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SITUATING MUTUALS IN THE AUSTRALIAN PUBLIC SECTOR CONTEXT

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First, here is some contextual information relating to the potential of public service mutuals in Australia. Cooperatives and mutual organisations have a rich history in Australia, but largely go unrecognised. In fact, it was only in 2013 that for the first time a National Business Council for Cooperatives and Mutuals was established, launched in Melbourne at the Royal Automobile Club of Victoria (RACV) Club. This lack of recognition is quite startling when we consider the numbers. There are 1,600 cooperatives and mutuals nationwide, yet it is only recently that there has been a national register (usually it is difficult to capture the work of these organisations across state boundaries). At present eight in 10 Australians are members of cooperatives or mutuals. In fact, there are more members of coops and mutuals in Australia than there are shareholders. Some of these organisations have huge asset bases, whether they are financial or insurance companies, or big agricultural coops. They are a very powerful part of the economy. Nor are they a completely new phenomenon; some of these cooperatives and mutuals have been delivering public services for years.

My own experience of Australian public policy dates back to the end of 2009 and the beginning of 2010. Approaching the 2010 federal election, a productivity report was released on the role of the not-for-profit sector, especially in relation to public service delivery. I was shocked at the scale of the not-for-profit sector

here—huge organisations like UnitingCare, Anglicare, the Salvation Army, and so on. This contrasts with the UK, where post-war many comparable organisations were nationalised and pulled into the National Health System (NHS). That did not happen here. The scale of outsourcing to the not-for-profit sector is quite different here to the UK, and I think that raises the issue of what the scope is for ‘spinning out’ parts of government, when in effect the not-for-profit sector is already providing a lot of that service.

Over the last three years, I have been very impressed by the innovative organisations and hybrid forms that have emerged to deliver public services. During this time, we have seen the failure of a large for-profit public service provider (ABC Learning Centres), which was a private company that delivered a lot of fundamental public services supported by government funding. ABC Learning Centres was taken over by what is called a ‘social enterprise’. There was a significant amount of involvement by the leadership of the previous *for-profit* organisation in creating a *not-for-profit* social enterprise solution to a public sector problem. Relatively recently, we have also seen the emergence of social impact bonds (see the chapter by Simone Walker in this book). Social benefit bonds have been piloted in NSW, and many states are looking at payment for results or ‘payment by outcome’ mechanisms. There is an increasing interest in employee ownership as an alternative to both for-profit and mutual-type organisations.

Research into ‘twenty-first-century public services’

On the back of these two developments, I have been working with a number of organisations to investigate the potential role for cooperatives and mutuals in delivering what I call ‘twenty-first-century public services’. We are looking not only to a different organisational form for delivering a public service, but specifically to these organisations being innovative and coming up with new methods of delivery. In other words, we are interested in innovation within the mutual and cooperative movement. I have enjoyed the support of the emergent and now launched Business Council for Cooperatives and Mutuals, and also of bankmecu, which is Australia’s first customer-owned bank. They are very committed to the notion that although they are engaged in a commercial activity, they must still deliver community value.

I have tried to conduct my research using a co-production methodology and action learning—I work with organisations and individuals who are undertaking the things I am studying, and make sure they are an active part of the research

process and that the research is both applied and relevant. Ultimately, I hope to influence both policy and practice—and the research is geared towards this end.

The key theme of my research is: what is the added value or advantage of using a coop or mutual model? In order to explore that cross-cutting theme, I have examined theory and analysed policy, looking specifically at UK, Canadian, French and Italian public policy in support of cooperatives and mutuals. I have been trying to assemble a body of case studies—both from the UK (which, thanks to the excellent resources from the Cabinet Office, I have been able to compile relatively quickly) and from Australia. My aim is to build an evidence base for the purpose of public policy, and also for practice. I will combine these in the form of a green paper, which will hopefully set out the potential for coops and mutuals in delivering public services (Hems et al. 2014). It will be aimed at academics as well as practitioners—those who are already in cooperatives and mutuals or who potentially could be undertaking their activities through a mutual form. There must be a facilitation and an encouragement of this approach, because it is not a good thing to push people in this direction when they are not ready or do not understand it. I hope that a green paper will be a way of raising interest in this option.

Some of my other research interests include:

1. **Incentive optimisation and trying to change the nature of some of the relationships between producers and consumers.** Sometimes intermediaries facilitate the linking of producers and consumers. Obviously cooperatives can either be producer cooperatives that are employee-owned, or they can be consumer cooperatives where the clients group together to purchase services. I want to understand the nature of the incentives for each of those different groups in using a coop/mutual form rather than the traditional government or market solution.
2. **Information asymmetry.** We are on the cusp of change in the public service delivery landscape—for example, under the National Disability Insurance Scheme (NDIS), individuals will have control over the purchasing of services for themselves or for their family member. Information asymmetry is a significant problem. Perhaps a coop/mutual form would actually provide a better vehicle for resolving some of the problems related to this.
3. **Governance.** There are real issues around community ownership and community democracy, and once again cooperatives and mutuals may have a way of addressing these. Communities are a source of capital and resourcing for service delivery. There are opportunities to understand the comparative advantage of alternative forms (Billis and Glennerster 1998; Birchall 2011).

4. **Would a cooperative-designed service look different if it were planned as such from the beginning?** Exploring what public service delivery systems look like if you start out using cooperative and mutual principles, as opposed to government or market-based systems.
5. **How to access funds.** There is a pot of money that can be used to solve problems of access to capital. I want to look at whether things like social enterprise investment funds actually work.

Mutuals in practice

I am very interested in cases and examples of services involving a government monopoly. The Cleveland Fire Service is a great example of how a government monopoly service has recreated itself as a community interest company that is going beyond its core mandate to deliver significant value to the local community. An example from the UK is the City Health Care Partnerships, which provide healthcare in local communities. There are Australian examples as well: an oft-quoted one is the West Belconnen Health Coop in Canberra—a mutual that offers bulk-billing Medicare services to a population that includes a significant proportion of low-income people. This is a people-owned cooperative. The patients who use the General Practice (GP) services become members if they choose to, which effectively makes them part of the ownership structure of that health service provider.

Another example from the UK illustrates further issues around complex services: MyTime Community Interest Company works with people with complex mental health problems, many from the former Yugoslavia. The traditional support was inadequate, so the ‘patients’ got together as a community and designed their own services to address their needs. They are hoping to get a social impact bond to scale up their activities. There are many more examples of in-home care and vulnerable groups.

Where there is both a market and a government failure, mutuals and cooperatives can step in. I am referring here to many remote and rural towns on the edge of being failing, unsustainable communities. This may be a way for communities to take control and retain community assets: the Fox & Goose in Hebden Bridge, Yorkshire, is a case in point of a community seeking to buy a pub in order to retain that institution (see Fox & Goose Co-operative Pub). There are many communities here in Australia that might benefit from a similar approach.

Issues in the Australian context

I recently completed a feasibility study for social impact bonds in New South Wales, and one of the things I felt we needed to understand was the appetite for such innovations. I would also argue that we must do a similar thing in relation to some of the policy levers that can lead to mutuals, and especially in relation to the notion of mutual and cooperative bodies being involved in public service delivery. I am keen to test how individuals, communities and organisations would respond to a policy lever such as a right to request, a right to provide, or a community right to challenge.

I sense that there is currently a very polarised response by different parties and stakeholders to payment by results. In the lead up to the 2013 Australian federal election, I did a survey of leaders in the not-for-profit sector. There is definitely a fear of the future around payment by results in the social welfare sector. Essentially, there is strong opposition to payment by results as a concept—although I found pockets of support as well. However, when it comes to social impact bonds (which are obviously based on payment by results) a majority of people do actually support it because it is bringing in new types of finance.

It is important to understand the different stakeholders' perspectives, and this is where incentive optimisation comes in. Cooperatives and mutuals might actually be attractive to many stakeholders but we have to make sure we ask them the right questions and that they understand exactly what a public service mutual is.

Are there parts of the Australian public sector that might be interested in exploring these types of mutualism in the public service? One of the obvious ones to look at, being one of the biggest monopolies, is Australia Post. The Royal Mail Service in the UK is going through the process of looking at employee ownership, mutualising sections of the service. There are parts of the Australian public sector that would certainly look at this type of opportunity as very favourable. By the same token, we should also think about challenging some of these very large not-for-profit organisations, such as Mission Australia or UnitingCare, to give their frontline staff, people working in teams in communities, a similar kind of offer—the kind of offer where staff can spin out the delivery of a particular local service, so there is much greater control by the people who are actually doing the job on the ground.

Similarly, I am keen to look at those policy areas that are going through significant change at the moment. The NDIS is one case in point. What would that scheme look like (and perform) if a cooperative or mutuals solution was one of its fundamental components? The same approach could be taken with in-home care, out-of-home care and foster care, affordable housing, independent

living and shelter living for the ageing population, schools, environmental issues—there is a whole raft services that I think would be very open to this type of option.

Another critical issue in the Australian context is that we need to come up with our own definition of a public service mutual. There are concerns here, and we should recognise them. *The Mutation of Privatisation* (Whitfield 2012) is a report that describes how this may be privatisation through stealth. Other people would say it is anti-competitive, because it is fundamentally anti-market. There are trade union perspectives—many zero-hour contracts run in many organisations in the UK at the moment, and there are concerns over what mutuals mean in relation to contracts.

And what of the future? If we do jump on this, what would it look like in 20 years? Would we have a better society if we went down this path? These are all complex questions we need to consider.

Enhancing the potential of mutuals—but let's do it properly

To conclude, I think that as a niche idea, cooperatives and mutuals have huge potential to grow in Australia, and to be operating at scale in the future. But we need to learn from the UK experience; we need to think through what this means in relation to federal, state and local government, and where the opportunities are—the low-hanging fruit.

I think a public services mutuals taskforce would be instrumental in starting the conversation. If we do go down that route, there is a raft of expertise already here in Australia, people who are thinking about these things. But I also know from my contact with these practitioners that the cooperatives and mutuals themselves are thinking about this. They are thinking about this more on a shared value proposition; some of the big health insurance companies, for example, want to be playing a much bigger role in delivering social impact. They do not want it left to the state to resolve things like obesity and type 2 diabetes. There are a number of health service and health insurance mutuals that are actively working on this now because they see a role for themselves in addressing these social problems.

If we do take these ideas forward, I would call from a researcher's perspective for this to be done in an experimental way—not a pilot, but rather a scientific experiment where variables and outcomes are measured, so we know whether they work. There is already some very good organisational-level work taking

place, but it needs to be measured. There are some great community-level experiments that we can pick up and develop further. For example, we could use the NDIS to conduct a case study in one community to analyse the suitability and effectiveness of using this type of approach.

As I have outlined, there is great potential in this area, but also a lot of work to be done. I am hoping that the community of policy analysts, policymakers and advisors, and politicians, can turn some of this into reality. If it can deliver some of that comparative advantage, there is actually going to be a better way to do good public service delivery.

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