Church, state and the unemployed

Employment
The Job Network auctions show the Churches’ role in helping job-seekers needs to be defined

The recent announcement of successful tenders for the next round of Job Network (now renamed Job Services Australia) contracts provoked widespread media criticism. A number of issues were raised which will, no doubt, be pursued further when Parliament resumes. One was the botched administration of the announcement itself, when the Department of Education, Employment and Workplace Relations website crashed and left anxious tenderers in the dark about their fate. Critics also questioned aspects of the new program, particularly the emphasis on finding jobs for the long-term unemployed. This worthy aim seems to have been designed for a more favourable labour market with low unemployment. As the recession bites further and jobs become scarcer, job-service providers will be hard-pressed to secure the payments tied to successful employment outcomes. In spite of the brave words of ministers, employment service contracts, like many other government programs, will require substantial readjustment to cope with changing economic circumstances.

Loudest objections, however, have surrounded the outcome of the tender itself and the failure of many well-established providers to gain new contracts. In particular, Church-based providers, including the Wesley Mission, the Salvation Army and Mission Australia, saw their future role seriously reduced. They complained that past successful service had been overlooked in awarding the new contracts.

The Coalition’s former employment minister, Tony Abbott, took up their cause. “Many of the sacked groups are charities such as the Wesley Mission which used its Job Network surplus to fund services to the homeless and other even more marginalised groups,” he wrote last month.

In response, the Employment Department and the relevant minister, Brendan O’Connor, argued that the tender process had been conducted scrupulously according to the terms of the tender, at arm’s-length from politicians and under the supervision of an external probity provider. Substantial weighting in the decisions (30 per cent) had explicitly been allocated to past performance. Existing providers would deliver the great bulk of new services and the proportion of services being offered respectively by the not-for-profit and private sectors remained unchanged.

The not-for-profit sector and its advocates may have overstated their case, partly under provocation from the shabby treatment inadvertently caused by the department’s computer problems. At the same time, their reaction reflects a more profound problem underlying the outsourcing of sensitive public services, particularly to charitable and religious organisations.

The practice of contracting out follows two contrasting, if overlapping, views about the nature of contracts. One model is the so-called “classic” contract (typified in the one-off “spot” contract in a commercial market). Contractors have their own divergent interests which coalesce around a specific agreement to exchange goods and services for a particular price. Classic contracts are limited to the express terms of the contract and offer the advantages of clarity and competition.

The alternative model is the more open-ended, “relational” or “partnership” contract (typified in mar-

riage or employment contracts). Because the contract covers unforeseeable situations into the future, the respective parties agree to enter into an ongoing relationship based on certain general principles. The emphasis is less on specified contractual terms and more on shared values, cooperation and trust. In many cases, the contractual relationships can continue indefinitely, until broken off by one of the parties.

In the heyday of the outsourcing movement, the mid-1990s, the classic contract was the dominant model. Supporters of contracting out, such as the then Industry Commission in its 1996 report Competitive tendering and contracting out by public sector agencies, stressed the value of clear specification and competition. Specifying precise outputs in a contract would help to re-orient public sector performance towards results. Detailed specification would also allow alternative providers to compete effectively for contracts and would thus lower costs while improving accountability.

The classic contract model still underlies the more routine areas of government outsourcing, such as cleaning and rubbish collection (where the greatest savings have occurred). For more complex services, however, it quickly proved inadequate, because of the frequent difficulty of specifying every requirement in advance. During the last decade, there has been a steady move towards the practice and language of relationship contracts. Contractors now tend to enter into partnerships, endorsing the government’s overall values and objectives as a basis for the services they provide and accepting complex arrangements for ongoing communication with departmental officials.

The former Job Network was a trail-blazer in this trend, as successive contractual arrangements became less reliant on detailed specification and relied more on overall performance. A simplified
five-point “star” rating system, introduced in 2001, was superimposed on the earlier host of specific performance indicators. The best performing service providers were exempted from the need to compete for new contracts. The regular tender processes became a means of replacing inadequate providers rather than of subjecting everyone to an open competition.

Commercial providers generally accept open competition as part of their working environment. Not-for-profits, however, are much more comfortable with a continuing relationship, subject to a high standard of performance. Their reasons are not based solely on a natural desire to avoid competition. More fundamentally, they see themselves as the government’s allies, sharing the government’s goals of public service and commitment to the disadvantaged.

As in any employment relationship, continuing contracts have symbolised the government’s acceptance of the Churches’ role as trusted partners. Conversely, a decision to open all positions up for competition betrays a lack of confidence in incumbents and breaks the relationship of trust. As the director of Catholic Services Australia, Frank Quinlan, said, the decision “challenges the nature of the relationship between the Government and the non-profit sector”.

In effect, by requiring all service providers to compete in the tender on a level playing field, the Government has moved the Job Service contracts away from the partnership model, more towards the classic contract model. By so doing, it can claim to be gaining the advantage of specification and competition offered by classic contracts. At the same time, perhaps deliberately, the Government has challenged the Churches’ self-perceived role encouraged by Abbott and former prime minister John Howard, a long-term partners with government in social service provision.

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