–98.

⁹⁰ J Birchall, "The comparative advantage of member-owned businesses," in *Review of Social Economy*, vol. 70, 2011, 263–294.

⁹¹ M Porter, *Competitive Advantage*, New York, Free Press, 1985.

⁹² Billis and Glennerster, 79–98.

⁹³ Billis and Glennerster, 79–98.

Table 5 - Comparison of the structural elements of mutual, government, for-profit, community service sector business models^{94,95,96}

Structural elements	Mutuals	For-profit	Community service organisations	Government
Governance	Democratic / self-determining	Self-determining / regulated	Self-determining	Dependent
Ownership	Members	Shareholders	Charity trustees/ community directors	Government
Purpose	Profit and Social Long-term	Profit Short-term	Social Long-term	Social Long-term
Funding	Members Business operations	Investors Business operations Debt	Government, philanthropic	Government
Type of owner engagement	Two-way	One-way	One-way	One-way
Workforce	Paid	Paid	Paid / voluntary	Paid
Profit	Re-invested	Shareholders Re-invested	Re-invested	Government Re-invested
Tax	Taxed with tax-exempt exceptions	Yes	Tax exempt with exceptions	Tax exempt with exceptions

PSMs possess some characteristics which are common with businesses, government agencies and community service organisations, however it is the defining attributes that make PSMs distinctive. In Australia PSMs are self-determining organisations that seek to operate in a financially sustainable way, they have a concern for community, and are voluntary and open organisations that engage with communities through their membership.

PSMs therefore have the autonomy of the private sector, a social purpose comparable to a public sector ethos, self-determination, and community empowerment often found in the community service sector.⁹⁷ These characteristics enable PSMs to address some of the government, for-profit, and community service sector failures described earlier.

⁹⁴ Birchall, 1–22.

⁹⁵ Salamon.

⁹⁶ Billis and Glennerster, 79–98.

⁹⁷ M Sesnan, “The evolution of social enterprise,” in *The Guardian*, , 2013, <<http://www.theguardian.com/social-enterprise-network/2013/aug/19/evolution-of-social-enterprise>>. “

Key finding 5: PSMs have the potential to address the failures which are sometimes evident when government, markets and community service sectors deliver public services. This potential is driven by the inherent characteristics of PSMs, specifically decision-making by members, autonomy and independence, member economic contribution, reinvestment of profits, and co-operation.

Consultation question 5: To what extent can PSMs address government, market and community service sector failure?

4.2. The nature of comparative advantage

Birchall⁹⁸ proposes that PSMs have three types of comparative advantage based on the characteristics of: ownership; control; and benefit. Net Balance Research Institute⁹⁹ adapted this model, suggesting that control and benefit are the result of member ownership, as depicted in Figure 3.

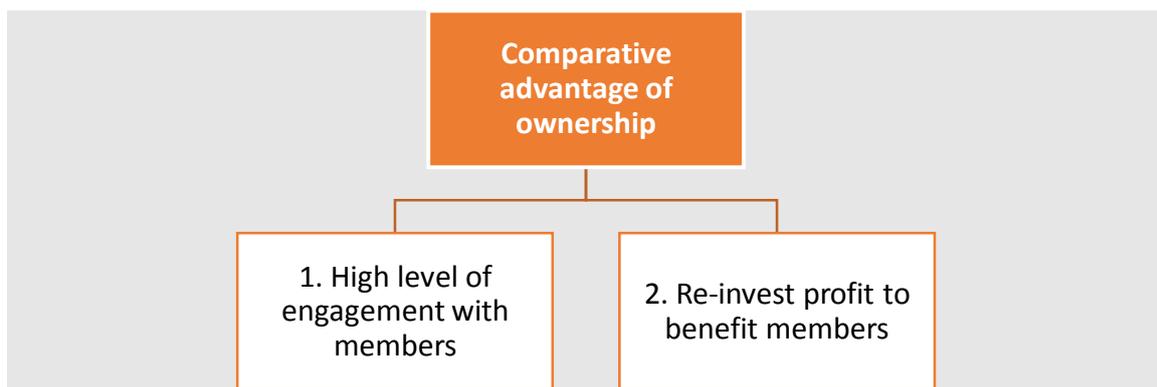


Figure 3 - Comparative advantages that flow from member ownership of mutuals^{100,101}

The overarching comparative advantage of PSMs is therefore ownership by its members which generates not only control but also the scale and nature of benefits. The ownership and control element is particularly important in terms of engagement where high levels of engagement between consumers and employees are associated with higher levels of benefit, including better specified services and higher levels of satisfaction. The higher levels of benefit may be also driven by the reinvestment of surpluses, which allows the organisation to offer either higher quality services or lower costs when compared to other providers. These aspects of comparative advantage are explored further in the following paragraphs.

These comparative advantages can allow members to be independent from government, for-profit, or community service sector pressures and make decisions that meet their best interests. This

⁹⁸ Birchall, 263–294.

⁹⁹ Net Balance Research Institute.

¹⁰⁰ Birchall, 263–294.

¹⁰¹ McKinsey & Company, *International Summit of Cooperatives, Improving cooperatives' agility*, 2012, pp. 1–29.

facilitates longer-term decision making beyond political cycles and associated perverse incentives, and supports a focus on efficiency of operations. As a result, PSMs are less likely to make risky short-term decision making, instead focusing on longer-term sustainable performance and investment.

Engagement with members leads to a range of comparative advantages over other arrangements. This includes providing targeted and specialised services to meet members' needs, supporting innovation of members, and increasing employee wellbeing. Through engagement with members, PSMs are able to develop more personalised engagement and increase the ability of the organisation to identify members' specific needs.¹⁰² This also puts PSMs in a good position to take a holistic approach to addressing complex problems as described in Section 2.3.¹⁰³ Where innovative solutions are needed to address these problems, the PSMs arrangement is able to support development and encourage member contribution. In particular, the learning from the UK is that PSMs which are spun out of constrained and structured government organisations are able to unleash the enterprising and entrepreneurial skills and energy of employees.¹⁰⁴

The re-investing of profit for the benefit of members is one of the strongest advantages of PSMs. Depending on the type of PSM, different benefits are generated. Profits from consumer-owned mutuals can be re-invested to improve the quality and competitiveness of products and services for members, including rebates, discounts and special offers.¹⁰⁵ The reinvesting of profits can address failures of distributional inequity and missing markets that occur in for-profit models, and can also allow organisations to offer products and services that can compete with for-profit organisations. Similarly, reinvested surpluses can help address problems driven by perverse incentives in for-profit models and resource efficiency failures in the community service sector. In these arrangements profits can be re-invested to improve the efficiency of operational systems whilst ensuring quality of service. For mutuals and producer or employee co-operatives the reinvestment of surpluses can facilitate competitive salaries, improved working conditions, and investment in education and training.¹⁰⁶

The following attributes constitute the most significant characteristics and comparative advantage:

- Member owned for member benefit
- Democratic governance
- Autonomy and independence of operation
- Member economic contributions
- Re-invest profits
- Employee productivity and wellbeing
- Long-term value creation

¹⁰² McKinsey & Company, pp. 1–29.

¹⁰³ Muir and Parker.

¹⁰⁴ The Ownership Commission, *Plurality, Stewardship & Engagement*, Mutuo, 2012.

¹⁰⁵ Communities and Local Government Committee.

¹⁰⁶ Communities and Local Government Committee.

- Co-operation

These are further described in Table 6.

Table 6 - Significant characteristics and comparative advantages of Public Sector Mutuals

Characters and Comparative advantage	Description
Member owned for member benefit	PSMs are member-owned businesses that exist to generate benefits for their members, rather than maximise profits for external shareholders. ¹⁰⁷ PSMs therefore have sustained higher levels of member engagement and satisfaction for consumers and/or employees. The ownership structure also enables them to specialise and to do so efficiently. ¹⁰⁸
Democratic governance	Two-way member ownership and the use of democratic governance processes are key differences between a PSM's business and other structures. These elements offer members the ability to make decisions that represent the interests of the majority of the members, giving more control to the members. ^{109,110}
Autonomy and independence of operation	Any partnerships or external agreements are entered into with the strict condition that the democratic control and interests of members are not infringed upon. ¹¹¹
Member economic contributions	Members make equitable economic contributions which give them control of the capital within the PSM. ¹¹²
Reinvest profits	PSMs reinvest profits back into the organisation rather than distributing a dividend to external shareholders. The surplus profit can be returned to the members and community in the form of higher quality services, and lower or subsidised services. ¹¹³ The reinvested profit can also be used to strengthen the organisation in terms of providing education and training for staff, improving service delivery systems or improving financial sustainability by building the balance sheet. ^{114,115}
Employee productivity and wellbeing	PSMs, especially producer co-operatives, may be able to achieve higher levels of productivity and promote the wellbeing of employees as a result of the reinvestment of profit and high levels of member engagement. ¹¹⁶
Long term value creation	PSMs are owned by their members, who may be the customer, employee or producer, they are more predisposed to have a longer term view of success. This balances profitability with meeting the needs of members through the provision of quality products and services. ¹¹⁷
Co-operation	PSMs are able to serve their members most effectively when they enter into external partnerships. This allows PSMs to share resources, operate collectively and strengthen the PSMs movement. ¹¹⁸

¹⁰⁷ Birchall, 263–294.

¹⁰⁸ Business Council of Co-operatives and Mutuals, *Submission to the Financial System Inquiry*, , 2014, <http://fsi.gov.au/files/2014/04/Business_Council_of_Co-operatives_and_Mutuals.pdf>.

¹⁰⁹ RDA Mid North Coast, pp. 1–113.

¹¹⁰ Office for Public Management, *New models of public service ownership: A guide to commissioning, policy and practice*, , 2010, <<http://www.opm.co.uk/wp-content/uploads/2014/01/OPM-employee-ownership-report-Aug-2010.pdf>>.

¹¹¹ RDA Mid North Coast, pp. 1–113.

¹¹² RDA Mid North Coast, pp. 1–113.

¹¹³ Office for Public Management.

¹¹⁴ Canada Co-operative Association, *Child Care Co-operative in Canada 2007*, , 2007, <http://ccnrcrc.files.wordpress.com/2012/03/child_care_cooperatives_a_research_report.pdf>.

¹¹⁵ Baxi Partnership et al., *How to become an employee owned mutual: An action checklist for the public sector*, Baxi partnership; Field Fisher Waterhouse; OPM; Employee Ownership Association, 2011.,

¹¹⁶ T Cooper, *The Benefit Is Mutuals: Harnessing Old Models of Public Value in a New Age of Austerity*, Accenture, 2012.

¹¹⁷ C Seager, "Best bits: can co-operatives compete with big business?," in *The Guardian*, , 14 March 2014, <<http://www.theguardian.com/social-enterprise-network/2014/mar/14/co-operatives-compete-big-business>>.

¹¹⁸ RDA Mid North Coast, pp. 1–113.

4.3. Public Service Mutuals Failure

As with all corporate structures, PSMs are subject to the risk of failure in certain circumstances. Failure occurs when the operation of the PSM is no-longer aligned with the intended approach of the members. This can cause either a failure to achieve comparative advantage or organisational failure. A literature review of failures and challenges is summarised below.

Decision-making by and for members, a unique strength of PSMs, can also lead to instances of failure.¹¹⁹ Historically, the origin of PSM failure can be explained by a decline in member engagement and the erosion of member control. This also includes the difficulty posed for organisations with a small number of members, as a sudden call on capital poses a substantial risk. The inverse situation can also trigger failure. As an organisation grows and its member heterogeneity increases there is a risk of member disengagement, particularly as ownership, responsibilities and rewards becomes diluted.^{120,121}

Birchall (2013) describes the problems PSMs can face, including, a lack of ability to raise funds from members, weak financial incentive for governance, and a lack of member loyalty due to low per capita investment.¹²² Birchall also proposes that sourcing capital through members will incentivise the PSMs to attempt to operate itself out of financial difficulty. This is in lieu of considering options that may be more suitable for the circumstances, including winding up, restructuring or business transformations. The issue is compounded if member engagement weakens and difficult decisions aren't made.¹²³

A McKinsey & Company study revealed a number of challenges associated with the unique structural characteristics of PSMs.¹²⁴ The democratic structure was found to slow the decision making process, raising the challenge for PSMs to improve the process without losing the strong connection to individual members. The inclusion of current members in the decision making process was also found to predispose the organisation to prioritising the needs of current members. This reduces more innovative thinking that would be riskier for current members, but beneficial for future members.¹²⁵

Lender's and investor's relative lack of understanding of the nuances of PSM structures can pose difficulties for young organisations or start-ups seeking to access funding.¹²⁶ The lack of mainstream understanding can also lead to challenges posed by legal, tax and regulatory complexities. There

¹¹⁹ McKinsey & Company, pp. 1–29.

¹²⁰ Birchall, 1–22.

¹²¹ P Krampfer, "Why Cooperatives Fail: case Studies from Europe, Japan and the United States, 1950-2010" in *The Cooperative Business Movement, 1950 to the Present*, Cambridge University Press, 2012, pp. 126–150.

¹²² Birchall, 1–22., "The potential of co-operatives during the current recession: theorizing comparative advantage," *Journal of Entrepreneurial and Organizational Diversity*, vol. 2, no. 1, pp. 1–22.

¹²³ Birchall, 1–22.

¹²⁴ McKinsey & Company, pp. 1–29.

¹²⁵ McKinsey & Company, pp. 1–29.

¹²⁶ Communities and Local Government Committee.

still remains room for the regulatory framework to be developed into a form more conducive to PSM arrangements.¹²⁷ The inclusion of Co-operative Capital Units in the new national co-operative legislation acknowledges the challenges co-operatives may face in raising capital and provides a mechanism which is aligned with mainstream practice.

NSW State Government research into failed NSW co-operatives found windups and de-registrations occurred “for a variety of reasons which would not be considered unique to the co-operative structure”^{128,129}. This refers to factors such as sector downturns, ageing members wishing to retire, mergers and legal challenges. An additional finding of the research is that a significant number of co-operatives failed due to a number of reasons, including an inability to attract members and hypothetical commercial opportunities didn’t eventuate. Factors which appear to be the result of a combination of over-enthusiasm and poor planning during formative stages.¹³⁰ It should be noted that co-operatives and mutuals have a lower failure rate than all other forms of incorporation notwithstanding these findings.¹³¹

These failures highlight the importance of ensuring robust planning during the formative stage and that a reflective process occurs within the ongoing operations to monitor whether organisational goals and member interests remain aligned. The following section discusses situations where PSMs are likely to result in the best outcomes through leveraging the PSMs inherent characteristics.

4.4. When are PSMs the best option?

Whilst PSMs may offer diversity to many public service markets, as with other approaches to public service delivery, PSMs are likely to be most successful under certain circumstances. Furthermore, the inherent characteristics and comparative advantage mean that for some circumstances PSMs may be the preferred organising model. The literature and engagement with a wide range of stakeholders as part of the preparation of this Green Paper identifies two circumstances where PSMs may be able to achieve comparative advantage:

1. **‘Specialism’** – providing products and services to meet a specific need of the members which may include addressing geographic monopolies and/or limited profit opportunities.
2. **Market volatility** – managing market volatility through improved management of cash flow and capital, and long-term decision-making.¹³²

¹²⁷ Communities and Local Government Committee.

¹²⁸ NSW Government Finance & Services, *Components of successful co-operatives: An analysis of formations over a five year period*, , 2010, <http://www.bankofideas.com.au/Downloads/BOI_Resource_A003.pdf>.

¹²⁹ NSW Office of Fair Trading, “State of the Sector: New South Wales Co-operatives,” , 2006.

¹³⁰ Birchall, 1–22.

¹³¹ NSW Office of Fair Trading, 2006, “State of the Sector: New South Wales Co-operatives,” NSW Office Of Fair Trading, pp. 23.

¹³² Birchall, 1–22.

Specialism

Historically many PSMs – especially consumer co-operatives – have been established to address a specific community need where there is government, for-profit and community service sector failure. Often this relates to a specific segment of the population defined either by geography or the specific need (product or service). On this basis the PSM will have a specific focus or membership, which will differentiate it from other organisations. This specific focus can be considered a specialism, which the PSM can use for both competitive and comparative advantage.

Market specialism occurs where there is a geographically defined area where for-profit, government and community service sector failures may exist. The PSMs may then become a monopoly provider using member engagement and the investment of surplus to ensure the operational and financial sustainability of the organisation. This sustainability may also be achieved through cross-subsidisation to ensure equity of access in a locality.^{133,134,135} In the case of PSMs, by addressing for-profit and government failures, the PSM may be eligible for a government subsidy to supplement member or community contributions, which is commonly the model adopted by community service organisations.

Enterprise-owned co-operatives enable self-employed people, businesses, community service organisations and PSMs to gain the strength in numbers so that they can survive and thrive in markets. Many organisations delivering public services are small and embedded in communities which suggests that the opportunities for enterprise-owned public service mutuals may be considerable.¹³⁶ Small service providers and larger organisations that are embedded in communities may have comparative advantage through delivering specialist services which respond to local need, however they may not be able to achieve the economies of scale or market power of larger providers which may limit their potential and also expose them to risk if there is market competition.^{137,138} These problems can be addressed by service providers working together as a collective, buying resources in bulk and achieving market power by positioning themselves as one larger entity. This can prevent market failure that result from a small number of large suppliers dominating.

PSMs can address a range of market failures, which relate to some of Australia's wicked social problems. The ownership and control characteristics of PSMs prevents external interests from exploiting the weaker position of individuals especially where there is information asymmetry, exclusion and missing markets.^{139,140,141} Financial exclusion is one of Australia's wicked social

¹³³ Bland.

¹³⁴ Birchall, 1–22.

¹³⁵ Co-operatives UK.

¹³⁶ Net Balance Research Institute.

¹³⁷ Kramper, pp. 126–150.

¹³⁸ Birchall, 1–22.

¹³⁹ Birchall, 1–22.

¹⁴⁰ J Birchall & R Simmons, *Co-operatives and Poverty Reduction: evidence from Sri Lanka and Tanzania*, Co-operatives Council, 2009.

¹⁴¹ J Birchall & R Simmons, *Resilience in a Downturn: the power of financial co-operatives*, 2013. *Resilience in a Downturn: the power of financial co-operatives*, International Labour Office, Geneva, pp.1-65.

problems where there is a range of government welfare and philanthropic programs, some of which include significant involvement of for-profit mainstream banks, that focus on those which are most excluded. Customer owned banks and credit unions provide access to financial services for the general public and a range of specialist segments, which can be defined by location, profession and other shared interests. Through competitive products and pricing, and without the requirement to distribute profits to external shareholders, these customer owned banks are able to offer affordable and appropriate access to financial services. This helps those on low incomes to minimise the risk of having to use expensive short term credit options or other expensive longer-term arrangements. Some customer owned banks including **bankmecu** are also able to offer further support for those typically served by welfare and philanthropic programs.

PSMs may also hold comparative advantage where product and service delivery costs are high with low profit margins – especially where a large proportion of the costs of production relate to fixed costs such as employment. This is often the case for delivering public services. On this basis, as profit is not a key driver for PSMs, the focus can be on quality sustained service delivery and not achieving margins on product costs. This comparative advantage holds for consumer, producer, enterprise and hybrid PSMs.

Market volatility

There are two aspects of PSMs which enable greater performance through periods of market volatility such as periods of recession - improved management of cash flow and capital, and long-term decision-making.¹⁴² The reinvesting of surpluses provides an opportunity to accumulate capital, which supports the sustainability of the organisation as it is better able to manage peaks and troughs in the economic climate and demands.

Market volatility is also managed in PSMs through a greater focus on long-term sustainability than is typically the case for the other arrangements.¹⁴³ The focus on reinvesting surplus to maintain a stable flow of working capital and cash flow reflects the risk averse behaviour of PSMs.¹⁴⁴ This approach leads to decision-making based on long-term considerations in order to reduce potential risks to the organisation’s ongoing operations.

Key finding 6: The inherent characteristics of PSMs lead to the potential for them to have comparative advantage in terms of delivering public services. Whilst there is merit in PSMs contributing to organisational diversity there is also potential for PSMs to make distinctive contributions in public service markets.

Consultation question 6: To what extent do you think PSMs have the potential to offer comparative advantage when delivering public services and contribute to the functioning of public service markets?

¹⁴² Birchall, 1–22.

¹⁴³ Birchall, 1–22.

¹⁴⁴ Birchall, 1–22.

5. Lessons from Other Jurisdictions

Internationally, co-operative and mutual models have been successful and also faced challenges when used to deliver public services. Successful approaches are recognised as occurring within supportive government environments, which are pro-active in developing enabling frameworks for co-operatives and mutuals.¹⁴⁵ Key supportive elements identified through a review of international practices include:

- Enabling legal and fiscal frameworks
- Positive approaches to commissioning and procurement
- Access to capital
- Successful organisational models
- Specialist business support

Several international examples are provided in this section that demonstrate how successful models have been supported in one or more of these elements. A more detailed review of the use of mutuals in the United Kingdom follows.

A 2007 Canadian report into child care PSMs identified approximately 526 child care PSMs (both formal and informal organisations).¹⁴⁶ The research identified benefits of PSM child care as enhancing parent participation, staff retention, and community connectivity. The report also highlights similar practices internationally, including in New Zealand and Sweden. In New Zealand, the Federation of New Zealand Playcentres represents 12 per cent of licenced child care centres, and supports 33 regional associations, each made up of 20 to 40 individual co-operative Playcentres. In Sweden PSMs provide 7 per cent of day care services through 1,200 co-operatives.¹⁴⁷

In many European countries including both Spain and Italy, PSMs are extensively used for mainstream economic and financial service activities providing a strong context for public service delivery through mutuals. Lessons from the use of the PSM model in Spain demonstrate both successful operation and challenges, as a result of presence or lack of policy support. The PSM model is applied to approximately 550 schools in Spain, which have benefited from long-term thinking from the government, which provides land and contract periods of up to forty years.¹⁴⁸ The focus of the employee-led co-operatives is to meet local needs, allowing for local language and culture to be included in school curriculums, and providing services for students with special needs. The driver for the development of these PSMs, in addition to meeting local needs, has been addressing economic challenges both for teachers and government. Therefore it is expected the model will continue to be used as local governments are unable to provide sufficient funding for traditional models. The model has also been used in residential care in Valencia however these are

¹⁴⁵ Bland.

¹⁴⁶ Canada Co-operative Association.

¹⁴⁷ Bland.

¹⁴⁸ Bland.

in decline. Challenges for the sector have been faced where capital funding needs to meet changes in contract requirements (to construct as well as run residential care centres) have been unable to be met by PSM organisations.

A growth in the use of PSMs in social care, health, and employment services in Italy, from 650 in 1985 to over 7,000 in 2011, has been supported by reduced rates of taxation.¹⁴⁹ The regulatory framework to support this defines the purpose of PSMs is to “pursue the general interest of the community in promoting human concerns and in the social integration of citizens”.¹⁵⁰ Members of the PSMs include employees, service users and families, volunteers, and funding members who provide capital. The driver for the application of the PSM model was government failure in terms of a lack of service provision (outside of health and education) from local authorities, reducing role of the family in providing support, and risk of corruption in other arrangements.

In the European Union, procurement practices that support broader value than purely financial have provided support to consideration of mutual arrangements. This was highlighted through a Green Paper on modernising European Union procurement, which led to a draft resolution from the European Parliament to award contracts to the ‘most advantageous tender in terms of economic, social and environmental benefits, taking into account the entire life-cycle costs of the goods, service or work’.¹⁵¹ This supports a greater focus on positive outcomes in public services, which could be achieved through mutual arrangements, as demonstrated in this and the following section.

5.1. Lessons from the United Kingdom

The United Kingdom has significant examples of the use of co-operatives and mutuals for public service delivery. Co-operatives and mutuals have played a long standing and significant role in the provision of social and affordable housing. More recently co-operatives and mutuals have been supported by substantial changes in government policy.

The presence of co-operatives and mutuals in the UK economy had declined over a long period, however this trend has reversed in recent years with the market share and profit of PSMs increasing.¹⁵² One driver of the growth of PSMs is the increasing recognition of the ability of co-operative and mutual organisations to deliver public services and achieve both social and commercial goals.¹⁵³ Public Service Mutuals emerged from the Labour government policy on ‘Right to Request in Health Services’, which encouraged and supported the spinning out of public services and public service teams to independent employee-owned social enterprises.¹⁵⁴ The former and current Coalition government explicitly recognised the roles for PSMs in their Programme for

¹⁴⁹ Bland.

¹⁵⁰ Bland.

¹⁵¹ European Parliament, *Easier Access to Public Procurement for Small and Medium Sized Firms*, , 2011.

¹⁵² The Ownership Commission.

¹⁵³ Communities and Local Government Committee.

¹⁵⁴ Cabinet Office HM Government, “Mutuals Information Service: Right to Request & Right to Provide,” , 2011, <<http://mutuals.cabinetoffice.gov.uk/health/Rights>> [accessed 2 May 2014].

Government. This was restated in the 2011 Open Public Services White Paper where PSMs were identified as one option for ensuring that there was a diversity of service provision.¹⁵⁵ This approach was enacted as the Public Services (Social Value) Act 2012.¹⁵⁶

The principles outlined in the White Paper (2011) were increasing choice, decentralising to lowest appropriate level, public services open to a range of providers, fair access, and accountability to users and taxpayers.¹⁵⁷ The fundamental premise of the White Paper was that every public service has the potential to be delivered outside of government. This premise was the basis for a series of policies that have led to a rapid expansion of PSMs. The policy levers included:

- **Right to Provide / Request:** providing public sector employees the right to take over the delivery of services.¹⁵⁸
- **Community Right to Challenge:** providing communities with a mechanism to take over control of the delivery of local services such as libraries.¹⁵⁹
- **Community Interest Companies (CIC):** a new legal form for social enterprises to deliver public services or community benefit. CICs can be used by co-operatives and have an asset lock so that they will always benefit communities.¹⁶⁰
- **Co-operative Schools:** the creation of new schools and the conversion of existing schools to independent status, which can include community ownership and governance.¹⁶¹
- **Payment by Results, Payment by Outcomes and Social Impact Bonds:** new funding mechanisms which focus on early intervention and breaking the cycle and where there are high levels of accountability, such as justice and children's services.¹⁶²

The establishment and growth of Public Service Mutuals in the UK has been supported by a Mutuals Taskforce and a dedicated unit inside the Cabinet Office, which delivers the Mutuals Support Programme and Information Service. These initiatives have supported the development of a body of robust and accessible evidence, and a dedicated resource to transfer knowledge through capacity building and the development of living case studies.¹⁶³

An overview of the services provided through the Mutuals Support Programme and Information Service are provided in Figure 4.

¹⁵⁵ HM Government, *Open Public Services White Paper*, , 2011, <https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/200077/Open_Public_Services_2013_full_report.pdf>.

¹⁵⁶ Hazenberg and Hall.

¹⁵⁷ HM Government.

¹⁵⁸ Hazenberg and Hall.

¹⁵⁹ Hazenberg and Hall.

¹⁶⁰ Communities and Local Government Committee.

¹⁶¹ A Adonis, "Public service reform," London, 2010, <<http://www.ippr.org/events/54/6278/lord-adonis-on-public-service-reform>>.

¹⁶² HM Government.

¹⁶³ Mutuals Taskforce, XCV.

Mutuals Support Programme £10 million fund for professional support	Employees (considering spinning out)	Commissioners (supporting spin outs and existing PSMs)	Suppliers (bidding for public sector contracts)	Mutuals Ambassadors (pro bono support for PSMs)
<ul style="list-style-type: none"> • Triage – assessment of mutualisation readiness • Mutuals success – 4 day development programme for potential PSM leaders • One to One – developed proposals go to Approvals Board • Sharing of information (access to finance; business planning; how to guides; legal and governance; tax; and templates) 	<ul style="list-style-type: none"> • Background information • Step-by-step guide to set up a PSM • Resource library • Health specific resources • Education specific resources 	<ul style="list-style-type: none"> • The Case for Mutuals • Case Studies • Support Toolbox • Procurement Advice • Commissioning Academy Mutuals Module (training) 	<ul style="list-style-type: none"> • Registration of interest • Lists of current opportunities • Supplier support for responding to opportunities 	<ul style="list-style-type: none"> • Trouble shooting • Using commercial expertise • Advocating and promotion • Developing policy and pipeline

Figure 4 - Services and support provided by the UK Cabinet Office for the development of PSMs

The policy drivers and these supporting services have been summarised into the schematic diagram in Figure 5.

These policies and supporting framework have resulted in the development of 71 PSMs employing 35,000 people and delivering over \$2 billion (£1.2 billion) of public services.¹⁶⁴ PSMs are being established across a wide range of policy areas in the UK (Figure 6) including:

- Health –primary care, mental health, hospice
- Disability – independent living
- Human services – care services
- Emergency Services – fire services (see Cleveland Fire Brigade Service case study)
- Education – schools, adult education, vocational skills
- Justice – probation services
- Leisure – sports centres
- Housing – social housing

¹⁶⁴ Brown, A., & Watt, L., 2013, *Soft Finance, Hard Choices: A review of the finance market for public service mutuals*, The Boston Consulting Group, July, pp.1-42. Brown and Watt.

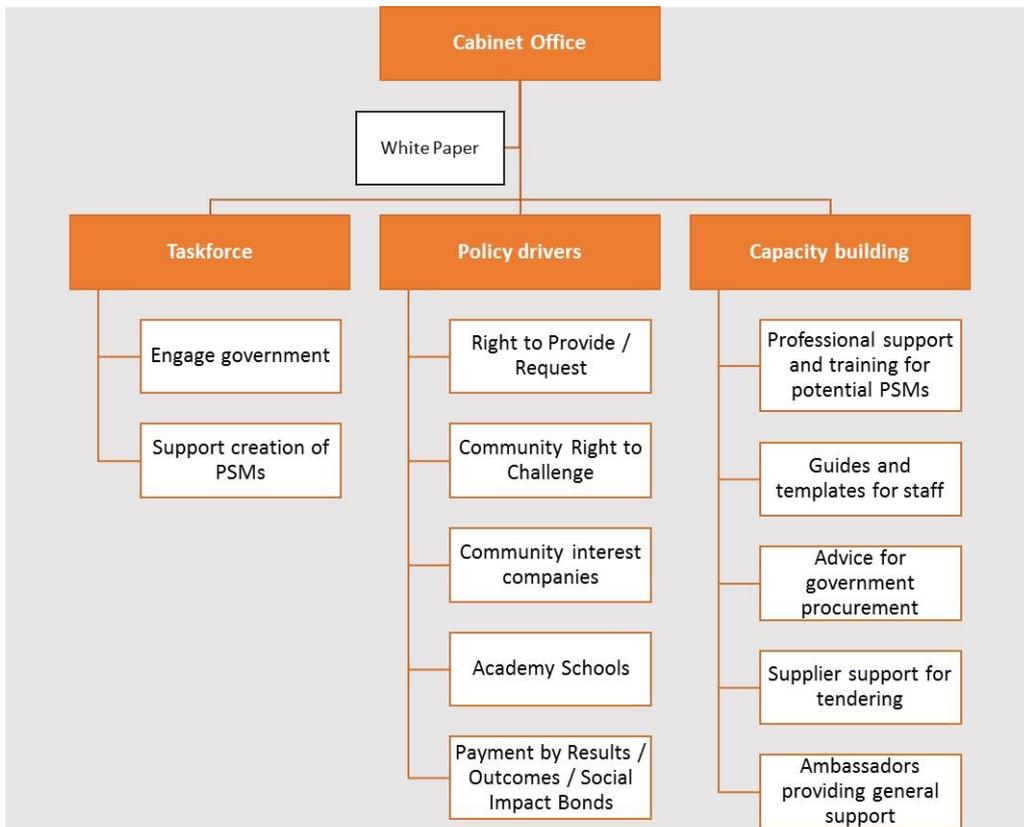


Figure 5 - Overview of policy drivers and supporting mechanisms for the development of UK PSMs

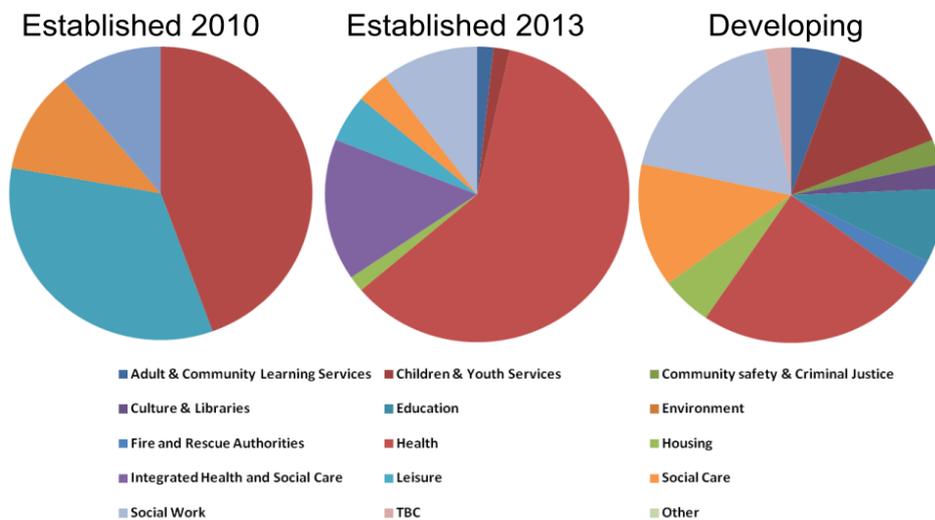


Figure 6 – PSMs by sector in the UK¹⁶⁵

¹⁶⁵ Source: Paul Maltby (2013). Public Service Mutals in the UK. - Director of Open Data and Government Innovation. Presentation to ANZSOG. Cabinet Office, UK Government
 P Maltby, Presentation to ANZSOG: Public Service Mutals in the UK, Cabinet Office UK Government, 2013.

5.2. Lessons for Australia

The context, drivers, policy development and implementation of Public Service Mutuals in the UK over the last decade resonates with the recent recommendations of the Australian National Commission of Audit and the proposals presented in the Australian Government's 2014 Budget Statement. Although Australia has not experienced the same depth of problems of the Global Financial Crisis faced in the UK, there is now a strong focus on achieving long term fiscal sustainability, austerity and doing more with less. Like the UK, wicked social problems persist and are associated with continuing government, market and community failure, which prompts the need for innovation and alternative approaches including use of consumer choice and control to improve public services.

The key areas of commonality in terms of policy are:

- the commitments to devolve, privatise and outsource public service delivery
- the move to local control and management of services
- the move to consumer-directed care such as the National Disability Insurance Scheme
- the building of civil partnerships with communities to build self-reliance, resilience, reciprocity, enterprising culture and self-interest.

This suggests that there is considerable merit in exploring the potential for public service mutuals in Australia, but this will require contextualisation including the alignment of incentives and potential barriers for implementation in Australia.

Key finding 7: Public service mutuals play a significant role in a number of jurisdictions, such as the UK, where there has been concerted effort through public policy levers and capacity building activities. The learning from other jurisdictions is considerable, but this needs to be contextualised for Australia through further investigation before opportunities can be capitalised upon.

Consultation question 7: What learning from other jurisdictions is most relevant to co-operatives and mutuals delivering public services in Australia?

6. Strategies for Expanding the Roles of Public Service Mutuals

The current phase of public service reform is an opportunity to explore the potential for Public Service Mutuals in Australia. PSMs may provide an alternative Third-way service delivery model to address particular problems, emerging issues or meet market needs such as the transition to the National Disability Insurance Scheme.

The Federal Government has articulated a suite of values and ideals which are driving the public reform agenda including freedom of choice, corporate responsibility, and service user engagement. These values underpin the agenda for smaller, more efficient and effective government, outsourcing non-core public services, and ending ‘the age of entitlement’ (i.e. hand-outs and middle class welfare). This agenda is also driven by a substantial and growing budget deficit.

These values and ideals combined with the reform agenda provide a resounding need to investigate alternative business models to effectively and efficiently deliver public services to meet the needs of their users and stakeholders. The Honourable Minister Kevin Andrews, in his address to the National Making It Mutual Workshop stated: ¹⁶⁶

1. Government is not the fount of all wisdom
2. A vibrant, dynamic economy and business community are essential to fund the social services we need, expect and deserve
3. Community mutual co-operation is crucial a force to building a responsive and vibrant civil society.

Thus the task of balancing economic vitality and social responsibility will require a bipartisan willingness to investigate new ideas, such as the role of the co-operative and mutual sector in delivering public services, and re-invigorating the spirit of mutualism¹⁶⁷.

The Honourable Minister Kevin Andrews

Address to the BCCM ‘Make it Mutual’ Workshop

“The co-operative and mutual sector has tremendous potential to foster innovative modes and methods of addressing the unmet needs of our society. The question we should explore is how we – the Government – can help you – the co-operative and mutual sector – take things to the next level and re-capture that verve and spirit that before the post-war consensus eroded Australian mutualism.”

The Hon. K Andrews (2014). *Address to the BCCM ‘Make it Mutual’ Workshop*, Make it Mutual Workshop, Canberra, 17th March 2014.

¹⁶⁶ The Hon. K Andrews, “Address to the BCCM ‘Make it Mutual’ Workshop” in *Make It Mutual Workshop*, Canberra, 2014.

¹⁶⁷ The Hon. K Andrews.

Realising the potential of mutuals to deliver public services can be achieved through a range of strategies that exploit their comparative advantages:

1. **Expanding existing public service mutuals**
2. **Existing co-operatives and mutuals extending their activities** to include public service provision and thus create shared value
3. **Newly formed PSMs** created by:
 - a. government outsourcing, privatisation, and ‘spinning out’ public services and public service teams
 - b. communities in response to their specific community needs
 - c. employees to meet individual and community needs
 - d. existing non-government public service providers grouping together into an enterprise producer co-operative
 - e. corporate and community organisations spinning out teams
 - f. corporate and community organisations choosing to transform their business model to a co-operative or mutual structure.

The National Disability Insurance Scheme (NDIS) is a system level example of where a range of different PSM models can be established including expanding existing PSMs, existing co-operatives and mutuals expanding their services to include PSMs and newly established PSMs from community service organisations and for-profit organisations.

6.1. Expanding existing public service mutuals

There are already a significant number of Australian co-operatives and mutuals successfully delivering public services. Some of these have emerged in response to problems where either producers or consumers recognised that their needs can best be addressed through use of a co-operative structure and operating model. For some other co-operatives, they offer an alternative mode of service delivery and therefore offer plurality and diversity. In both cases there is an argument for growing and replicating these successful co-operative structures.

Growth and replication can be achieved and stimulated in a number of ways:¹⁶⁸

- **Organic growth** - of existing co-operatives through expansion into neighbouring areas or related client groups (Case Study: National Health Co-operative)
- **Systematic growth** – strategies are based on mechanisms such as social franchising

¹⁶⁸ RDA Mid North Coast., 2013, *Co-operatives in Australia: A Manual*, Co-operatives Federation of New South Wales, pp.1-113.

- **Emulation of success** - where individuals and / or communities recognise that they share the same problems and wish to adopt the same approach, and engage with existing providers
- **Intermediation** - where development agencies proactively identify opportunities for organic and systematic growth, and emulation (Case Study: National Disability Insurance Scheme).

Case Study: National Health Co-operative (NHC)

Business structure: Consumer-owned co-operative

State: ACT

Purpose: To provide affordable and accessible medical and health services to the local community.

Overview The National Health Co-operative (NHC) is a consumer co-operative established to provide affordable and accessible medical and health services to the local community which were not available. It is not just a general practice, it is a health co-operative which uses a proactive and integrated partnership approach between the member and the doctors, nurses and other health providers and educators to form a comprehensive health care team.

It provides primary care services such as general practice, podiatry, psychology, asthma and diabetes education, mental health, physiotherapy, child, teen and aged health, dietetics, counsellors and social workers.

Following rapid growth in memberships and successful recruitment of medical and professional staff, the NHC has expanded its operations to include seven locations across the ACT. The NHC aspires for integrated health care for members – with doctors, allied and community services all working together.

Stakeholder benefits:

- Co-operative entrepreneurship
- Shared risk and reward
- Consumer trust
- Values and principles
- Holistic service delivery

6.2. Existing co-operatives and mutuals expanding to deliver public services

A significant number of existing co-operatives and mutuals have the potential to extend their activities to include public service provision and thus create shared value – the co-creation of commercial and social value. Co-operatives and mutuals have a rich history of public service innovation. For example, HCF recognised that elective surgery involving overnight stays in hospital were not only costly but also caused anxiety for many patients some of which chose to delay or not receive treatment. HCF introduced day surgery which not only reduced costs but also achieved better outcomes for patients. Health insurance mutuals continue to improve the quality and accessibility of health care including most recently responding to wicked health problems such as

obesity and diabetes by providing additional support to reduce the associated health risks and to better manage the conditions.¹⁶⁹

A number of large Australian co-operatives and mutuals have utilised insights of their members to initiate public services and address wicked social problems. Large membership organisations, such as those offering motoring services and providing health insurance, have established aged care facilities (Case Study: St Ives Group) and other innovations to help their members and the wider public access affordable and appropriate aged care e.g. NRMA's Living Well Navigator¹⁷⁰ and Emergency Home Assist¹⁷¹. Customer owned banks also have the potential to address wicked social problems such as financial exclusion (Case Study: **bankmecu**). The ageing population and increasing demand for independent and supported living may provide considerable opportunity for existing co-operatives and mutuals to establish or expand aged care services.

There is considerable potential for expansion and innovation for existing co-operatives and mutuals especially if they can utilise member insights to drive innovation and utilise accumulated capital to implement public services. This potential could be achieved by promoting the concept of shared value across the co-operative and mutual sector and recognise where the co-creation of commercial and social value is delivering public services and addressing wicked problems.

Case Study: St Ives Group (now owned by Royal Automobile Club of Western Australia)

Business structure: RAC WA is a member-owned mutual, St Ives Group is wholly owned subsidiary of RAC WA

State: Western Australia (Automobile Services) and National (Aged Care Services)

Purpose: To protect and enhance the lifestyle of its members.

Overview: The Royal Automobile Club of WA (RAC) reinvests profits from its commercial operations to benefit its members and the broader West Australian community. The RAC recently acquired the St Ives Group, a large retirement and aged care provider which operates throughout metropolitan and regional Western Australia, New South Wales, Queensland, Victoria, the Northern Territory and the ACT¹⁷².

Stakeholder benefits: Being consumer-directed the RAC responds to the authentic and evolving needs of its members, in this case responding to the concerns of members about aging well and independently. This specialism generates:

- Consumer trust
- Holistic member service delivery
- Services go beyond historical service delivery areas evolving with the changing needs of the membership
- Opportunity to influence the reinvestment strategies of the consumer-owned business

¹⁶⁹ B Hamar et al., "Impact of a Chronic Disease Management Program on Hospital Admissions and Readmissions in an Australian Population with Heart Disease or Diabetes," in *Population Health Management*, vol. 16, 2013, 125–131, <<http://online.liebertpub.com/doi/pdfplus/10.1089/pop.2012.0027>>.

¹⁷⁰ <http://www.mynrma.com.au/lwn.htm>

¹⁷¹ <http://www.mynrma.com.au/emergency-home-assist.htm>

¹⁷² The Royal Automobile Club of WA, "RAC," <<http://rac.com.au/>> [accessed 1 May 2014].

Case Study: bankmecu and Fitzroy & Carlton Community Credit Co-operative

Business structure: Consumer-owned bank

State: Victoria

Purpose: bankmecu aims to enhance the financial wellbeing of its customers in responsible ways. It intends to achieve this through providing customers with value for money, responsible banking, insurance and financial planning solutions, as well as memorable, superior service in a profitable and sustainable way¹⁷³.

Overview: The Fitzroy and Carlton Community Co-operative operated for over 34 years in inner Melbourne, providing disadvantaged communities with accessible and affordable savings and loans services as an alternative to risky loans and pay-day lenders¹⁷⁴. In June 2013, FCCC merged with bankmecu, instigated by the FCCC board due to tough conditions for small financial institutions.

Stakeholder benefits: Customers in the financial inclusion program receive:

- Financial products and services which go beyond immediate assistance to promote capacity and build confidence in managing money.
- The financial resources to participate and advice to help build the capabilities they need to build their own financial security.
- Access to safe and fair credit that is appropriate for their means and reflects their ability to repay.

6.3. Establishing spin-outs from government

The National Commission of Audit and Budget Statement 2014 have identified a range of federal government agencies, which will be abolished or privatised that offer great potential to emulate UK style Public Service Mutuals e.g. Australian Hearing and CRS Australia.

Similarly, State Governments are considering privatising some of the agencies which still deliver public services – especially in relation to aged and disability care. In New South Wales, the Department of Family and Community Services is considering transitioning the following services: “Large Residential Centres, Group Homes, Specialist Supported Living, Home Care Services and Aboriginal Home Care”(PSA)¹⁷⁵. In Queensland, in preparation for the implementation of the National Disability Insurance Scheme, the Government is proposing to transition Accommodation Support and Respire Services (Department of Communities, Child Safety and Disability Services¹⁷⁶).

¹⁷³ bankmecu, “bankmecu,” <www.bankmecu.com.au> [accessed 1 May 2014].

¹⁷⁴ A Plant & S Warth, *Community Development Financial Institutions Pilot Evaluation Report*, Australian Government Department of Families, Housing, Community Services and Indigenous Affairs, 2012, pp. 83–84..

¹⁷⁵ <http://psa.asn.au/category/other-news/departments/adhc/page/4/>

¹⁷⁶ <http://www.communities.qld.gov.au/disability/key-projects/national-disability-insurance-scheme>

There are also a range of services run by local councils which may provide opportunities for employee owned spin outs including: culture, leisure and sport services; social and welfare services such as meals on wheels.

All of these opportunities demonstrate the need for Government to consider how best to transition these services from Government led services to different ownership models – the model selected will depend on their objectives and desired outcomes to create shared value.

There is considerable learning from the UK, which would have to be contextualised in order to expand Public Service Mutuals in Australia (see Section 5.1). The specific policy levers used in the UK may not directly translate to the Australian public policy environment and the UK policy was underpinned by substantial government investment in raising awareness, capacity building and overseeing implementation, and conducive legal structures such as the Community Interest Company (CIC) or Employee Benefit Trust. There was also considerable support from the UK co-operative and mutual sector, which was facilitated by a Cabinet Office Ambassadors program, and further investments from a range of other intermediary and funding bodies.

Some specific areas will require detailed investigation if this particular strategy is pursued. Firstly, in relation to the use of a ‘Right to Request’ policy for public service employees involved in agencies identified for abolition, privatisation or outsourcing. Secondly, in relation to the legal structures used for spin outs from Government which involve employee ownership where a comparable structure to an Employee Benefit Trust might be utilised. The potential for employee ownership in the broader economy is being systematically explored by Employee Ownership Australia and a cross-parliamentary group. There would be considerable merit in formulating a model structure to demonstrate that this option is feasible in an Australian context.

Australian Hearing

Business structure: Statutory authority constituted under the Australian Hearing Services Act 1991, with the potential for parts of the business to be ‘spun-out’ from Government.

State: National

Purpose: AH is dedicated to helping people manage their hearing impairment so they have a better quality of life.

Overview:

Australian Hearing provides hearing rehabilitation services and hearing aids to children and adults with complex hearing problems. It competes with private service providers under the Voucher Scheme administered by the Office of Hearing Services for the provision of hearing rehabilitation services and hearing aids, hearing impaired age pensioners and eligible veterans. It conducts hearing related research via its research division (the National Acoustic Laboratories). AH has 110 staffed centres, 330 additional locations, including 220 indigenous communities, 463,000 hearing services provided in 2011/12.

Potential for spinning out:

The NCA stated that *“the Government could examine the potential to increase contestability in markets where Australian Hearing has a monopoly and allow, through privatisation, it to compete in markets where*

it is currently precluded".¹⁷⁷ The Government has proposed a scoping study into future ownership options¹⁷⁸.

CRS Australia

Business structure: Currently part of the Australian Government Department of Human Services with the potential for parts of the organisation to be 'spun-out' from government to form a PSM.

State: National

Purpose: CRS Australia works in partnership with employers to find staff and we provide healthy and safe workplaces for employees through quality injury prevention and injury management services.

Overview: CRS Australia provides employment and assessment services to people with a disability, injury or health condition. CRS Australia helps customers obtain and keep. CRS Australia has 180 staffed centres, 140 additional locations, 40 per cent of which are in rural and remote locations, 50,000 job seekers assisted in 2011/12, 1200 staff nationally¹⁷⁹.

Potential for spinning out: The National Commission of Audit (NCA) stated that the "*CRS Australia should cease functions at the end of its current contract in mid-2015 given there is now an established market for the provision of rehabilitation services. Some of CRS Australia's allied health professionals could be transitioned to the National Disability Insurance Agency*".¹⁸⁰

In the UK the trade union movement has played an important role in the development of PSMs. The public service trade unions seek to protect the interests of public service employees which can be challenging when government is proactively privatising and outsourcing public services. Whilst spinning out an agency and team may on the one hand constitute a decline in public service employment but on the other hand offers opportunities for public service employees to establish their own organisation which they own and control – this may be a better outcome than unemployment. The strong relationships between the co-operative and trade union movements led to an agreement¹⁸¹ which sets out how public service employees' interests can be protected when a PSM is established.

The Federal and State Governments' programs of abolition and privatisation of agencies and outsourcing may therefore provide a range of opportunities for spinning out employee- owned PSMs.

6.4. Communities delivering public services and responding to need

Historically, communities have created co-operatives and mutuals to address problems. There are a range of community driven co-operatives and mutuals in Australia addressing issues such as disability employment (Case Study: Nundah Community Enterprise Co-operative), Indigenous community services (Case Study: Dandenong and District Aborigines Co-Operative Ltd), services for

¹⁷⁷ National Commission of Audit, *Towards Responsible Government Phase One*, Commonwealth of Australia, 2014, , p. 221.

¹⁷⁸ The Commonwealth of Australia, *Budget 2014-15 - Budget Strategy and Outlook, Budget Paper No. 1*, , 2014.

¹⁷⁹ Department of Human Services, *Annual Report*, , 2012, pp. 207–213 (p. 207).

¹⁸⁰ National Commission of Audit, *Towards Responsible Government Phase Two*, Commonwealth of Australia, 2014, , p. 92.

¹⁸¹ http://www.uk.coop/sites/storage/public/downloads/tuc_co-operatives_uk_guidance_0.pdf

Culturally and Linguistically Diverse communities (Ethnic Child Care, Family and Community Services Co-operative), quality of life and independent living for older Australians (Case study: Waverton Hub).

The process of establishing any community organisation, no more so than a community co-operative, is challenging and requires a high level of community engagement and entrepreneurialism. This process can be described as co-operative entrepreneurship – unlike traditional and social entrepreneurship, the emphasis is on the instrumental role of a team of individuals and continuous community engagement¹⁸². There is increasing interest in customer centric and co-design of services including: the Family by Family¹⁸³ initiative by The Australian Centre for Social Innovation where 100 families designed a service to reduce family stress and crisis; and the Street by Street¹⁸⁴ community building initiative of the Centre for Civil Society.

The new client-directed care markets such as NDIS offer the greatest opportunity for the establishment of new consumer owned PSMs which through collective action can resolve information asymmetries and by pooling NDIS funds create significant purchasing power in terms of the design, quality and price of disability services. The availability of funding and support from the Sector Development Fund¹⁸⁵ and the National Disability Insurance Agency (NDIA) may assist individuals and communities that wish to explore and establish community owned PSMs.

There may also be considerable opportunities for community or multi-stakeholder owned PSMs in regional, remote, and Indigenous and CALD communities. Strategies to empower communities can benefit from governance structures which ensure that programs and funding are designed and delivered by communities themselves and not driven by external forces. The Empowered Communities model and the Cape York Institute are two related initiatives where community owned PSMs may have a significant role. A well designed multi-stakeholder owned PSM may provide a platform to address wicked social problems in communities especially if it is linked to a pooled funding arrangement that removes the complexity and improves the efficiency of government funding. A multi-stakeholder owned PSM can deliver transparency, a highly democratic governance structure which is required to build mutual trust and deliver on mutual civil society objectives and that recognises the increased levels of inter-dependence within communities, respect for autonomy and individual expertise, facilitate specialisms, and engender co-operative practice.

Whilst there are a range of relevant support agencies and resources for community development and social entrepreneurship further support and resources will be needed to encourage and support co-operative entrepreneurship and the creation of new community PSMs.

¹⁸² D McDonnell, E Macknight & H Donnelly, *Co-operative Entrepreneurship: Co-operative for growth*, Co-operative Education Trust Scotland, 2012, <http://aura.abdn.ac.uk/bitstream/2164/2779/1/Co_operative_Entrepreneurship_Co_operate_for_growth.pdf>.

¹⁸³ <http://www.tacsi.org.au/solutions/family-by-family/>

¹⁸⁴ <http://www.civilsociety.org.au/StreetbyStreet.htm>

¹⁸⁵ <http://www.ndis.gov.au/sector-development-fund>

Case Study: Nundah Community Enterprise Co-operative

Business structure: Employee owned co-operative

State: Queensland

Purpose: To provide long-term, sustainable employment for people with intellectual and cognitive disabilities.

Overview: Nundah Community Enterprise Co-operative (NCEC) was formed in 1998 to create sustainable employment and training opportunities for long-term unemployed people with intellectual disabilities. NCEC members are involved in managing a supportive workplace and taking up directorship on the board of management. NCEC has a core commitment to create employment for its members with a disability and is not a transitional employment program or job matching service.

Stakeholder benefits:

- Disadvantaged employees, who have more money to live on and sustainable employment prospects, experience increased personal well-being, and require less mental health support services. They develop a sense of identity, stability and safety in belonging to a community.
- Families of disadvantaged employees benefit from the increased independence of the disabled person.
- Governments experience reduced reliance on mental health support services, reduced welfare payments, and increased individual tax payments.
- Support services experience a very efficient and effective way of meeting the expressed needs of their clients.

Case Study: Dandenong and District Aborigines Co-Operative Ltd

Business structure: Community-owned co-operative

State: Victoria

Purpose: To provide professional services to foster and support positive and fulfilling lifestyles for individuals and families within their Aboriginal community.

Overview: The Dandenong and District Aborigines Co-operative Ltd (DDAC) provides a range of services to foster and support positive and fulfilling lifestyles for individuals and families within the local Aboriginal community. They provide a range of services for youth, families and the aging such as youth counselling, family services, social and emotional wellbeing, mental health, primary health care and housing assistance.

Stakeholder benefits:

- Members - delivers high quality, affordable and accessible services in the community that are essential to the well-being of the local community such as elders, younger people with a disability, and their carers.
- Government - provides a single contact point for funding and liaising on delivery of services, and is democratic governance structure accountable to the current and evolving needs of the members (consumers of public services).

Case Study: Ethnic Child Care, Family and Community Services Co-operative

Business structure: Community-owned co-operative

State: NSW

Purpose: To ensure people from Culturally and Linguistically Diverse (CALD) backgrounds have the opportunity to participate and receive services relevant, sensitive and appropriate to their linguistic, cultural, religious and lifestyle needs.

Overview: The Ethnic Child Care Family and Community Services Co-operative Ltd (ECCFCSC) is the state-wide peak organisation in NSW on CALD issues in Children's and Disability Services and is funded by the Department of Education, Employment and Workplace Relations (DEEWR), State Government Department of Ageing, Disability and Home Care, the Department of Community Services and the Department of Health and Ageing to operate programs targeting Culturally and Linguistically Diverse (CALD) children, families and communities to facilitate access to culturally and linguistically appropriate services to meet their needs.¹⁸⁶

Stakeholder benefits:

- Children: Participation in early education has been proven to have positive effects on social and emotional wellbeing, and reduce social and economic inequality. ECCFCSC ensures that the early education services are available at the highest standard to the maximum number of children possible.

Case Study: Waverton Hub

Business structure: Mutual association

State: NSW

Purpose: The Hub's purpose is to help its members to enjoy their lives and stay healthy and active and in their own homes as they age.

Overview: The Waverton Hub is mutual organisation of residents of Waverton, Wollstonecraft and neighbouring areas in Sydney. It is a member-to-member organisation which enables all members to both contribute and benefit. The Hub creates a consumer marketplace by bringing like-minded people who live in close proximity together to address shared economic and social goals important to them as they age.

Stakeholder benefits:

- Members – Building the social and economic capital amongst older local residents within the local community.
- Local businesses/service providers – Economic support for local business and service providers.

¹⁸⁶ Ethnic Child Care Family and Community Services Co-operative, "About Us," in ECCFCSC, <<http://eccfcsc.org/about-us>> [accessed 14 May 2014].

6.5. Employees delivering public services

Historically groups of workers have come together to address individual and community needs and there are successful examples in other jurisdictions (Case study: Sunderland Home Care Associates) and some recent examples in which Australian workers created such producer co-operatives (Case Study: Co-operative Homecare).

The drivers of such initiatives include a desire to have control over delivering high quality services which they may not achieve through employment in government, for-profit or community service sectors.

As government privatises and outsources services, and public service markets expand there may be considerable opportunities for new producer co-operatives however, like community initiated co-operatives, there will be a need to support co-operative entrepreneurship.

Case Study: Sunderland Home Care Associates (UK)

Business Structure: Employee Benefits Trust

Country: UK

Purpose: *"We are motivated by care of the client and not by making money".*

Overview: Sunderland Home Care Associates (SHCA) is a "for profit" organisation that is owned and operated by all of its several hundred employees through an "Employee Benefits Trust" (EBT). SHCA achieves its social objectives not only through its operations but also through the EBT. SHCA provides high quality affordable care and shares its profits with their several hundred low income, mostly female staff. SHCA has high levels of engagement with and between employees and clients which has contributed to its growth and success in terms of both commercial and social value and has won awards for quality service provision. It began in 1994 and is now owned by over 300 care workers from the local area. In 2009 its annual turnover was £2.33m.

Stakeholder benefits:

- Improved access to high quality care services for vulnerable members of the community.
- Reducing admissions of community members to residential care facilities.
- Meaningful jobs for people who live in an area of high unemployment and deprivation, and related outcomes such as increased self-esteem, confidence and career development.

Case Study: Co-operative Home Care

Business structure: Employee owned co-operative

State: NSW

Purpose: To provide home support services to assist elderly people and the disabled to live independent, healthy lives; and to improve the quality of employment for the members.

Overview: Co-operative Home Care (CHC) is a social co-operative owned by the workers. CHC believes that poor service delivery and inadequate client care is directly related to the poor quality of home care jobs. CHC provides equitable distribution of income generated, training and support services, and effective marketing strategies in order for the enterprise to meet its objectives.

Stakeholder benefits:

- Employees learn skills and develop work confidence and creates secure and financially rewarding jobs for its members.
- Clients receive the highest quality affordable care from empowered and engaged employees.
- The co-operative contributes to the community and supports the local economy by recruiting and employing locally and supplying services locally, to enable involvement of clients, their families and to promote integration within the community.

6.6. Corporates and community organisations ‘spinning out’ teams

There is also potential for large community service organisations to ‘spin out’ parts of their organisation.^{187,188} This is especially relevant where there is organisational restructuring, the risk of closing a service in a location or a social enterprise opportunity to exploit.¹⁸⁹ To date there is little evidence that Australian community service organisations have considered this as an option although there are plenty of examples of service closures and social enterprise opportunities, where the latter includes scaling up a social enterprise through employee ownership. Further engagement will be required with community service sector leaders to explore this potential and understand the barriers and incentives that may make this a viable option.

There has however been an example of an employee-owned spin out from a large professional advisory firm to provide services that will benefit Indigenous communities. The driver for this was recognition of the potential to create shared value.¹⁹⁰

There is recognition that the culture of co-operatives is an important component of realising the benefits of the structure. This includes commentary that ‘spin outs’ benefit from existing culture if

¹⁸⁷ Hazenberg and Hall.

¹⁸⁸ Communities and Local Government Committee.

¹⁸⁹ D Wheatcroft, *Caring and sharing: the co-owned route to better care*, Employee Ownership Association, 2007, pp. 1–20.

¹⁹⁰ PWCs Indigenous Consulting, “PIC: About Us,” , 2014, <<http://www.pwc.com.au/Indigenous-consulting/about-us/index.htm>> [accessed 30 May 2014].

these support the values of mutuality,¹⁹¹ and a suggestion that a ‘radical change of culture’ may be required to achieve this and support employees’ participation in decision-making.¹⁹²

Case Study: PwC Indigenous Consulting

Business structure: Hybrid – Employee owned and Partner owned

State: National

Purpose: PIC aims to strengthen its collective ability to make positive change, through the combined commercial and cultural insight of an Indigenous-owned consulting firm.

Overview: PwC’s Indigenous Consulting (PIC) is an unprecedented partnership between Indigenous Australians and PwC Australia. Offering advisory services across Australia, PIC is an independent member firm in the PwC global network. Launched in November 2013, PIC is majority owned, led and staffed by Indigenous Australians. PIC’s Indigenous owners control a 51 per cent share in PIC, PwC Australia holds the remaining 49 per cent.

PIC pairs cultural understanding with collective expertise in employment, land, water and native title. By pairing these qualities, PIC aims to help Indigenous communities prosper and reverse the human cost caused by poor policy advice.

Stakeholder benefits: Despite PIC’s youth, there is clear potential for the firm to lift the quality of Indigenous advice – increasing the efficiency of spending in the Indigenous sector and strengthening some of Australia’s most disadvantaged communities. Of additional benefit is the way PIC builds capacity for indigenous communities to be self-determining.

6.7. Existing organisations establishing enterprise PSMs

There are a range of examples of Australian enterprise co-operatives that have been established to allow individual businesses to achieve success by operating collectively. One example is the Hunternet, non-profit enterprise co-operative which has helped the Hunter Region in NSW engineering sector remain resilient.¹⁹³ Similarly Capricorn Society is an automotive parts purchasing co-operative that uses the combined buying power of its 15,000 members, primarily small to medium automotive repair businesses, to leverage better pricing and to provide a range of innovative services to improve the business operations of the members. Services include trade directories, member travel service and business protection.¹⁹⁴ Coleambally Irrigation Co-operative Limited (CICL)¹⁹⁵ is Australia’s fourth largest owner and manager of irrigation assets and is wholly owned by farmers, and uses world-class technology which is Australian designed and built.

Public service reform, especially client directed care mechanisms such as the National Disability Insurance Scheme, has been the catalyst for change in public service markets including increasing

¹⁹¹ W Davies & R Yeoman, *Becoming a public service mutual: understanding transition and change*, Oxford Centre for Mutual & Employee-owned Business; Kellogg College; University of Oxford, 2013, <<http://www.kellogg.ox.ac.uk/sites/kellogg/files/images/Becoming a Public Service Mutual.pdf>>.

¹⁹² Office for Public Management.

¹⁹³ <http://www.hunternet.com.au/page12036/Home.aspx>

¹⁹⁴ <http://www.capricorn.coop/>

¹⁹⁵ <http://new.colvirr.com.au/>

competition and volatility. These changes will lead to new entrants and exits, mergers and acquisitions, and collaborations and alliances. The latter opens up the opportunity for existing non-government public service providers to group together in to an enterprise producer co-operative in order to achieve market power in terms of branding and marketing, economies of scale, and cost sharing.

Currently the default approach to collaboration for public service providers is to use informal agreements or a memorandum of understanding, and to limit collaboration to sharing back office functions or forming coalitions for advocacy purposes. Where more substantive collaboration is considered then this leads to immediate consideration of mergers or acquisitions. An enterprise co-operative may provide a more effective mechanism for achieving the goals of collaboration especially where market power can be achieved without each member organisation not losing its relationships with clients. Enterprise co-operatives may be particularly relevant where government outsourcing and procurement processes are designed to encourage consortium bids with a lead contractor e.g. NSW homelessness services¹⁹⁶.

In relation to the National Disability Insurance Scheme the availability of funds and support from the Industry Development Fund and the National Disability Insurance Agency may help groups of disability service providers to explore and establish enterprise owned PSMs.

To realise the potential for establishing enterprise PSMs, this option needs to be promoted as an alternative to other collaboration approaches and the benefits of this approach needs to be evidenced through robust feasibility studies.

¹⁹⁶<http://www.housing.nsw.gov.au/Help+with+Housing/Homelessness/Going+Home+Staying+Home/Going+Home+Staying+Home+Contracting+Approach.htm>

Case Study: Coleambally Irrigation Co-operative Limited

Business structure: Dual structure - Coleambally Irrigation's members enjoy membership of two co-operatives: Coleambally Irrigation Co-operative Limited (CICL) and Coleambally Irrigation Mutual Co-operative Limited (CIMCL). Both co-operatives have their own rules, their own boards and maintain separate financial accounts.

State: Southern NSW

Purpose: To be a world class water company by acquiring, trading and delivering water to meet the long-term interests of our members – local farmers.¹⁹⁷

Overview: Coleambally irrigation assets were originally owned and operated as state-owned enterprise. On 21 January 2000, ownership of the irrigation assets were transferred to CIMCL was formed. CIMCL has responsibility for the future replacement of the major assets over the supply and drainage systems. All members pay an asset levy per megalitre of delivery entitlement to fund the future replacement of the irrigation infrastructure.¹⁹⁸ CICL operates and maintains the irrigation supply and drainage system and delivers a range of corporate services on behalf of its 354 farmer members.

Stakeholder benefits:

- Farmers have more ownership and control over how the assets are managed their financial success.
- State Government is better able to manage tighter water licensing conditions to address over allocation and provide for environmental flows. A condition of bulk water licences issued to Coleambally, for instance, is the implementation of community developed land and water management plans, which are integrated into the Murrumbidgee Catchment Management Plan.

6.8. Corporates and community organisations transforming their business model

The benefits and comparative advantage of public service mutuals may stimulate businesses and community service organisations to transform their business model. This may be particularly relevant in consumer directed care markets where community service organisations or businesses seek to retain clients by offering them ownership stakes and a democratic mechanism for control. Similarly, community service sector advocacy and representative organisations may decide to transform themselves into a consumer co-operative in order to purchase services which they can design and where they can achieve market power and buy services which offer greater value for money.

Industry restructuring and consolidation, such as that expected with the implementation of the National Disability Insurance Scheme, may provide a significant driver for many small community service organisations to evolve their business model in order to remain viable. The New Zealand

¹⁹⁷ Coleambally Irrigation <http://new.colyirr.com.au/>

¹⁹⁸ Coleambally Irrigation <http://new.colyirr.com.au/>

experience in privatising aged care services, demonstrates the dramatic shift from community service organisations to for-profit operators providing the majority of services after privatisation¹⁹⁹.

One strategy for small community service organisations to remain viable is to join together to form a PSM. The PSM structure is an opportunity to ensure the diversity and choice offered by these smaller providers is sustained, particularly in rural and remote areas of Australia. This may be particularly true where current government procurement processes favour larger community service organisations because of their apparent efficiencies generated from their larger size and national reach.

The potential for this strategy will require further investigation.

Key finding 8: There are a range of strategies to expand the role of public service mutuals including creating new organisations including spinning out from existing organisations, expanding existing PSMs and existing co-operatives and mutuals extending their activities to include public services. Each strategy will have both potential and barriers.

Consultation question 8: What are the merits, opportunities and challenges of each strategy to expand PSMs?

6.9. A system level case study – National Disability Insurance Scheme

The National Disability Insurance Scheme (NDIS) is a system level example of where a range of different PSM models can be established including expanding existing PSMs, existing co-operatives and mutuals expanding their services to include PSMs and newly established PSMS from community service organisations and for-profit organisations.

Overview

In March 2013, the National Disability Insurance Scheme (NDIS) legislation was passed unopposed. The NDIS was established to address the significant unmet need and systemic failure of disability care and support services in Australia. NDIS was launched in July 2013, commencing with a number of trial sites in New South Wales, Victoria, Tasmania and South Australia. Western Australia, the Australian Capital and Northern Territories are now being rolled out with the national scheme to be implemented by July 2016.²⁰⁰

Over the next few years, the scale and scope of the disability services market will grow considerably driven by the changes to access requirements and the focus on “the reasonable and necessary supports that help a participant to reach their goals, objectives and aspirations, and to undertake

¹⁹⁹ G Thornton, *Aged Residential Care Service Review*, Aged Residential Care Service Review Steering Group, 2010.

²⁰⁰ National Disability Insurance Agency, “National Disability Insurance Scheme,” <<http://www.ndis.gov.au/welcome>> [accessed 30 May 2014].

activities to enable the participants' social and economic participation"²⁰¹. How people with a disability engage with NDIS will also be very different from current arrangements with a strong emphasis on choice and control for NDIS participants.

Social and economic participation of people with a disability: a wicked social problem

People with disabilities and their carers are among the most disadvantaged groups in Australian society. They are more likely to experience poor health; lower levels of participation in education, training and employment; social exclusion; lack of access to goods, services and facilities and ongoing discrimination.²⁰² This disadvantage is linked to a historical lack of sufficient supports. Provision of support has also been inequitable, as it often depends on location and the nature of the disability. Funding has been insufficient across all jurisdictions.

The 2011 Productivity Commission's public inquiry into a long-term disability care and support stated that underfunding is only part of the problem and that there are number systemic failures, including²⁰³:

- the fragmented structure of the disability system, and a lack of coordination, making it difficult for service users and their families to access services
- a lack of portability of disability supports between states
- outdated service models which distort allocation decisions
- a lack of person-centred planning and a general lack of consumer choice
- a lack of certainty around waiting times and the availability of supports, meaning that families cannot plan for the future
- the lack of essential frameworks that would allow the system to identify and solve its problems. These include a strong governance structure and data systems.

The NDIS has been designed to address this wicked problem and the systemic failures.

²⁰¹ National Disability Insurance Agency Strategy. http://www.ndis.gov.au/sites/default/files/documents/strategic_plan.pdf

²⁰² Council of Australian Governments, *National Disability Strategy 2010 - 2020*, Commonwealth of Australia, 2011.

²⁰³ Productivity Commission, *Disability Care and Support*, in *Australian Government*, Australian Government, 2011, <<http://www.pc.gov.au/projects/inquiry/disability-support/report>> [accessed 30 May 2014].]

The emerging and growing NDIS disability service market

The NDIS is a client directed care program run by the National Disability Insurance Agency (NDIA), an independent Government agency. The NDIS funds long-term care and support. It is consumer choice driven where consumers receive individualised support packages and can choose their service providers. Alternative methods of implementation of NDIS are being trialled in each state and territory, however the process is based on an online eligibility checker, a planner from the NDIA which will help individuals identify their goals and aspirations, an NDIA local co-ordinator that will ensure there is a supply of appropriate services, the individual will then choose a provider(s). In addition, there will be requirements relating to accreditation, quality standards and reporting.

This constitutes a significant change in arrangements for people with disabilities and there will inevitably be a range of information asymmetries which will need to be resolved for people with disabilities to achieve their goals and aspirations and for NDIS to achieve its full potential.

The current disability service market comprises a small number of large multi-functional and specialist not-for-profit providers and thousands of small to medium-sized providers. It is envisaged that the future NDIS market will require a combination of new entrants, the expansion of existing providers and higher levels of collaboration between service providers. The disability service workforce will need to grow considerably with many thousands of new jobs created. There will also need to be significant growth in other indirect areas such as: providing support and accommodation for people with disabilities who wish to live independently or in small group homes and; employment services for people with disabilities seeking appropriate and productive training and employment.

It is envisaged that many existing service providers will need to transform their organisation with a primary focus on people with disabilities and not as in the past satisfying government funding requirements which were often based on the delivery of 'block funded' tightly defined activities and adhering to quality assurance standards.²⁰⁴

It is anticipated that competition in the NDIS market will increase significantly, placing greater emphasis on service providers communicating the value of the outcomes they achieve for people with a disability, and their efficiency and therefore the price of their services. It is envisaged that larger service providers and potentially new entrants will seek to significantly grow their market share in terms of both scope of services offered and their geographic coverage. Smaller and medium-sized service providers may wish to invest in formal collaborations and operate collectively

²⁰⁴ Productivity Commission, *Disability Care and Support*.

to market a wider range of integrated services, to achieve economies of scale and to operate more efficiently through shared services.

Options for an expanded role for PSMs in the NDIS

There are a range of opportunities for PSMs to not only address the long-standing systemic failures but also to exploit the full potential of NDIS. PSMs have the potential to:

Increase consumer choice and control

- Help individuals and communities to realise choice and control and formulate their own responses to problems.
- NDIS consumers will be able to design individualised packages and through collective action to purchase appropriate and affordable support which exploits their greater purchasing power and economies of scale.
- Address information asymmetries through collective action which if not resolved will significantly limit the potential of people with disabilities (PWD) to achieve their goals and aspirations.
- Deliver affordable high quality support services through the incentives which exist for both consumer owned and employee owned PSMs.

Increase organisational diversity and resilience

- Help establish a cohort of new disability support organisations which can go to scale or be replicated in other communities. Identify and address missing markets or under provision, for example, in relation to appropriate and affordable provision of accommodation and support for PWDs to live independently.
- Help organisations change the scale and scope of their activities including spinning out teams in to new independent organisations.
- Help organisations transform their business models to make them either consumer centric or mobilising incentivised employees.
- Help organisations build sustainable structures for collaboration where they have control over collective action and a stake in the long term success of not only their organisations but also those organisations they collaborate with.

Facilitate the establishment of new employee-owned organisations and expand the workforce

- Support the expansion of the disability service workforce where employees receive appropriate education and training, and mentoring and peer support.

Stimulate public service innovation

- Facilitate government privatisation and outsourcing strategies that deliver greater value for money through affordable and high quality services delivered by staff that have a public service ethos and have benefited from continuing professional development.
- Support the work of the NDIA especially relating to planning and local co-ordination.
- Reduce the risk of service failure relating to vulnerable individuals and reduce the need for regulation and oversight relating to consumer protection.

A number of different PSMs business models are available to deliver on the goals of the NDIS and address the long-term issues of providing high quality and affordable disability services in Australia. It is envisaged that in order for the growth strategies to be successful they will need the support of the NDIA, National Disability Services, existing providers and existing co-operatives and mutuals. The following illustrate the potential for growth:

1. Expanding existing public service mutuals

- The growth of the NDIS disability service market will provide significant opportunities for existing PSMs to expand the scale and / or scope of their disability services however this growth may require access to capital and capacity building support.
- For existing “consumer” PSMs which are owned and controlled by people with a disability (PWD) they will have the opportunity to design specialised and more holistic supports to help PWD to achieve their NDIS defined goals and aspirations, to broaden their service offering to members, and widen their membership to include more PWD eligible for NDIS and achieve economies of scale.
- A key role for consumer owned PSMs relates to addressing the inevitable information asymmetries. Consumer PSMs can collectively assemble intelligence on NDIS to help individual members maximise the value and effectiveness of the NDIS. This will significantly improve the overall efficiency of the NDIS where the NDIA will have the opportunity to engage with a single organisation representing the interests of many members as opposed to the default of engaging with each individual. This will facilitate the identification of opportunities relating to planning and local coordination such as identifying a group of young PWD seeking to live independently in a small group home.
- For existing employee owned PSMs the growth in the NDIS market will provide an opportunity for them to expand their membership to service more PWD. This offers advantages in terms of growing the disability service workforce whilst ensuring high quality of service provision and minimisation of risks associated of working with vulnerable people. Employee-owned PSMs offer education and training, mentoring and peer support for their employee owners. The employee-owners will also be incentivised to ensure that the service they provide are both affordable and of the highest quality

either through specialised or holistic support. They will also be incentivised to remove the risk of service failure which can lead to an erosion of trust and business failure.

2. Existing co-operatives and mutuals extending their activities to include public service provision and thus create shared value

- There are a wide range of opportunities for existing co-operatives and mutuals to deliver NDIS supports. For the large member consumer owned mutuals it is inevitable that they have existing relationships with PWDs and their families. These relationships may be in related services such as health insurance but may also be through non-related services such as motoring services. These existing co-operatives and mutuals could play an influential role in addressing information asymmetries for PWD and help PWD with common goals and aspirations to purchase support that is designed to their needs and at a lower price.
- Both health insurance and motoring service mutuals have proven mechanisms to link consumers to accredited service providers and to ensure that the services are appropriate, affordable and of high quality. These existing consumer owned mutuals have the three key benefits: 1. employ large workforces with relevant skills and experience which can be utilised to grow the disability service workforce; 2. have critically important infrastructure such as case management systems which could be utilised to help existing disability service providers deliver more efficient and effective services, and also help them work collaboratively through shared systems and; 3. have a strong track record of social innovation, such as the NRMA's Living Well Navigator, which could stimulate new approaches to delivering disability services.
- Some of the larger consumer member owned mutuals also have the potential to utilise liquid capital on their balance sheets to invest in support at scale which serves the interest of their members. For example, the acquisition and provision of aged care facilities by health insurance and motoring service mutuals such as HCF and RAC WA.
- Co-operative community housing organisations have the potential to play a significant role in addressing the lack of supply of appropriate and affordable accommodation for PWD who wish to live independently and in group homes. They have the potential to either utilise their own capital or to attract external capital.
- The full potential for existing co-operatives and mutuals could be explored through a systematic approach to innovation based on creating shared value where opportunities for co-creating commercial and social value are identified which triggers a process that assessed the feasibility.

3. Newly formed PSMs created by:

a. Government outsourcing, privatisation, and ‘spinning out’ public services and public service teams

- There are a number of existing opportunities to spin out new PSMs from Federal Government including Australian Hearing and Commonwealth Rehabilitation Services Australia. Both offer the opportunity for existing public service employees to explore the potential through a process of co-operative entrepreneurship either at a functional / business unit or in specific geographies.
- In the UK the government policy of the “Right to Request” provided an effective mechanism for this approach, which was also supported by significant support in terms of capacity building both individuals and the prospective PSM.
- These new employee-owned PSM will harness public service employees’ public service ethos and latent entrepreneurial and enterprising talent, whilst incentivising them to establish a sustainable business that delivers both commercial value and affordable high quality public services. They will also help address workforce issues by retaining expert and dedicated staff and providing a platform for recruiting and training new staff.
- There are similar opportunities in each state and territory to spin out the disability services that are still government delivered especially those relating to home care. There are also opportunities at a local government level.
- The proximity of employees to PWD and the relationships that have been developed offer considerable potential not only in terms of helping PWD maximise the value of NDIS but also as the catalyst for innovation in service delivery.
- Combining a “Right to Request” mechanism with capacity building support may help support strategies to grow the disability services workforce where existing teams can not only maintain provision but also provide the platform for recruiting, training and supporting the next cohorts of disability service workers.

b. Communities in response to their specific community needs

- Many PWDs are already well served by representative bodies either relating to the nature of their disability or where they live however there remain significant areas where PWD do not have access to a representative body. Where this failure exists there will be an opportunity for a new consumer PSM to be established. Initially, the purpose may be focused on resolving information asymmetries and helping PWD to engage with NDIS however over time these collectives can work with the NDIA and service providers to design the support they require and also purchase services collectively to benefit from economies of scale and the bundling of service offerings.

- Communities may need help in terms of the co-operative entrepreneurship and capacity building in order to establish a sustainable consumer PSM.

c. Employees to meet individual and community needs

- The increasing demand for disability support and need to significantly expand the workforce for disability services will open up opportunities for new employee-owned PSMs. This structure will be attractive to employees that want to have control over the quality of the support they provide, the affordability and therefore accessibility of services, their careers, and personal and family finances.

d. Existing non-government public service providers grouping together into an enterprise producer co-operative

- As noted above, the disability service market comprises a large number of small and medium sized providers which may face increasing competition and find it difficult to survive and thrive as the size of the market and funding increases. In such volatile and dynamic markets it is likely that there will be an ongoing process of rationalisation based on exits and mergers and acquisitions, there will also be the opportunity for collaboration to facilitate market position, economies of scale and efficiencies through shared services. Historically not-for-profit organisations have faced challenges when pursuing merger and acquisition strategies and collaborative arrangements have been limited by quasi-formal mechanisms such as a memorandum of understanding. Establishing an enterprise owned PSM may provide a viable alternative Third-way where existing providers are able to retain relationships with their clients whilst being marketed as a larger collective either offering a broader range of services or a wider geography. This also offers the platform for economies of scale including bulk purchasing and the sharing of services such as a common case management system.
- Given the track record of mergers and acquisitions and limitations of MoUs, existing service providers may require capacity building support to explore the potential of and then establishing an enterprise PSM.

e. Corporate and community organisations spinning out teams

- The growth of the disability service market, increase in competition and volatility may lead to some existing providers – both for-profit and not-for-profit – to consider exiting services and/or locations. These exits provide an opportunity for an employee or community owned PSM to take over responsibility for continuing services. The success of such a strategy will be heavily dependent on co-operative entrepreneurship and the commercial viability of the new independent service. Whilst viability may have been

problematic in a large organisations there may be opportunities to diversify and satisfy unmet need that then make the proposition viable.

- It is assumed that the parent organisation would offer support for such a proposition but there may also be need for external independent advice to ensure the new PSM is sustainable and maximises its social impact.
- Corporate and community organisations choosing to transform their business model to a co-operative or mutual structure.
- Any disability support organisation have evolved from self-help community based groups. Over time some of these organisations have become larger and more bureaucratic and the relationship with PWDs has eroded. In these cases there may be an opportunity for organisations to not only change their legal form from company limited by guarantee to co-operative but also to re-orient the workforce and internal systems so that they are truly consumer / client driven.
- Representative organisations could also transform from advocacy to purchasers of services to get better value from NDIS. Adopting a co-operative structure would ensure that the members have real choice and control through their consumer economic participation.
- For-profit providers may also see long term value in becoming employee or consumer owned to incentivise member participation and become sustainable disability support providers which thrive in the NDIS market place.
- This strategy has the risk of creating quasi-co-operatives which do not have to comply with the requirements of being a co-operative and dilute the potential of PSMs.

7. Scaffolding the Growth of Public Service Mutuals

The previous chapter has set out a range of strategies for expanding the role of public service mutuals however each strategy will require a range of support or scaffolding for PSMs to achieve their potential. Whilst individuals, communities and organisations will be able to explore the potential of PSMs, it is likely that they will need access to expert advice and substantial support. This approach has been adopted in the United Kingdom through the combined efforts of the co-operative and mutual sector, government and other intermediary agencies.

Scaffolding – a way to grow understanding, development and independence of PSMs

To expand the role of PSMs in delivering public services in Australia, a range of scaffolding will be required. The term ‘scaffolding’ is used in education policy reform to describe a variety of instructional techniques used to move students progressively towards stronger understanding and, ultimately greater independence in the learning process.²⁰⁵

In the context of PSMs, scaffolding refers to the supportive structures such as funding, training, knowledge exchange, business and legal support etc which enable newly established PSMs to overcome the initial challenges associated with starting a new co-operative business. Scaffolding provides the support which enables PSMs to bridge the gap from their old operating model (for-profit or community service organisation) to a PSM operating model. As the capability, scale and financial sustainability of PSMs reaches a tipping point, the scaffolding is slowly removed enabling PSMs to operate independently and successfully. These scaffolding activities will require the involvement of a wide range of stakeholders including the co-operative and mutuals sector, government, not-for-profit organisations and intermediary agencies.

The following sections explore a number approaches to scaffolding the growth of PSMs.

7.1. Raising awareness of a Third-way for delivering public services through PSMs

The lack of awareness of co-operatives and mutuals in general and specifically PSMs will limit the potential of PSMs. A range of approaches can be adopted to provide not only information but evidence which will assist in assessing the feasibility of a PSM approach. Whilst the primary stakeholder for this information and evidence will be co-operative entrepreneurs it is important to recognise that other stakeholders such as government and not-for-profit organisations will also need access in order to recognise and support PSM opportunities.

This Green Paper provides a foundation for providing information and it is anticipated that the assembled case studies will be particularly useful for individuals, communities and organisations to

²⁰⁵ Great Schools Partnership, “The Glossary of Education Reform,” <<http://edglossary.org/scaffolding/>> [accessed 4 June 2014].

explore PSMs. The development of further “Pathfinder” case studies including the development of model structures, toolkits, templates and guides might all serve to assist exploration of PSMs, assessing feasibility, and implementation. These resources may consider key elements of delivering public services such as government procurement processes. Specialised resources may also be required to:

- assist in developing employee-owned spin outs from government organisations
- engage with client-directed care mechanisms such as the NDIS where there are significant opportunities for consumer, producer and enterprise PSMs.

These resources could be made available through a dedicated web portal and also by piggybacking on existing infrastructure that serves the government, business and not-for-profit sectors. The Business Council of Co-operatives and Mutuals could provide a focal point for such an initiative and leverage their relationships with state co-operative development and registry agencies.

Given the lack of awareness of PSMs it is unsurprising that there is only limited substantive research and evidence on their efficacy. There is an existing network of university based researchers on co-operatives and mutuals which could provide the base for a dedicated program of research and evaluation on PSMs. This program could range from a virtual network through to a dedicated research institute, however given the emergent nature of PSMs it ideally should adopt a co-operative structure to scaffold the development of PSMs.

The Australian Housing and Urban Research Institute (AHURI) is one example of a national collaborative “network of researchers, universities and policy and practice communities”.²⁰⁶ AHURI funds, conducts, tailors and disseminates high quality research. It is responsible for developing and maintaining an overall research strategy which is developed collaboratively and seeks consensus on priorities. The research undertaken is applied research and seeks to directly inform both policy and practice with emphasis placed on translation of research findings through a range of publications and events. Members of the AHURI network have an economic stake by contributing to its funding and collectively they also seek additional research funding.

There may be merit in exploring the desirability and feasibility of establishing an AHURI style research network for public service mutual.

7.2. Training, capacity building and expert advice

Whilst many individuals, communities and organisations may be able to effectively utilise online resources many others may seek additional support in terms of training and capacity building. There is a well-developed ecosystem of support for businesses including small and medium enterprises comprising government supported agencies, Chambers of Commerce, consultants and professional advisors. The ecosystem for community service organisations is less developed but

²⁰⁶ <http://www.ahuri.edu.au/>

has a range of national, state and local support and development agencies. Over the last decade an ecosystem of intermediaries has also emerged for social enterprise.

The establishment of the Business Council of Co-operatives and Mutuals has been a significant development in developing the ecosystem for co-operatives and mutuals. There are a number of experts and advisors that can provide training, capacity building and professional advice however it is unlikely that there will be sufficient supply of these services to meet the potential demand. In the United Kingdom the co-operative and mutual sector played a proactive role in developing PSMs through a combination of roles including ambassadors, mentors, and consultant advisors. This reflects the international co-operative principles of co-operation between co-operatives and commitment to community.

The Industry Public Service Mutual Task Force is in itself an expression of these co-operative principles. Evidence over the last few months also demonstrates that existing co-operatives and mutuals including existing PSMs are willing and able to share their experiences and indeed that those interested in PSMs have a strong appetite to consume this experiential learning. In the UK the government appointed Mutuals Ambassadors recruited from the co-operative and mutual sector are recognized as being an effective way of providing advice, assisting in development of and stewardship of the development of PSMs. The Business Council of Co-operatives and Mutuals is in a position to stimulate and co-ordinate this co-operative support.

The proposed National Centre of Excellence for Civil Society, whilst focusing primarily on the broader not-for-profit sector and civil society, may provide a platform for developing and distributing training resources for PSMs using the full range of delivery mechanisms from online to face to face. There may however be sufficient demand for and merit in the establishment of a dedicated Public Service Mutuals Development Agency to provide training, capacity building and expert advice.

Such a development agency could focus on specialisms which are unlikely to be available through existing mechanisms such as co-operative entrepreneurship which will be fundamental to the establishment of and conversion to PSMs.

A development agency could also provide the platform for a network of co-operative consultants to provide direct support to individuals, communities and organisations considering PSMs as well as government and other stakeholders. Some of this support could be provided by existing professional advisors through a combination of pro bono arrangements and fee for service. Existing business, not-for-profit and social enterprise intermediaries may also develop specialist expertise in relation to PSMs to scaffold the development of PSMs.

7.3. An enabling legal, regulatory and policy environment for public service mutuals

The recent establishment and roll out of the national co-operative legislation is an important element of an enabling legal and regulatory environment however the existing capacity for legal

advice and regulatory support is limited and may be inadequate if there is significant demand for the establishment of and conversion to PSMs. The degree to which this lack of capacity may be a barrier requires further investigation.

There are also areas where significant development work may be required relating to the legal and regulatory environment to support specific types of PSMs such as employee-owned spin outs from government agencies. Employee Ownership Australia and New Zealand²⁰⁷ is already engaging with government and other stakeholders on the overall development of employee ownership and is best placed to further explore the specific requirements relating to employee-owned PSMs.

In the UK many of the employee-owned PSMs that have spun out of government have utilised the Community Interest Company (CIC) legal form which was established to facilitate social enterprise by providing a vehicle which provides:

- a strong and flexible governance structure including multi-stakeholder governance
- an asset lock so any assets transferred by government can only be used to benefit communities
- facilitates the use of both debt and equity capital where the latter has limits on both ownership and dividend return
- and requires an annual statement to the registrar of the community benefit created.

A legal models Working Group of the Social Innovation, Entrepreneurship and Enterprise Alliance (SIEEA)²⁰⁸ is currently considering the need for and merits of the introduction of a new legal form such as a CIC, and how existing legal forms can be effectively used for social enterprise. The report from this working group may provide further insights relevant to PSMs.

In the UK there were also significant policy levers to encourage PSMs especially in relation to employee-owned spin outs from government. The Federal and State Government privatising and outsourcing initiatives may render these policy levers irrelevant if scoping studies and privatising and outsourcing strategies include the PSM option. The evidence to date is that PSMs are not identified as an option, it will therefore be important to target PSM development work at those in Federal, State and Local Government responsible for privatisation and outsourcing.

There may also be an opportunity to utilise the re-establishment of the Prime Minister's Community Business Partnership²⁰⁹. Although this appears to be focused on creating a culture of corporate giving and volunteering there may be an opportunity to explore how the existing co-operatives and mutuals which are embedded in communities and mobilise millions of members can co-create commercial and social value or shared value.

²⁰⁷ <http://www.employeeownership.com.au/>

²⁰⁸ <http://socialenterprise.org.au/>

²⁰⁹ <http://www.dss.gov.au/our-responsibilities/communities-and-vulnerable-people/publications-articles/community-business-partnership>

7.4. Accessing start-up and working capital

The establishment and growth of any organisation requires access to capital. The primary source of capital for co-operatives and mutuals is often their members. The potential for raising capital from communities has increased significantly over recent years with examples of significant community capital raising. For example, Hepburn Wind²¹⁰ in Central Victoria was Australia's first community owned wind farm with two thousand co-operative members raising almost \$10 million capital.

In other jurisdictions there have also been significant success in using Community Shares to raise capital. For example, in the United Kingdom focus has been on “withdrawable share capital” which is a form of risk capital that is unique to co-operatives which provides a democratic form of community ownership²¹¹.

Raising capital from members may however be insufficient if there are significant costs of set up and operations, or if there is insufficient time to establish a member capital raising initiative, this may lead a PSM to seek external capital. There may also be the need for significant external capital if the establishment of a PSM involves the transfer of assets. The creation of Co-operative Capital Units and their recognition in the national co-operative legislation facilitates a PSMs access to external capital without compromising the ownership and control by its members.

In the United Kingdom a range of sources of capital and support funding have been utilised including a \$14 million capacity building fund and funding provided by Big Society Capital (Social Investment Finance Intermediaries²¹²), the National Endowment for Science and the Arts (Nesta)²¹³, and specialist social finance intermediaries such as DERIC²¹⁴ which invests in community owned organisations. These organisations and other funders also provide funding to help organisations become investment ready, for example, the BIG Lottery Fund's support for better commissioning of public services²¹⁵.

The Business Council for Co-operatives and Mutuals (BCCM) or a dedicated development agency could provide advice on funding to PSMs and also broker relationships between agencies offering capital and PSMs demanding capital. The sector of investment for PSMs is critically under developed in Australia, with co-operatives and mutuals themselves a potential short to medium term provider of investment capital until such time as the investment space matures. The BCCM could also explore the potential for establishing a PSM development fund with capital provided by existing co-operatives and mutuals, and social investment finance intermediaries such as the Social Enterprise Development Investment Funds (SEDIF)²¹⁶.

²¹⁰ <http://hepburnwind.com.au/about/>

²¹¹ <http://www.uk.coop/document/practitioners-guide-community-shares>

²¹² <http://www.bigsocietycapital.com/how-we-invest>

²¹³ <http://www.nesta.org.uk/project/nesta-impact-investments>

²¹⁴ <http://deric-cic.org.uk/>

²¹⁵ <http://www.biglotteryfund.org.uk/global-content/programmes/england/commissioning-better-outcomes-and-social-outcomes-fund>

²¹⁶ <http://employment.gov.au/social-enterprise-development-and-investment-funds>

7.5. An ecosystem for existing co-operatives and mutuals to help create PSMs

There is the opportunity for the existing co-operative and mutual sector to combine its resources and passion to strengthen this Third-way approach. The formation of the National PSM Task Force and the resourcing of this research project is an example of the sector's willingness for shared contribution to create shared value.

The establishment and growth of any organisation requires access not only to capital but also to successful examples on which to mirror or model replicates, sector support, mentorship, champions and guidance. We have discussed the role of existing co-operatives and mutuals in helping to build the systemic capacity to develop new PSMs and we have discussed the role of existing mutuals in creating shared value by developing new member offerings and improving their own products and services to meet not only members' needs but also to serve wider social service delivery markets (e.g. NRMA's Living Well Navigator and RAC's acquisition of St Ives Group).

Existing community service organisations, especially smaller, fragmented ones in sectors like aged care, health, disability and education could be assisted to adapt co-operative and mutual structures to be more aligned to changing community expectations with regard to transparency, governance, power-sharing and inclusion, and to be able to meaningfully deliver on the choice and control constructs in the new consumer-directed policy environments.

The BCCM could be the focal point for an ongoing sector-wide collaboration to strengthen and support the Third-way approach to public service delivery, through such initiatives as maintaining and evolving the PSM Task Force, supporting research to investigate the new markets for existing co-operatives and mutuals in social service delivery and providing pathways for pipeline investment from the co-operative and mutual sector to start-up and capitalise new PSMs (e.g. a revolving loans fund).

Key finding 9: A range of activities will be required to scaffold the development and growth of PSMs. These activities will include mechanisms: to increase awareness; to provide training, capacity building and expert advice; to create an enabling legal, regulatory and policy environment; to provide access to start up and working capital. These scaffolding activities will require the involvement of a wide range of stakeholders including the co-operative and mutuals sector, government, not-for-profit organisations and intermediary agencies. The co-operatives and mutuals sector has the potential to play an instrumental role.

Consultation question 9: What are the most important scaffolding activities to establish and develop PSMs and which stakeholders can contribute to these activities?

8. Key Findings and Consultation Questions

Each of the previous chapters have provided key findings and consultation questions and are consolidated here. The Task Force is keen to receive feedback on both the key findings and consultation questions. An online survey has been created to help all stakeholders to provide this feedback.

Key finding 1: The existing and potential roles of co-operatives and mutuals in public service delivery is absent from the major public service reform initiatives.

Consultation question 1: What mechanisms can be used to ensure that current and future public service reform initiatives recognise co-operatives and mutuals?

Key finding 2: The roles and distinctive attributes of co-operatives and mutuals in the Australian economy and public service delivery are often unrecognised.

Consultation question 2: What mechanisms can be used to increase awareness and recognition of the roles of co-operatives and mutuals in delivering public services?

Key finding 3: Existing co-operatives and mutuals delivering public services take a range of forms as will new public service mutuals. The proposed definition of PSMs reflects this diversity.

Consultation question 3: Does the proposed definition provide a sound basis to identify PSMs and encourage growth of PSMs?

Key findings 4: Traditional approaches to delivering public services have significant weaknesses including government, market and community service organisation failures. These approaches are associated with problems in public service markets and have combined to have limited impact on Australia's wicked social problems. These problems provide a context for innovation and alternative approaches including mutuals.

Consultation question 4: In the context of broad public service reform, what are the arguments for continuing to focus on business and community service organisation approaches and not to consider a PSM approach?

Key finding 5: PSMs have the potential to address the failures which are sometimes evident when government, markets and community service sectors deliver public services. This potential is driven by the inherent characteristics of PSMs, specifically decision-making by members, autonomy and independence, member economic contribution, reinvestment of profits, and co-operation.

Consultation question 5: To what extent can PSMs address government, market and community service sector failure?

Key finding 6: The inherent characteristics of PSMs lead to the potential for them to have comparative advantage in terms of delivering public services. Whilst there is merit in PSMs contributing to organisational diversity there is also potential for PSMs to make distinctive contributions in public service markets.

Consultation question 6: To what extent do you think PSMs have the potential to offer comparative advantage when delivering public services and contribute to the functioning of public service markets?

Key finding 7: Public service mutuals play a significant role in a number of jurisdictions, such as the UK, where there has been concerted effort through public policy levers and capacity building activities. The learning from other jurisdictions is considerable, but this needs to be contextualised for Australia through further investigation before opportunities can be capitalised upon.

Consultation question 7: What learning from other jurisdictions is most relevant to co-operatives and mutuals delivering public services in Australia?

Key findings 8: There are a range of strategies to expand the role of public service mutuals including creating new organisations (such as spinning out from existing organisations), expanding existing PSMs and existing co-operatives and mutuals extending their activities to include public services. Each strategy will have both potential and barriers.

Consultation question 8: What are the merits, opportunities and challenges of each strategy to expand PSMs?

Key findings 9: A range of activities will be required to scaffold the development and growth of PSMs. These activities will include mechanisms: to increase awareness; to provide training, capacity building and expert advice; to create an enabling legal, regulatory and policy environment; to provide access to start up and working capital. These scaffolding activities will require the involvement of a wide range of stakeholders including the co-operative and mutual sector, government, not-for-profit organisations and intermediary agencies. The co-operatives and mutuals sector has the potential to play an instrumental role.

Consultation question 9: What are the most important scaffolding activities to establish and develop PSMs and which stakeholders can contribute to these activities?

Responses to these findings and questions are sought through the online survey link below.

Survey link: <https://www.surveymonkey.com/s/PSMsGreenPaper>

Please provide feedback by 5pm Monday 23 June.

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10. Glossary and Abbreviations

10.1. Glossary

Agricultural co-operatives: where farmers pool their resources.

Artisan co-operatives: skilled manual workers pool their resources.

Business cycle: the fluctuations in economic activity that an economy experiences over a period of time

Collective Purchasing co-operatives: members pool purchases to realise economies of scale.

Community Interest Companies: is a new type of company introduced in the UK in 2005 designed for social enterprises that want to use their profits and assets for the public good.

Community service organisation: a service delivery, community development, social justice and/or advocacy organisation operating across a range of areas including health, housing, homelessness, employment and education, disability, aged care, services for children, young people and families, Aboriginal affairs, multicultural affairs, and justice.²¹⁷ The sector comprises non-government and not-for-profit organisations.

Consumer owned co-operative: is an enterprise owned by its customers.

Co-operative business: the members and beneficiaries are the customers or users of the co-operative.

Consortium co-operatives: where businesses pool their resources.

Comparative advantage: refers to the ability of a party to produce a particular good or service at a lower marginal and opportunity cost over another.

Direct service delivery (public services): where the provision occurs directly to the recipient, contrasting a consulting (indirect) approach.

Employee trust co-operatives: employees pool their resources in trust.

Enterprise owned co-operatives: where self-employed members and businesses have ownership and control.

Financially sustainable: when a business is able to deliver products and services to the market at a price that covers their expenses and generates a surplus. In financially sustainable businesses, long term profitability takes priority over any short term gains.

Governance: processes and decisions that seek to define actions, grant power and verify performance.

Green Paper: a report which presents a detailed analysis of an important social issue and the potential mechanisms or solutions to help address the issue. The paper concludes with a series of key findings and questions which facilitate discussion and debate with key stakeholders on the appropriate steps forward. Formal consultation occurs through an on-line survey and meetings to garner support and criticisms which inform the development of the White Paper – a brief report which presents the key findings and recommendations moving forward.

²¹⁷ The New South Wales Community Sector Charter. Endorsed by the Forum of Non Government Agencies on 7 October 2011. Accessed on [4 June 2014] at <http://ncoss.org.au/charter/NSW-Charter.pdf>

Housing co-operatives: is a legal entity which owns real estate, consisting of one or more residential buildings on behalf of its members.

Life-cycle: is the different phases that a business goes through as it changes and evolves over time. The most critical stages are establishment, growth, expansion and maturity.

Market failure: when the allocation of goods and services by a free market is not efficient.

Market trader co-operatives: where members procure through a network consisting of co-operative members.

Mutuals: raises funds from its members, which are then be used to provide common services to all members of the organisation or society.

Mutuo: a British advocacy organisation and think tank that advocates mutuals and co-operatives.

National Centre of Excellence for Civil Society: designed to represent the interests of charities and community services organisation agencies. The National Centre for Excellence will support innovation, help to build capacity of the sector, provide education and training and work to reduce reporting and regulation with the civil sector.

National Commission of Audit: examined the scope for efficiency and productivity improvements across all areas of Commonwealth expenditure, and to make recommendations to achieve savings sufficient to deliver a surplus of 1 per cent of GDP prior to 2023-24.

Organic Growth: is growth that comes from a company's existing businesses, contrasting growth that comes from acquisitions. It may be negative.

Parent Body: the organisation that created it and usually still controls it.

Payment by Results: type of public policy instruments where payments are contingent on the independent verification of results. Payment by Results instruments have three key features: 1. payments for pre-agreed results; 2. recipient discretion over how the results are achieved and; 3. independent verification as the trigger for disbursement.

Payment by Outcomes: is a form of performance management where providers are paid on the basis of outcomes rather than effort. It combines a high-stake form of performance contracting (payment-by-results), with intense focus on the primary outcomes for which government programmes have been introduced.

Philanthropy: private initiatives, for public good, focusing on quality of life.

Perverse incentives: an incentive that has an unintended and undesirable result which is contrary to the interests of the incentive makers. Perverse incentives are a type of unintended consequence.

Procurement: the acquisition of goods, services or works from outside external sources.

Producer (Worker, Employee) owned co-operatives: where members and beneficiaries work for the co-operative and have ownership and control.

Public service mutual – UK definition: are employee-owned organisations that have left the public sector but continue to deliver public services.

Public service markets: where traditional public services are put out to competitive tender.

Reinvestment of surplus (profits): when the operating surplus from the previous year isn't paid out in the form of a dividend and remains within the business to be used for continuing operation, capital improvements or expansion.

Risk averse: humans (especially consumers and investors) when exposed to uncertainty will attempt to reduce that uncertainty.

Scaffolding: is used in education policy reform to describe a variety of instructional techniques used to move students progressively towards stronger understanding and, ultimately greater independence in the learning process.²¹⁸ In the context of PSMs, scaffolding refers to the supportive structures such as funding, knowledge exchange, business and legal support etc which enable newly established PSMs to overcome the initial challenges associated with starting a new co-operative business.

Shared Value: when an initiative simultaneously creates social and economic value.

Social Impact Bond (Pay for Success Bond or Social Benefit Bond): is a contract with the public sector in which a commitment is made to pay for improved social outcomes that result in public sector savings.

Spun (Spinning) out: The creation of an independent company through the sale or distribution of new shares of an existing business or division of a parent company. A spinoff is a type of divestiture.

Tame Problems: are characterised by smaller numbers of linear causal relationships. Dealing with simple problems is very likely to lead to a successful outcome.

Third-way: is an alternative to current practice of privatising and outsourcing which focuses on for-profit and community service organisations. The Third-way is the use of PSMs as an alternative for public service provision.

UK Cabinet Office: is a department of the Government of the UK responsible for supporting the Prime Minister and Cabinet.

Quasi-market: is a public sector institutional structure that is designed to reap the supposed efficiency gains of free markets without losing the equity benefits of traditional systems of public administration and financing.

Wicked Problems: social issues characterised by the fact that they are difficult to define, are complex, multi-causal, dynamic, and have no obvious solution.

White Paper: a brief report which presents the key findings and recommendations which have resulted from the Green Paper and consultation with key stakeholders. The report aims to inform policy decision making.

²¹⁸ The Glossary of Education Reform. Access on [4 June, 2014] at <http://edglossary.org/scaffolding/>

Abbreviations

CIC: Community Interest Companies

EBT: Employee Benefits Trust

HCF: The Hospitals Contribution Fund of Australia

NRMA: National Roads and Motorists' Association

NSW: New South Wales

PSM: Public Service Mutuals

SCHA: Sunderland Home Care Associates

UK: United Kingdom

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Appendices

Appendix A: Case Studies

Appendix A presents ten examples of Australian co-operatives and mutuals delivering public services to meet the needs and aspirations of their members.

The aim of the Appendix A is to provide real life examples of where co-operatives and mutuals are already operating and providing high quality and affordable social services, which traditionally have been provided by government or the community service sector and sometimes the private for-profit sector.

The ten organisations range in size, geography and maturity. What they have in common is a dedication to provide high quality, proactive and affordable services which specifically meet the needs of their members. This list is by no means exhaustive, however these co-operatives and mutuals are excellent examples of the potential role they can play in delivering public services in Australia. The eleven organisations featured are:

- Dandenong and District Aborigines Co-Operative Ltd
- Ethnic Child Care, Family and Community Services Co-operative
- **bankmecu**
- Community Child Care Co-operative Ltd
- National Health Co-operative
- Nundah Community Enterprise Co-operative
- Co-operative Home Care
- Royal Automobile Club of Western Australia
- Common Equity Housing Limited
- Independent Youth Housing Group
- Australian Unity

A.1 Dandenong and District Aborigines Co-operative Ltd

Business structure: Community-owned co-operative

State: Victoria

Purpose: To provide professional services to foster and support positive and fulfilling lifestyles for individuals and families within their Aboriginal community.

Overview

The Dandenong and District Aborigines Co-operative Ltd (DDAC) provides a range of services to foster and support positive and fulfilling lifestyles for individuals and families within the local Aboriginal community. Over time, they have evolved to meet the needs of the local Aboriginal community (youth, families and the aging) such as youth counselling, family services, social and emotional wellbeing, mental health, primary health care and housing assistance.

History

In 1975 the Dandenong and District Aborigines Co-operative Society Limited (DDACSL) was incorporated. Initial funding was provided to help develop the operations and other programs that would address unemployment and life skills in the Koori community in Dandenong, Doveton, Hallam, Noble Park and a developing Endeavour Hills. The DDACS forged a strong relationship with the then Dandenong City Council (later City of Greater Dandenong).

One of the first programs the organisation received funding for was a Women's Sewing Program for domestic skill purposes. By the mid-1980s the organisation received regular funding for emergency relief, family support and a regular visiting service from the Victorian Aboriginal Health Service (VAHS). By the end of the 1980s the organisation had improved its family support program and access to the medical clinic, along with the Commonwealth Home and Community Care (HACC) program funding a playgroup and the Burrai Child Care Centre.

On February 23rd 1994, the Bunurong Health Service (BHS) was officially opened by Auntie Patsy Harrison and Uncle Kevin Walker two of the original founders of the organisation. The organisation was re-incorporated under the Co-operatives Act (Victoria) in 1996 as the Dandenong and District Aborigines Co-operative Ltd (DDAC), shortly afterwards the organisation went into Administration. But by 1999 the organisation had rebuilt itself through the hard work and commitment of a new board, its management and staff, with new programs such as HACC, Family Services, Mental Health and the BHS and primary health care.

The organisation has continued to develop stronger links to mainstream agencies and forged new partnerships to expand its capacity in its service delivery.

Features

DDAC's vision is to "strive for excellence in the provision of professional services to meet the needs of our community" and is underpinned by a strong set of values: Client Focus; Professional Integrity; Quality Assurance; Collaborative Relationships and; Responsibility.²¹⁹

DDAC has a fully functional Aboriginal Community Controlled Health Service accredited with the Australian General Practice Accreditation Limited (AGPAL) and provides a range of services including: Youth Group; Family Services Unit; Social and Emotional Wellbeing; Sisters Yarning Community programs; Local Aboriginal Justice Work; Tartu-ngnanyin Bopop Best Start Program; Community Nurse and; Housing Officer.

Membership is for Aboriginal and Torres Strait Islander people and their partners (non-Aboriginal) and adult children. Non-Aboriginal people are welcome to be associate members or volunteers to improve the circumstances of ATSI people.

Factors for success

Some of the unique features of DDAC which help underpin its success include:

- Holistic, flexible and culturally sensitive approach to providing services
- Staff and the board who have grassroots, firsthand knowledge of issues affecting the local Aboriginal community
- Services which have a strong cultural component, are accessible and meet the needs of the community.²²⁰

Comparative advantage of the co-operative model

DDAC provides specialist services tailored to meet the needs of the local Aboriginal community.

Youth – one-on-one support for young people by listening and understanding their needs, working together to set goals and providing education and career guidance.²²¹

Family – support to help Aboriginal families stay together by providing on-going support and advice on financial and family welfare issues to enable them to enjoy safe and happy homes.²²²

Independent living –services such as domestic assistance, personal care as well as professional allied health care and nursing services. These services enable Elders, younger people with a

²¹⁹ Dandenong and District Aborigines Co-operative, 2014, *Vision Statement*, DDACSL, Accessed 13th May 2014, <<http://www.ddacl.org.au/vision.html>>

²²⁰ Dandenong and District Aborigines Co-operative, 2014, *Vision Statement*, DDACSL, Accessed 13th May 2014, <<http://www.ddacl.org.au/vision.html>>

²²¹ Dandenong and District Aborigines Co-operative, 2014, *Youth Program*, DDACSL, Accessed 13th May 2014, <http://www.ddacl.org.au/youth_group.html>

²²² Dandenong and District Aborigines Co-operative, 2014, *Family Services Unit*, DDACSL, Accessed 13th May 2014, <http://www.ddacl.org.au/family_services.html>

disability and their carers to be more independent at home and in the community and to reduce the potential or inappropriate need for admission to residential care.²²³

Spiritual and emotional wellbeing – support for community members with mental health issues by helping them to better manage their illness rather than have their illness manage them leading a higher quality of life.²²⁴

Sisters yarning – an opportunity to share stories, have a laugh and learn how to manage stress through doing activities like basket weaving, arts and crafts and going on camps.²²⁵

Justice work – assistance to community members who have community based orders or outstanding fines or warrants by listening and working with community corrections, courts, police and Aboriginal Legal services.²²⁶

Best start group – help to build bridges with non-Aboriginal family services and keeping culture with the children and families in the City of Greater Dandenong and the City of Casey Aboriginal community. They also create opportunities for Aboriginal families to connect with each other and the local services in and outside of the co-operative such as playgroup.²²⁷

Community nurse – a free health service for both Indigenous and non-Indigenous community members providing high quality medical care.²²⁸

Housing – financial assistance to help restore all CHIP houses to a condition that is liveable and safe.²²⁹

Stakeholder benefits

- Members - delivers high quality, affordable and accessible services in the community that are essential to the well-being of the local community such as elders, younger people with a disability, and their carers.
- Government - provides a single contact point for funding and liaising on delivery of services, and is democratic governance structure accountable to the current and evolving needs of the members (consumers of public services).

²²³ Dandenong and District Aborigines Co-operative, 2014, *Community Programs*, DDACSL, Accessed 13th May 2014, <http://www.ddacl.org.au/community_programs.html>

²²⁴ Dandenong and District Aborigines Co-operative, 2014, *Spiritual Emotional Well Being*, DDACSL, Accessed 13th May 2014, <http://www.ddacl.org.au/social_well_being.html>

²²⁵ Dandenong and District Aborigines Co-operative, 2014, *Sisters Yarning Community Programs*, DDACSL, Accessed 13th May 2014, <http://www.ddacl.org.au/yarning_program.html>

²²⁶ Dandenong and District Aborigines Co-operative, 2014, *Local Aboriginal Justice Work*, DDACSL, Accessed 13th May 2014, <<http://www.ddacl.org.au/justice.html>>

²²⁷ Dandenong and District Aborigines Co-operative, 2014, *Tary-ngnanyin Bqoop Best Start Program*, DDACSL, Accessed 13th May 2014, <http://www.ddacl.org.au/best_start_program.html>

²²⁸ Dandenong and District Aborigines Co-operative, 2014, *Community Nurse*, DDACSL, Accessed 13th May 2014, <http://www.ddacl.org.au/community_nurse.html>

²²⁹ Dandenong and District Aborigines Co-operative, 2014, *Housing Officer*, DDACSL, Accessed 13th May 2014, <http://www.ddacl.org.au/housing_officer.html>

A.2 Ethnic Child Care, Family and Community Services Co-operative

Business structure: Community-owned co-operative

State: NSW

Purpose: To ensure people from Culturally and Linguistically Diverse (CALD) backgrounds have the opportunity to participate and receive services relevant, sensitive and appropriate to their linguistic, cultural, religious and lifestyle needs.²³⁰

Overview

The Ethnic Child Care Family and Community Services Co-operative Ltd (ECCFCSC) is the state-wide peak organisation in NSW on CALD issues in Children's and Disability Services and is funded by the Department of Education, Employment and Workplace Relations (DEEWR), State Government Department of Ageing, Disability and Home Care, the Department of Community Services and the Department of Health and Ageing to operate programs targeting Culturally and Linguistically Diverse (CALD) children, families and communities to facilitate access to culturally and linguistically appropriate services to meet their needs.²³¹

History

The ECCFCSC was established in 1978 with the coming together of seven ethnic communities which had received capital and recurrent funding from the then Commonwealth Department of Social Security to set up long day child care centres in various geographic areas to meet their needs.

In 1979, the Department through the Children's Services Program under the Special Services provided funding to the co-operative to set up the Ethnic Child Care Development Unit as a Special Resource, Advisory and Training Agency. The aim of the program was to assist the seven ethnic communities to establish their child care centres, to research the child care needs of ethnic communities in the inner and outer metropolitan Sydney, to provide relevant information to ethnic families and communities for them to access child care services and to work with children's services to provide training, advice, resources and support to enable them to provide culturally and linguistically appropriate care.

In the 34 years of its existence the membership has increased from the original seven member organisations to 56 non-profit community based organisations which operate children's, welfare, disability, social, recreational, aged care, respite care, vacation care, cultural, and educational

²³⁰ Ethnic Child Care, Family and Community Services Co-operative, 2012, *About Us*, ECCFCSC, Sydney, Accessed 14th May 2014, <<http://eccfcsc.org/about-us>>

²³¹ Ethnic Child Care, Family and Community Services Co-operative, 2012, *About Us*, ECCFCSC, Sydney, Accessed 14th May 2014, <<http://eccfcsc.org/about-us>>

services. Some are funded by the three levels of government others operate on a community basis and from fund raising activities.²³²

Features

The ECCFCSC provides support, assistance, resources, advice and training on cultural competence to service providers to enable them to make their services accessible and relevant to Australians from CALD backgrounds and include their needs in their service delivery.

Direct services are provided to the carers of people with disabilities through Multicultural Respite Services (MRS) and CALD children in Commonwealth funded children's services are assisted through Bicultural Support across NSW.

As a Registered Training Organisation (RTO), the ECCFCSC provides training in Certificate III in Children's Services. Over the years the qualification in Certificate III has assisted many overseas qualified bilingual people in getting employment in the child care sector.²³³

The programs include:

- **Bicultural Support** - provides additional resources to eligible children's services to assist with the inclusion of children from CALD, refugee and Indigenous children.²³⁴
- **Eastern Sydney Multicultural Access Project (ESMAP)** - an information, referral and support service based in Mascot. It provides its services to the Local Government Areas of The City of Sydney, Botany, Randwick, Waverley and Woollahra.²³⁵
- **Ethnic People with Disabilities Program (EPDP)** - an Information and Advocacy service funded by the NSW Department of Ageing, Disability and Home Care. The program provides services to people with disabilities and their carers from CALD backgrounds.²³⁶
- **Inner West Multicultural Access Project (IWMAP)** - an information, referral and support service based in Marrickville. It provides services to the Local Government Areas of Ashfield, Burwood, Canada Bay, Canterbury, Leichhardt, Marrickville and Strathfield.²³⁷

²³² Ethnic Child Care, Family and Community Services Co-operative, 2012, *About Us*, ECCFCSC, Sydney, Accessed 14th May 2014, <<http://eccfcsc.org/about-us>>

²³³ Ethnic Child Care, Family and Community Services Co-operative, 2012, *Our Programs*, ECCFCSC, Sydney, Accessed 14th May 2014, <<http://eccfcsc.org/our-programs>>

²³⁴ Ethnic Child Care, Family and Community Services Co-operative, 2012, *Bicultural Support*, ECCFCSC, Sydney, Accessed 14th May 2014, <<http://eccfcsc.org/icultural-support>>

²³⁵ Ethnic Child Care, Family and Community Services Co-operative, 2012, *Eastern Sydney Multicultural Access Project*, ECCFCSC, Sydney, Accessed 14th May 2014, <<http://eccfcsc.org/eastern-sydney-multicultural-access-project>>

²³⁶ Ethnic Child Care, Family and Community Services Co-operative, 2012, *Ethnic People with Disability Program*, ECCFCSC, Sydney, Accessed 14th May 2014, <<http://eccfcsc.org/ethnic-people-with-disabilities-program>>

²³⁷ Ethnic Child Care, Family and Community Services Co-operative, 2012, *Inner West Multicultural Access Project*, ECCFCSC, Sydney, Accessed 14th May 2014, <<http://eccfcsc.org/inner-west-multicultural-access-project>>

Comparative advantage of the co-operative model

The advantages of the co-operative structure for the stakeholders are: Shared risk and reward; democratic governance structure; reinvestment of profit builds trust in the community; specialised services to meet the needs of CALD communities.

Stakeholder benefits

“Some elderly Bangladeshi people could no longer cook for themselves, but they didn’t like the Meals on Wheels. So we brought them to a Bangladeshi community centre where the meals were specially prepared for them. They loved them, and when they were asked if they wanted the same food delivered to their homes, of course they were delighted”, explained Vivi Germanos-Koutsounadis, CEO of ECCFCSC.

To Vivi, a co-operative is the natural structure for a group like ECCFCSC. “That’s what we do – co-operation. People here are sharing and learning from each other – they have similar issues. I think a co-operative can bring people a lot closer together.”

A.3 bankmecu (and Fitzroy and Carlton Community Credit Co-operative)

Business structure: Customer-owned bank

State: Victoria

Purpose: **bankmecu** is inspired to enhance the financial wellbeing of its customers in responsible ways. It provides its customers with value for money, responsible banking, insurance and financial planning solutions, as well as high value, customer service in a profitable and sustainable way.

Overview

The Fitzroy and Carlton Community Credit Co-operative operated for over 34 years in inner Melbourne, providing disadvantaged communities with accessible and affordable savings and loans services as an alternative to risky loans and pay-day lenders.²³⁸ In June 2013, FCCC merged with **bankmecu**, instigated by the FCCC board due to tough conditions for small financial institutions.

History

FCCC's origins are in the Action Resource Centre Project auspiced by the Brotherhood of St Laurence in 1977. The aim was to provide a savings and loan facility addressing the needs of people on low incomes informed by a commitment to social justice.²³⁹

In June 2013, its 3000 members were transferred to **bankmecu**, a Kew-based co-operative, after a merger which was instigated by the FCCC board due to tough conditions for small financial institutions and the merger went ahead without money changing hands.

bankmecu, Victoria's largest customer owned bank has been a co-operative since 1957. **bankmecu** operates according to the same set of values as FCCC while being able to offer FCCC members a greater choice in banking and financial services. In addition, more than 700 community service organisations already do their banking with **bankmecu**.²⁴⁰

The merger with FCCC is part of **bankmecu**'s active interest in promoting financial inclusion and assisting customers experiencing financial difficulty. As part of this philosophy, **bankmecu** has started work with Good Shepherd Microfinance and Uniting Care Kildonan to develop a pilot project to deliver finance options for people who cannot access mainstream banking and insurance products and services in Gippsland.

²³⁸ Plant, A., & Warth, S., 2012, *Community Development Financial Institutions Pilot Evaluation Report*, WestWood Spice, 2012 for Australian Government Department of Families, Housing, Community Services and Indigenous Affairs, pp.83-84.

²³⁹ Plant, A., & Warth, S., 2012, *Community Development Financial Institutions Pilot Evaluation Report*, WestWood Spice, 2012 for Australian Government Department of Families, Housing, Community Services and Indigenous Affairs, pp.83-84

²⁴⁰ bankmecu.

Features

A key activity for FCCC has been a budgeting service, which provides individually tailored budgets for members including a special bill-paying service and advice on how to structure bill payments. FCCC also provides no interest emergency loans for amounts up to \$500, funded by the City of Yarra. According to a report by Plant and Warth²⁴¹, delinquency rates are very low, with less than \$1,000 having been written off since the program was established.

FCCC participated in the Department of Families, Housing, Community Services and Indigenous Affairs, Community Development Financial Institutions (CDFI) Pilot. A strategic objective of FCCC is to widen its reach to a larger demographic within Australia. This was hampered by the regulatory and capital requirements needed to achieve this. The legal standing of the co-operative as a company, in particular, limited its ability to seek external funding from philanthropic and corporate grants. The creation of a separate foundation, the Community Credit Foundation, was seen as a solution to this problem.

Comparative advantage of the co-operative model

bankmecu values the role FCCC undertakes and is equally committed to developing sustainable banking services for people who are not able to access affordable and fair financial products and services or who may resort to relying on riskier credit sources.

The financial inclusion program at **bankmecu** provides socially and economically disadvantaged people with:

- Financial products and services which go beyond immediate assistance to promote capacity and build confidence in managing money.
- The financial resources to participate and advice to help build the capabilities they need to build their own financial security.
- Access to safe and fair credit that is appropriate for their means and reflects their ability to repay.

Benefit to stakeholders

“I know the majority of our members quite well. They’ve started ringing up and saying, ‘Can I speak to Sam?’ I listen to a lot of their problems – we’re all counsellors here. It’s not just a bank. We try and help our members as much as we can.”

“My financial services before I came here were right up the creek. Since I joined up, it’s been really good,” says Michael, also a member of the co-op. “They pay all my bills, direct debit and keep on

²⁴¹ Plant, A., & Warth, S., 2012, *Community Development Financial Institutions Pilot Evaluation Report*, WestWood Spice, 2012 for Australian Government Department of Families, Housing, Community Services and Indigenous Affairs, pp.83-84



top of things. You walk in and there's nice and friendly staff. And the interest rate compared with a normal bank is phenomenal. Too easy!"

"The staff take the time to listen to residents - it's like a financial counselling service - and they provide micro-loans to people in dire need when no one else will," Yarra councillor Stephen Jolly said.

A.4 Community Child Care Co-operative Ltd

Business structure: Producer co-operative

State: New South Wales

Purpose: To inform and inspire early education and care services, and influence government policy, practises and programs so that children within NSW have access to quality education and care services that meet the needs of their communities.

Overview

Community Child Care Co-operative (CCCC) is a NSW based non-profit organisation working in the education and care services sector. CCCC holds a variety of roles in NSW centred on assisting the process of building and maintaining a strong education and care services sector providing resources, support and skill development opportunities for education and care services providers.²⁴²

History

Growing out of the feminist and women's trade union movements of the 1970s, CCCC has advocated for women, children and education and care services for more than three decades.

When the co-operative first opened its doors in 1978, the women's movement was in full swing. The approach to child care provision was rapidly changing as women returned to the workforce. Most services were run privately and received no government subsidy, including services run by the Kindergarten Union (KU) and Sydney Day Nursery (SDN), both established in 1900 (or 1990???).

CCCC was a break-away group, growing out of the Community Child Care Victoria (originally an action group called Community Controlled Child Care). It was formed by a group of dedicated feminists who set up an office in Sydney.

They were united by a common concern – more education and care services were needed for working women – and were able to secure funding to operate from the NSW Government's Family and Children's Services Agency (FACSA).

CCCC was involved in awareness and advocacy campaigns. During this time, it also wrote countless submissions to help secure funds for new and existing education and care services.²⁴³

²⁴² Community Child Care Co-operative, 2013, *About Us*, CCCC NSW Ltd, Sydney, Accessed 13th May 2014, <<http://cccnsw.org.au/about-us>>

²⁴³ Community Child Care Co-operative, 2013, *Our History*, CCCC NSW Ltd, Sydney, Accessed 13th May 2014, <<http://cccnsw.org.au/our-history>>

Features

CCCC holds a variety of roles and runs a range of programs and services for its members. Current programs and services include:

- **Advocacy and Peak:** CCCC is a peak organisation representing over 1,900 education and care services, families and members.²⁴⁴ CCCC advocates for education and care services, and for the children and families who use these services. Full members are community based, not for profit long day care services and preschools.²⁴⁵
- **Children’s Services Central:** CCCC is the lead agency of Children’s Services Central. A program to provide professional development and support to education and care services to enhance the provision of high quality services to children and families.²⁴⁶
- **Preschool Growth Program:** The Preschool Growth Program is responsible for identifying and assessing not for profit preschools for growth potential.
- **Professional Development and Support:** CCCC provides quality professional development and support to education and care services.
- **Registered Training Organisation:** CCCC offers a range of nationally accredited VET courses to education and care service organisations and their staff.²⁴⁷
- **Children’s Services Community Management:** Children’s Services Community Management was established to assist small stand-alone education and care services whose committees either need, or want help.²⁴⁸

Comparative advantage of the co-operative structure

Community services, like education and care, don’t reflect traditional markets. This is most evident in rural and remote regions. Shortages in supply (services or employees) don’t typically lead to rapid increases in price, or wages for workers. Similarly, increases in costs aren’t passed on in a typical fashion as families typically have a very low capacity to absorb increased fees.²⁴⁹ This situation leaves the early education and care sector heavily reliant on public funding. As such, a significant regulatory burden exists.²⁵⁰ Without CCCC, advocacy would fall squarely on the shoulders of individual organisations, however small they may be. A situation which would inhibit continuous improvement within the sector.

²⁴⁴ Community Child Care Co-operative, 2014, Submission from Community Child Care Co-operative (NSW) to the Productivity Commission Inquiry into Childcare and Early Childhood Learning, Community Child Care Co-operative, Marrickville.

²⁴⁵ Community Child Care Co-operative, 2014, Submission from Community Child Care Co-operative (NSW) to the Productivity Commission Inquiry into Childcare and Early Childhood Learning, Community Child Care Co-operative, Marrickville.

²⁴⁶ Community Child Care Co-operative, 2014, Submission from Community Child Care Co-operative (NSW) to the Productivity Commission Inquiry into Childcare and Early Childhood Learning, Community Child Care Co-operative, Marrickville.

²⁴⁷ Community Child Care Co-operative, 2014, Submission from Community Child Care Co-operative (NSW) to the Productivity Commission Inquiry into Childcare and Early Childhood Learning, Community Child Care Co-operative, Marrickville.

²⁴⁸ Community Child Care Co-operative, 2013, *Our Programs and Services*, CCCC NSW Ltd, Sydney, Accessed 13th May 2014, <<http://cccensw.org.au/our-programs-and-services>>

²⁴⁹ Child Care New South Wales, 2014, Inquiry into Childcare and Early Childhood Learning, Child Care New South Wales, Parramatta.

²⁵⁰ Child Care New South Wales, 2014, Inquiry into Childcare and Early Childhood Learning, Child Care New South Wales, Parramatta.

The co-operative structure of CCCC facilitates the collaborative ethos of the members towards shared goals, access to shared resources, economies of scale and leverage as an industry-wide advocacy body.

Member benefits

- Member organisations: NSW has a unique situation whereby there is a much higher proportion of small services, made up of many different legal structures, compared to the proportion in other states.²⁵¹ Necessitating a more collaborative approach to advocacy, policy compliance, and training to achieve scale and efficiency.
- Children: Participation in early education has been proven to have positive effects on social and emotional wellbeing, and reduce social and economic inequality.²⁵² CCCC ensures that the early education services are available at the highest standard to the maximum number of children possible.

²⁵¹ Child Care New South Wales, 2014, Inquiry into Childcare and Early Childhood Learning, Child Care New South Wales, Parramatta.

²⁵² Community Child Care Co-operative, 2014, Submission from Community Child Care Co-operative (NSW) to the Productivity Commission Inquiry into Childcare and Early Childhood Learning, Community Child Care Co-operative, Marrickville.

A.5 National Health Co-operative

Business structure: Consumer-owned co-operative

State: ACT with plans to go expand nationally

Purpose: To operate an affordable, community-owned health centre providing a range of quality health and related community services.

Overview

The National Health Co-operative (NHC) is a consumer co-operative established to provide affordable and accessible medical and health services to the local community. It is not just a general practice, it is a health co-operative which uses a proactive and integrated partnership approach between the member and the doctors, nurses and other health providers and educators to form a comprehensive health care team.

It provides primary care services such as general practice, podiatry, psychology, asthma and diabetes education, mental health, physiotherapy, child, teen and aged health, dietetics, counsellors and social workers.

Following rapid growth in memberships and successful recruitment of medical and professional staff, the NHC has expanded its operations to include seven locations across the ACT. The NHC aspires for integrated health care for members – with doctors, allied and community services all working together.

History

The West Belconnen community has been developing a health co-operative and health and wellbeing centre, on Canberra's northern fringe, since 2004. The energy for this co-operative came from the community following persistent concerns raised by residents about the lack of affordable general practitioners and health services in a disadvantaged outer metropolitan area of Canberra close to the ACT-NSW border.

Active community members convened a public meeting in September 2004 resulting in the formation of a steering group to investigate community needs and possible solutions. The Charnwood Community Health Community (later the West Belconnen Community Health Committee) identified a primary target area of six suburbs with 22,000 people, and no practising GPs at the time.

The committee initially assessed community needs and interest in a co-operative through a survey of 8,000 homes.

The committee then tested various health delivery models and the viability of the preferred model (a co-operative) through a Feasibility Study and Business Plan prepared with the help of a professional practice management consultant and a \$15,000 ACT government grant.

Following the positive feasibility report and some initial funding commitments, the Committee went through a lengthy process of establishing the co-operative under the ACT Co-operatives Act 2002. West Belconnen Health Co-operative Ltd was formed in November 2006.

The set-up of the centre was achieved through a partnership between the community, governments (Australian and ACT) and businesses. Viability is achieved through bulk-billed Medicare rebates, fee-for other services and rental income from co-located services.²⁵³

NHC now has more than 24,000 patient owners (representing nearly 7 per cent of the ACT population), 24 medical staff and 24 administrative and clerical staff. Since the opening of the original site in 2010, six more sites have been developed. Their membership is growing at a rate of more than 10 per cent per quarter.

Features

NHC is a consumer-owned organisation where any surplus funds are returned directly to the business in the form of additional services, resources and equipment to benefit the health and well-being of its members.

Membership is by paying a low annual membership fee which entitles members to bulk-billing GP services wherever possible and a growing range of other affordable health and community services at the health centres.

This co-operative approach aims to provide better, more affordable health services, enhance members' health and well-being and increase community strength. As well as addressing acute medical issues (urgent or severe problems) the major focus of the co-operative is to address chronic disease and promote well-being.

The NHC is overseen by a board of seven to nine skilled people elected by the members of the co-operative at the Annual General Meeting. Day to day management of the co-operative is undertaken by the chief executive officer and operations manager. The medical director provides advice to the CEO on clinical matters.²⁵⁴

Factors for success

- Passionate and motivated community members.
- Organisational values are strongly aligned with the seven co-operative principles.

²⁵³ National Health Co-op, 2013, *History*, National Health Co-op, Canberra, Accessed 13th May 2014, <<http://www.westbelconnenhealth.coop/history/>>

²⁵⁴ National Health Co-op, 2013, *Management*, National Health Co-op, Canberra, Accessed 13th May 2014, <<http://www.westbelconnenhealth.coop/management/>>

- Development of partnerships with likeminded organisations from government, business and non-profit sectors
- Service delivery partnerships with organisations that provide complementary co-located and off-site health and community services allows for more holistic treatment of patients.

Comparative advantage over other sectors

- Co-operative entrepreneurship
- Shared risk and reward
- Consumer trust
- Values and principles
- Holistic service delivery
- Outcomes achieved
- Affordable, high quality general practice and health services delivered to the local community.

A.6 Nundah Community Enterprise Co-operative

Business structure: Employee owned co-operative

State: Queensland

Purpose: To provide long-term, sustainable employment for people with intellectual and cognitive disabilities.

Overview

Nundah Community Enterprise Co-operative (NCEC) was formed in 1998 to create sustainable employment and training opportunities for long-term unemployed people with intellectual disabilities. These individuals had made successive attempts to find employment, often with the help of disability employment services (DES) and Job Services Australia (JSA) agencies - only to experience frustration and failure.²⁵⁵

The co-operative began as a 'jobs club'. With support from local community organisations, businesses and governments, NCEC has grown to employ over 20 members in a range of part time roles and generates over 5000 hours of work annually. NCEC members are involved in managing a supportive workplace and taking up directorship on the board of management. The co-operative has a core commitment to create employment for its members with a disability and is not a transitional employment program or job matching service. This focus on its members is one of the reasons it has been able to create long term employment for individuals who had previously been long term unemployed.

Features

NCEC provides a range of services to businesses, government and community members in the inner North Brisbane region, including catering and parks and maintenance. NCEC provides regular part time employment to 23 workers previously excluded from the workforce and has created positions for three permanent supervisors, as well as a part time coordinator and administrator. It generates an income of more than \$400,000 from products and services.

Eighty per cent of the original members of the co-operative are still employed after ten years. NCEC receives occasional government and philanthropic support but it receives no ongoing funding. NCEC has achieved its outcomes through the hard work of its members and committee and with the support of the local community.

²⁵⁵ Nundah Community Enterprise Co-operation, 2014, *A Little About Us*, NCEC, Nundah, <http://www.ncec.com.au/index.php?option=com_content&view=article&id=12&Itemid=26>

Comparative advantage of the co-operative model

For the majority of NCEC members there were a number of job opportunities provided through open or disability employment services in the few years after school, but these ended in dismissal. Training courses provided a temporary sense of purpose and promise, but the hopes they raised were commonly dashed. A number of workers then chose to work in sheltered employment at a rate of pay that covers transport and lunch costs, while others had no employment. Long periods of inactivity can lead to increased physical and mental health issues and prolonged welfare dependency. Many years of rejection and inactivity, can also make it impossible to re-enter work even with employment agency support.

Co-operative enterprises are one approach that can address long-term unemployment and exclusion from the labour market in a sustainable manner. Sustainable long-term employment can lead to improved mental and physical health outcomes and lessen welfare dependency. NCEC is a mutual approach to employment generation used successfully with other marginalised groups such as redundant workers and older unemployed people.

Stakeholder benefits

- Disadvantaged employees, who have more money to live on, experience increased personal well-being, and require less mental health support services. They develop a sense of identity, stability and safety in belonging to a community.
- Families of disadvantaged employees benefit from the increased independence of the disabled person.
- Governments experience reduced reliance on mental health support services, reduced welfare payments, and increased individual tax payments.
- Support services experience a very efficient and effective way of meeting the expressed needs of their clients. Their clients expressed desire for a job was met efficiently (at low relative cost) through the Nundah Co-op. Also, the effectiveness of Nundah Co-op is demonstrated by their success, where Disability Employment Service providers had previously failed.

A.7 Co-operative Home Care

Business structure: Employee owned co-operative

State: NSW

Purpose: To provide home support services to assist elderly people and the disabled to live independent, healthy lives; and to improve the quality of employment for the members.

Overview

Co-operative Home Care (CHC) is a social co-operative owned by the workers. CHC believes that poor service delivery and inadequate client care is directly related to the poor quality of home care jobs. The employee owned co-operative models in the UK, Canada and the United States have achieved consistent, reliable home care for clients by improving the terms and conditions of the aged care and community care workforce through training, increased wages, better work practices and a supportive working environment.²⁵⁶

CHC provides equitable distribution of income generated, training and support services, and effective marketing strategies in order for the enterprise to meet its objectives.

Features

The co-operative has developed an innovative working environment that has a strong focus on recruitment and retention, training and promotional practices to build an understanding of the present and future needs of home support employees.

Part of the strategy to achieve this is a workforce development project – “Training to Career”, which aims to train jobseekers in aged care with a particular focus on home support delivered to older Australians and people with disabilities residing in the suburbs of Sydney.

The Training to Career Project uses a collaborative approach where the employers, education institutes and job service providers work hand in hand to train jobseekers to meet the demands of the local community. Successful graduates are offered post project employment and ongoing training. After a six-month probationary period they are offered membership to the co-operative.

Training to Career continues to benefit the community, as well as the members of the co-operative as the project leads to sustainable employment for the home support worker and their families; in addition it helps CHC as the employer, retain talented and committed staff members, and the end product is that the care recipient receives the highest-quality care.²⁵⁷

²⁵⁶ Co-operative Home Care, 2014, *About Us*, Co-operative Home Care: Australian Independent Living Enterprise, Accessed 13th May 2014, <http://www.aile.com.au/?page_id=18>

²⁵⁷ Co-operative Home Care, 2014, *Initiatives*, Co-operative Home Care: Australian Independent Living Enterprise, Accessed 13th May 2014, <http://www.aile.com.au/?page_id=21>

CHC is funded by brokerage arrangements with other organisations that receive government funding as well as a pool of user pays clients. To increase revenue and maintain member benefits and wages, CHC must grow the business. With the proposed reforms in both aged care and disability, and as individuals move towards consumer directed care and individual budgets, CHC looks to becoming a preferred choice for many consumers.

Comparative advantage of the co-operative model

The home support industry in Australia has grown in the past ten years, with home support positions being one of the few jobs still available to unemployed or underemployed people. A typical home support employee is more likely to be female, work fewer hours and be older, compared with other industries.

Snapshot of Australian home and community care workers:²⁵⁸

- 91 per cent are female
- 70 per cent are aged 45 years and older
- 62.9 per cent are part time.

CHC was formed to achieve consistent, reliable home support for clients by improving the terms and conditions of the aged and disability care workforce through training, increased wages, better work practices and a supportive working environment.²⁵⁹ The advantages of the co-operative structure for the stakeholders are: Shared risk and reward; democratic governance structure; reinvestment of profit builds trust in the community; employee directed aged care services.

Factors for success

- Direct stake of employees
- Giving employees opportunities to learn and grow as members of a home care team
- Supportive working environment

Stakeholder benefits

- Employees learn skills and develop work confidence. Four of the five current board members have not held a board position before.
- The co-operative strives to serve clients with the highest care and to empower the employees. The co-operative creates secure and financially rewarding jobs for its members.

²⁵⁸ King, D., Mavromaras, K., Wei, Z., et al., 2012, *The Aged Care Workforce*, Final Report 2012, Australian Government Department of Health and Ageing, Canberra.

²⁵⁹ Co-operative Home Care, 2014, *About Us*, Co-operative Home Care: Australian Independent Living Enterprise, Accessed 13th May 2014, <http://www.aile.com.au/?page_id=18>

- The co-operative contributes to the community and supports the local economy by recruiting and employing locally and supplying services locally, to enable involvement of clients, their families and to promote integration within the community.
- As a pathway to employment the co-operative provides ongoing training and support to staff in both skills development and healthy lifestyles; and seeks opportunities to develop innovative programs that improve health and well-being outcomes for employees of all ages.
- The co-operative targets all job seekers, and supplies employment for all groups including excluded jobseekers (migrants, people from CALD backgrounds and the long term unemployed). The co-operative is working to create permanent part time positions rather than the casual positions offered by other providers of aged and community care.²⁶⁰

²⁶⁰ Co-operative Home Care, 2014, *About Us*, Co-operative Home Care: Australian Independent Living Enterprise, Accessed 13th May 2014, <<http://www.aile.com.au/>>

A.8 Royal Automobile Club of Western Australia and St Ives Group

Business structure: RAC WA member-owned mutual

State: Western Australia (Automobile Services) and National (Aged Care Services)

Purpose: To protect and enhance the lifestyle of its members.

Overview

The Royal Automobile Club of WA (RAC) is a proud Western Australian organisation that exists to protect and enhance the lifestyle of its members. Formed in 1905 as an advocacy organisation to represent the interests of road users, the RAC has grown to become the largest membership organisations in WA providing a range of services to over 800,000 members. These services include roadside assistance and auto services, comprehensive home and motor insurance, finance, travel and tourism, finance, security services and retirement and aged care.²⁶¹

As a mutual, the RAC reinvests profits from its commercial operations to benefit its members and the broader West Australian community. The RAC recently acquired the St Ives Group, a large retirement and aged care provider which operates throughout metropolitan and regional Western Australia, New South Wales, Queensland, Victoria, the Northern Territory and the ACT.

Features

Established in 1982 the St Ives Group has grown to become a leading provider of accommodation and services to older Australians. St Ives' business model is based on providing a range of complementary accommodation and care services to people over the age of 60, offering:

- Both Government subsidised and private home care services.
- Services ranging from a little help with domestic tasks through to more complex nursing needs.
- Services are delivered both in retirement village homes and in the wider community.

In addition, St Ives provides the following services:

- General real estate services for the Western Australian market, including appraising, listing and selling private homes.
- Property management services for more than 200 rental properties in the Perth metropolitan market.
- Specialist and nationally recognised residential and home care training and qualifications through a Registered Training Organisation, ATA Training.

²⁶¹ Royal Motoring Club of Western Australia, 2014, *For the Better*, RAC, Western Australia, Accessed 13th May 2014, <<http://rac.com.au/about-us/for-the-better>>

- A full range of consultancy services for the planning, development and management of retirement and residential care facilities. Clients have included local government, a major member based organisation, a University and private investors. St Ives has overseen the construction of more than 1,500 retirement village homes in Western Australia and assisted in the relocation of over 2,000 retirees.²⁶²

Comparative advantage of the co-operative model

As a mutual, the RAC reinvests profits from its commercial operations to benefit its members and the broader West Australian community. Being consumer-directed the RAC responds to the authentic and evolving needs of its members, in this case responding to the concerns of members about aging well and independently.

Stakeholder benefits

- Consumer trust
- Values and principles
- Holistic member service delivery
- Services go beyond historical service delivery areas evolving with the changing needs of the membership
- Opportunity to influence the reinvestment strategies of the consumer-owned business

²⁶² St Ives, 2014, *About Us*, St. Ives, St. Ives, Accessed 13th May 2014, <<http://www.stivesgroup.com.au/about-us/>>

A.9 Common Equity Housing Limited

Business structure: Consumer and enterprise co-operative

State: Victoria

Purpose: To be a successful promoter and facilitator of secure, affordable co-operative housing, where there are real opportunities for member participation²⁶³

Overview

Common Equity Housing Limited (CEHL) is a registered housing association established in 1987 to provide a means for lower income earners to access rental properties that they manage and control on a co-operative and secure basis. As an innovative and growing company, CEHL owns over 2200 properties across Victoria, with a current value in excess of \$600 million. CEHL is committed to providing security of tenure and promoting co-operation and the sharing of responsibilities between individuals as a path to building supportive communities.²⁶⁴

CEHL has its origins in the mid-1980s emergence of different forms of community housing models and has become the largest Victorian Housing Association and a significant developer of award winning mixed tenure projects.

CEHL exists to create more co-operative housing and has more recently expanded this to successfully include significant other partners and tenures in development which increase the overall viability and sustainability of the projects. Affordable housing development addresses a much need supply issue as well and multiplier effects on employment and economic activity.

History

Rental Housing Co-operatives in Victoria, and the seeds of the Common Equity Rental Housing Co-operative (CERC) Program, gathered momentum in the early 1980s when, faced with the gentrification of inner city suburbs and increasing social dislocation of lower income earners, small action groups in need of secure affordable housing got together to study possible courses of action.

Supported by key Federal MPs and local government, and inspired by the co-operative movement in Canada and Europe, these community groups met for information sharing. A strategy for developing common equity rental co-operatives was developed in 1984, based on the Canadian and European models.

The first CERC homes were bought in 1986. At the same time, a central region resource co-operative was established, funded through the government. Staffed by people committed to seeing

²⁶³ Common Equity Housing Ltd, 2014, *Discover CEHL*, CEHL Richmond, Accessed 13th May 2014, <<http://www.cehl.com.au/index.php?page=aboutus>>

²⁶⁴ Common Equity Housing Ltd, 2014, *Home*, CEHL Richmond, Accessed 13th May 2014, <<http://www.cehl.com.au/>>

co-operatives flourish, it assisted the CERCs with the daily management, provided guidance, and professional support such as qualified property officers. As other CERCs were established across Victoria, three other resource co-operatives were also founded, in 1989, Geelong, Bendigo and Morwell.

Over the course of time, the CERCs had to be adaptable and able to evolve to changing environments. Titles were originally held by the State. In 1997, the resource co-operatives were defunded, as the government of the time deemed the co-operative program was no longer expanding; there was concern that the next step would be to stop funding the CERCs, and eventually close them down.

Negotiations were held, and it was agreed to transfer property titles to the newly created Common Equity Housing Ltd (CEHL), which from this point would not only be responsible for servicing the loans and managing financial contracts, but also act as program manager for the CERCs, providing a range of support services. As well, a compromise was reached that all future residents would need to meet the Office of Housing eligibility guidelines at the commencement of their tenancy.

Features

CEHL is a not-for-profit company established for the purpose of providing housing, resources and support to volunteer rental housing co-operatives across Victoria.

The company holds title to over 2000 properties, the majority of which are managed by housing co-operatives in conjunction with CEHL. The CERC is the main model of co-op housing delivered by CEHL. Other housing co-operatives have recently joined CEHL as Community Managed Co-operatives and further co-operative models including mutual ownership models are under development. As well as leasing the properties from CEHL, all member co-operatives are also shareholders of the company.

CEHL is managed by a board comprising directors elected by the shareholders and others appointed for particular expertise.²⁶⁵

CEHL has demonstrated it can work in partnership with all levels of government, the disability and business sectors to complete developments which achieve integrated high quality affordable, disability and private market housing. It also retains an ongoing interest in the success of these developments by supporting the co-operative housing and Managing Owners Corporation functions.

A recent example is in inner city Gipps Street, Abbotsford where CEHL developed 59 apartments, kept 25 for co-operative housing, modified and sold six for disability housing and sold the rest to the market (owner occupiers and investors with tenants).

²⁶⁵ Common Equity Housing Ltd, 2014, *Discover CEHL*, CEHL Richmond, Accessed 13th May 2014, <<http://www.cehl.com.au/index.php?page=aboutus>>

CEHL has taken the initiative to secure an old school site in Geelong to create a mixed use, thriving development. It has created partnerships with different parts of government and the local hospital to progress Phase 1. Phase 2 offers opportunities for further partners to meet disability housing needs, further social housing needs and equity model development.

Comparative advantage of the co-operative model

Co-operative housing is an empowering model compared to typical forms of social housing, in that people are members of their co-op and involved in a range of tasks associated with running the housing and the co-op. Typically, co-operative housing is a transformative and empowering model which offers people opportunities for sustainable futures through learning new skills, building confidence and engaging in employment and further learning.

This self-help co-operative housing model addresses the shortcomings of the welfare housing model by recognising that the majority of low income people, once offered decent, affordable accommodation are willing to contribute to make sure their housing is well maintained and managed. The confidence, skills and self-esteem that members develop operating their own housing organisations in co-operation with other members contributes to their ability to achieve success in other facets of their lives.

Based on the strength of the co-operative model, CEHL believes it can meet the current challenges in the housing context:

- An acute shortage of affordable housing
- the need for new disability housing models
- proposed public housing transfers
- the need to rejuvenate much existing social housing stock
- the need to explore new models for people with some equity who are otherwise locked into long term private rental.

A.10 Independent Youth Housing Group

Business structure: Non-profit member owned housing group

State: Queensland

Purpose: To ensure the housing security of its members.

Overview

Independent Youth Housing Group (IYHG) is a not-for-profit organisation working in the rental housing sector. IYHG gives its low-income members access to affordable housing owned by the organisation and managed by the tenants.

History

Founded in 1989, IYHG grew out of out a combination of housing difficulties for members. Rental shortages, high rents and reliance on social security created a situation where the founding members were regularly paying over half of their income in rent.²⁶⁶ Whereas a typical affordable housing scheme charges only 25-30 per cent of income.²⁶⁷

Unaffordable housing led to a suite of further problems, such as foregoing essentials and living in unsafe or fringe suburbs, triggering a discussion on the potential for a housing co-operative. The founding members knowing each other through their common participation in the Community Living Program, a service supporting people with a disability to live in the community.²⁶⁸

The parent of the Community Living Program, Community Living Association (CLA), became an important partner to IYHG. Drawing on their past experience with housing co-operatives, CLA played a vital role in the founding of IYHG through their sponsorship of the initial submission for public funding. The success of this submission led to IYHG's first property purchase, drafting of constitution, gaining of not-for-profit status and first management committee.

IYHG has continued to expand since then, now owning twelve properties outright and housing sixteen members with plans to purchase additional properties.

Throughout the co-op's history members have been actively involved in the selection and purchase of properties, provision for maintenance, collection of rents and the setting of organisational policy. The co-operative has a very low rent default record due to its active member involvement and has

²⁶⁶ Nundah Community Enterprises Cooperative, 2013, *Co-operatives and the NDIS*, Nundah Community Enterprises Cooperative, Brisbane.

²⁶⁷ Family & Community Services, 2014, *How much rent will I pay?*, NSW Government, Family & Community Services: Housing NSW, Sydney, Accessed 23rd May 2014, <<http://www.housing.nsw.gov.au/Centre+For+Affordable+Housing/For+Renters+of+Affordable+Housing/How+much+rent+will+I+pay.htm>>

²⁶⁸ Nundah Community Enterprises Cooperative, 2013, *Co-operatives and the NDIS*, Nundah Community Enterprises Cooperative, Brisbane.

been able to save enough monies through rents to take out loans and purchase additional properties for new members.

Features

To maintain membership and tenancy IYHG members pay a rental fee pegged to 25 per cent of their income. This is a critical feature of the co-operative, acting as a safeguard to ensure rental costs remain affordable for members across a wide range of circumstances. IYHG enables economies of scale with a human face.²⁶⁹ Properties are selected according to the needs of the members, situated close to public transport, are safe and are renovated to ensure a high standard of living.

IYHG is run by a management committee elected on an annual basis by the sixteen current members (housing tenants). This committee is responsible for making organisational decisions, policy making, and acting as the landlord by setting rent and organising repairs. An external Housing Worker is employed by IYHG to ensure transparency in rental collection and record keeping.

Factors for success

The IYHG had to have a strong and transparent management committee that:

- Kept all tenant members involved
- Prioritised who should be housed as IYHG membership grew
- Had people pay rent, kept IYHG's financial position strong and paid bills on time
- Made further submissions for funding for new housing
- Made rules and tough policy decisions about the operation of the co-operative
- Upheld all of the responsibilities of being a landlord
- Met with government departments²⁷⁰

Comparative Advantage

IYHG exemplifies the qualities offered by co-operative enterprise models. The co-op's management committee is a truly democratic system whereby each member of the co-operative is afforded one vote. This enables each member, however diverse or unique their priorities, to share in the power structure of the organisation. The key benefit of this governance structure is the equal footing and responsiveness afforded to each member. A benefit not seen in public affordable housing schemes.

²⁶⁹ Nundah Community Enterprises Cooperative, 2013, *Co-operatives and the NDIS*, Nundah Community Enterprises Cooperative, Brisbane.

²⁷⁰ O'Dea, P., & O'Connor, M., 2012, *The Housing Cooperative and People's Organisation – Independent Youth Housing Cooperative*, ASID Conference, New Zealand, Viewed May 2014.

Members of IYHG feel “in control”,²⁷¹ selecting properties to be purchased and creating a system for prioritising housing allocation.

By pooling their resources within the co-operative, members are able to reap similar benefits of scale to an investor owned business. Comparative advantage is generated by the unique combination of economies of scale and the responsiveness of the organisation.

IYHG's record of member expansion has only been made possible by the co-operative model. A traditional rental investment would see rents generate surplus for a single entity and public schemes lack the same degree of user control and choice. The rents paid to IYHG do not ‘leak’, any surplus above existing mortgage repayments are used to generate a deposit for future properties. Continually expanding the sphere of benefit.

Stakeholder Benefits

IYHG provides its members with independence, control over their lives and the opportunity to develop savings.

- **Independence:** members are able to live in properties, which are chosen specifically to suit their unique requirements. Independent Living philosophy postulates that disabled individuals are the best experts on their needs and as such as best placed to promote their independence by taking the initiative and designing better solutions.²⁷² IYHG is an outstanding demonstration of this principle in Australia.
- **Skills Development:** members receive in-depth exposure to the requirements of running an organisation, including managing meetings, hiring an employee, and developing rules and policies.
- **Security:** members reclaim control of their finances as a result of IYHG pegging rent to individual income. This mechanism has enables members to maintain their residence irrespective of financial difficulties and in some cases to begin accumulating savings for unforeseen expenses. The secondary facet of security is the requirement by IYHG that properties are chosen, or renovated accordingly, to ensure the safety of the tenant.
- **Social:** members meet regularly for committee decisions, developing a network of camaraderie between the tenants.

²⁷¹ O’Dea, P., & O’Connor, M., 2012, The Housing Cooperative and People’s Organisation – Independent Youth Housing Cooperative, ASID Conference, New Zealand, Viewed May 2014.

²⁷² Ratzka, A, 2005, Independent Living Empowers People with Disabilities, *Development Outreach*, World Bank.

A.11 Australian Unity

Business structure: a member mutual company

State: National

Purpose: To enable its members to achieve a sense of well-being through the provision of high trust products and services

Overview

Australian Unity's (AU) strategy is to build a leading, commercial, sustainable portfolio of businesses that foster customer well-being. The AU portfolio includes a breadth of health and ageing services. This includes:

- Residential aged care, home care services, transition care, health insurance and a range of healthcare services, including telephonic and in-home support for preventative health and chronic disease management.
- Extensive experience in capital raising, development and management of diverse property assets, including retirement villages, aged care facilities and the acute hospital sector.

This breadth and depth of expertise gives AU insight into the social infrastructure challenge that faces Australia and stems from the ageing population and the rise of chronic disease.²⁷³

History

Australian Unity's heritage dates back to 1840. Since then, it has been continually changing and transforming services to members and the community as their needs have changed. For instance, after WW2 AU developed housing bonds to help unblock members' access to housing, which was restricted due to the state of the banks and the burgeoning population. AU has been providing aged care and retirement services continuously for 65 years, gradually integrating its services so that people can age in the location of their choice, adding more care to the mix as their needs change. AU is doing this through co-location of retirement and aged care facilities, but increasingly also providing services direct to people's homes.

Features

About eight years ago its health insurance business launched a preventative health and chronic disease management business, Remedy Healthcare, which intervenes at points in which AU's members are hospitalised and provides direct (free to the member) coaching and support to assist the person to manage their disease and prevent future hospitalisations. This has had an enormous benefit to the well-being of the members, but also to the financial performance of the health fund. AU is now looking to expand these services to customers in its aged care and retirement village

²⁷³ Australian Unity, 2012, *Annual Report*, Melbourne, pp.1-129.

settings (and employees). This is an example of the kinds of investments the company has made with previous surpluses. The fact that AU is a portfolio of businesses with this common mission also means that innovation is possible across business areas.²⁷⁴

Comparative advantage of the co-operative model

As a mutual, Australian Unity reinvests profits from its commercial operations to benefit its members' health and well-being. Being consumer-directed AU responds to the authentic and evolving needs of its members.

As a mutual AU has no external shareholders and so all of the profits are returned to the development and expansion of new services. The fact that AU is a portfolio of businesses with this common mission also means that innovation is possible across business areas.²⁷⁵

Stakeholder benefits

- Member trust
- Values and principles
- Holistic member service delivery
- Services go beyond historical service delivery areas evolving with the changing needs of the membership and continuing to offer excellent value for money

²⁷⁴ Australian Unity, 2014, *Company Overview*, Australian Unity, Melbourne, Accessed 13th May 2014, <<http://www.australianunity.com.au/about-us/Company-overview>>

²⁷⁵ Australian Unity, 2014, *Company Overview*, Australian Unity, Melbourne, Accessed 13th May 2014, <<http://www.australianunity.com.au/about-us/Company-overview>>

Appendix B: Australian Public Service Mutual Task Force Terms of Reference

Introduction

In 2013 the Business Council of Co-operatives and Mutuals (BCCM) and **bankmecu** commissioned the Net Balance Research Institute to prepare a report which explored the potential roles for co-operative and mutuals in delivering Australian public services²⁷⁶.

This report recommended the establishment of a Public Service Mutual Task Force which will oversee the development of:

- a Green Paper to evidence the business case for co-operatives and mutuals delivering public services in Australia
- a White Paper with recommendations for implementation.

This document clearly outlines the purpose, objectives, deliverables and outcomes for the newly appointed Public Service Mutual Task Force.

The research undertaken to date, and the experience in the UK and other jurisdictions, shows that co-operatives and mutuals have the potential to generate better social outcomes, greater value for money, higher returns on investments, greater economic and social resilience, and higher levels of consumer engagement and employee wellbeing. Realising this potential in Australia will require the formulation of a strong body of evidence, a compelling business case, and sustained communications and implementation strategies.

It is important to note that whilst in the UK, 'Public Service Mutuals' (PSMs) are defined as organisations that have been 'spun out' of the public sector to deliver public services and where there is a high degree of employee control²⁷⁷; in the Australian context the term Public Service Mutuals refers to a broader set of legal and organising models. PSMs in Australia are inclusive of the three broad types of co-operatives and mutuals²⁷⁸:

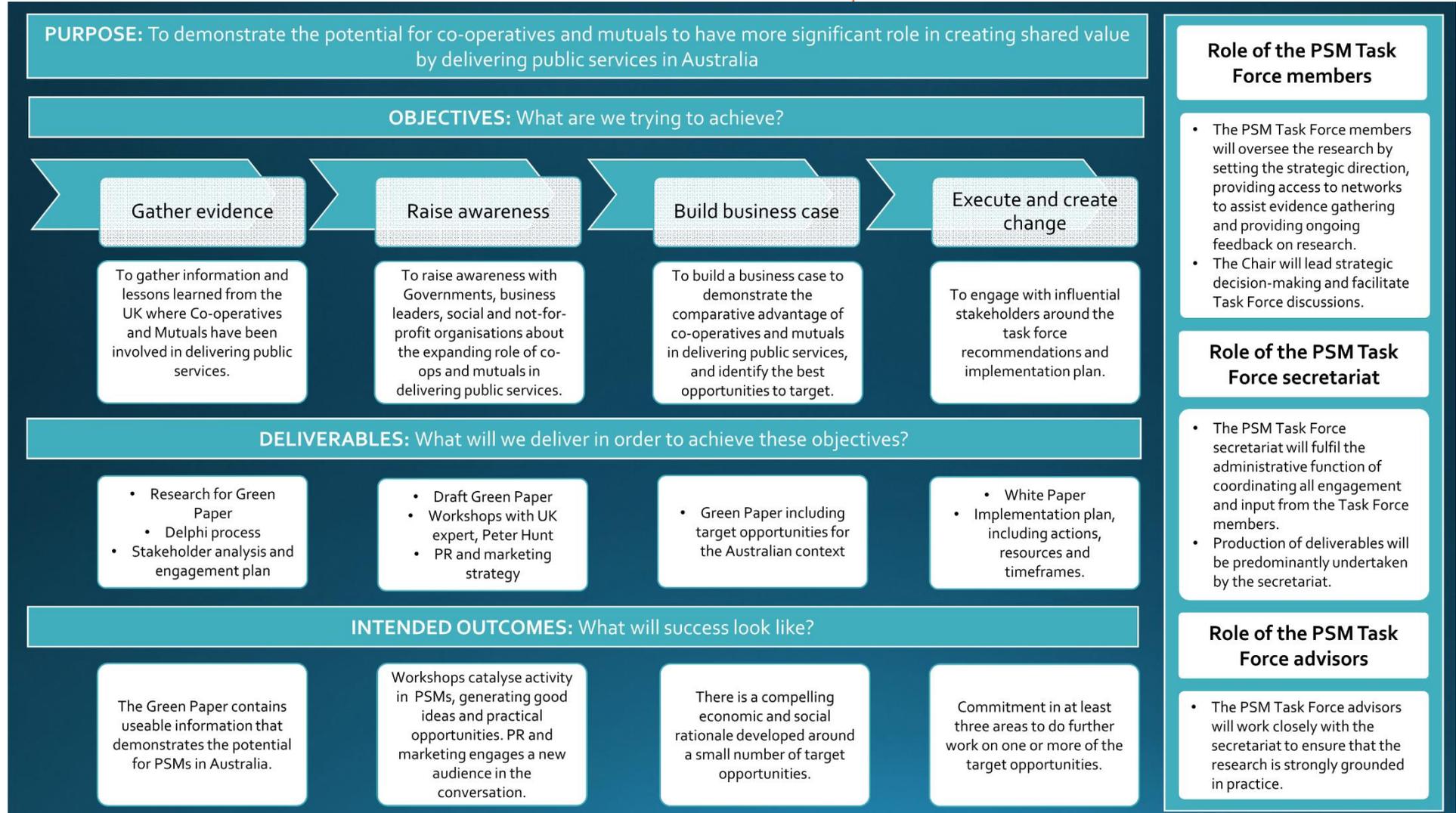
- *Consumer co-operative*: where the ownership and governance is driven by the membership. These may also be recognised as clubs and associations.
- *Producer co-operative*: where the ownership and governance is driven by the employees and may be recognised as employee-owned businesses.
- *Employee owned spin out*: a special form of producer co-operative where an independent organisation is established by public sector employees to deliver public services which involves a high degree of employee involvement.

²⁷⁶ Net Balance Research Institute.

²⁷⁷ HM Government.

²⁷⁸ RDA Mid North Coast, pp. 1–113.

Purpose, objectives and outcomes



- END -