

Why the Private Sector Should Stay Away from the Delivery of Social Services.

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Over the past 200 years or so, the private sector has expanded on the basis of its profit-making activities, competition, and the re-investment of some of its profit back into business. This dynamic system can only be sustained through legally binding contractual relations, the ownership of private property and government regulation to support this system e.g. banking requirements and anti-competitive control measures.

Its history has been one of periods of boom and bust (e.g. banking and financial market collapse of 2008 onwards). In addition, the private sector has been guilty of gross pollution activities and accidents (e.g. the Gulf of Mexico oil disaster). As well as producing a myriad of much needed products like computers, books and essential pharmaceuticals, it continues to market products that have long-term negative consequences e.g. armaments, sugary drinks, and fast foods. In spite of all these defects the market seems to be the only systems capable of ensuring the supply of private goods and services in an effective manner.

Born long before capitalism, the not for profit sector, on the other hand, has, over the past 40 years or so, grown as a partner with government in delivering essential social services. This has happened due to the recognition that government is too distant from local and personal troubles, and that the sector brings its own form of effectiveness and efficiencies due to a combination of subsidiarity (many decisions are more efficient the closer they are to the issue) and the invaluable role of unpaid volunteers at both the governance and delivery levels of an organisation. At the same time, the not for profit sector has developed its professional skill capacity. However, the British government, for instance, plans to open service-delivery contracts to the private sector. Closer to home, both the Australian and New Zealand governments are contemplating something similar.

So what are the implications of the private sector entering the area of personal service delivery?

1. **Costs:** For the private sector to display greater efficiencies than the Not for Profits, it has two choices:
 - a) **Seek increased contract fees from government in much the same way that Charter Schools gained extra funds.**
 - b) **Reduce costs of service delivery. To achieve this goal it might:**
 - i) **Reduce wage rates of operational staff.**
 - ii) **Reduce short-term operational maintenance.**
 - iii) **Only carry out (to the letter) what is specifically detailed in the contract. This is likely to limit service delivery to targetted groups and demographics.**
 - iv) **Reduce service access by centralising service delivery, thus transferring costs to others e.g. clients.**

These options are in contrast to the dedication of Not for Profits that go beyond what is spelled out in a contract. If there is an observable need then they have an ethic of service to all. In addition, Not for Profits carry out an important advocacy role based on their experiences in service delivery. This function is not funded through the contract. Perhaps it is this advocacy function that government objects to, and hence attracts it to a more compliant private sector that will only fulfil contracts and nothing beyond.

2. **Privacy:** A private company involved in social service delivery will become the holder of sensitive personal records of clients. What responsibilities they will carry to safeguard private information is not known. Regardless of the provisions of the Privacy Act, companies are enriching themselves by using and selling information. It can be anticipated serious problems will arise in this area of privacy.
3. **Company collapse:** Private sector businesses have a bad habit of failing. It is estimated that 50% of new businesses in New Zealand fail in the first five years (Corner, P. p.2). Under the Public Private Partnership (PPP) system, a number of notable failures have occurred e.g. London Underground Rail system. Closer to home, a number of privatised New Zealand companies have had to be rescued by government: Air New Zealand, Kiwi Rail and the BNZ. Following the 2008 financial collapse, government also rescued failing financial companies. If business failure is normal what are the implications for companies holding social service contracts? The potential risks for the most vulnerable are too great to contemplate.
4. **The Profit Motive:** Already in Australia, the global company Serco, well known for running refugee detention centres and prisons, is offering to provide personalised services for people with disabilities. The newspaper The Australian (24-7-15) reports that recently Serco "... was stripped of its responsibility for sterilising hospital equipment after a breach last year and another this year in which tools were returned for surgeries with tissue and blood on them." It seems that Serco is profit-driven rather than having values of care, service and social justice that are central to the Not for Profit sector. It must surely take its mission from one of the architects of neo-liberalism, Milton Friedman (p.133) who said:

"Few trends could so thoroughly undermine the foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for the shareholders as possible."

Conclusions

This paper has noted some important issues arising from any proposals to involve the private sector in the delivery of social services. It is ideology rather than logic that is driving governments to think about switching its focus towards the private sector. It rests on the belief that markets are more effective than any alternatives, even though the alternatives have a proven record. The mutually beneficial (and sometimes strained) relationships between government and the Not for

Profit sector is at risk. Introducing the private sector will also introduce competition, and this will affect cooperation, goodwill and trust between organisations and official agencies. This is at a time when we recognise the importance of integrated action and a whole of government response to serious and inter-generational problems.

Also at stake is the key role of the Not for Profit sector in responding to emerging needs that go beyond contractual responsibilities. The real danger is that we end up ticking boxes as though that form of reporting will actually achieve anything in the long term.

The private sector should continue to do what it does best: produce goods and services for sale. In addition it should consider providing financial support to worthwhile causes like Mainfreight's support for a decile one school in Otara. If the spirit moves them they could emulate the work of the charity, the Tindall Foundation through its shareholding in the Warehouse. There is much to be done through cooperation not competition. We would do well to reflect on the warning by management guru, Rosabeth Kanter: "It's up to us ... to take a stand, to choose between the lonely crowd or the connected community."

References:

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