

# Australian government moves to outsource key social services

Terry Cook  
27 August 2014

In a further step toward divesting government of all responsibility for social services, the Abbott government this month unveiled a scheme to outsource the processing of claims and payments under the public health insurance and pharmaceutical benefits schemes.

The government called for tenders to administer the Medicare Benefits Schedule (MBS) and Pharmaceutical Benefits Scheme (PBS) and the war veteran benefits scheme.

The MBS and PBS services are currently provided by the Department of Human Services (DHS) and constitute its second largest operation after the administration of welfare payments. Outsourcing them will effectively cut the department in half, paving the way for the axing of tens of thousands of jobs.

The move is also in preparation for outsourcing the DHS's remaining welfare and other payment responsibilities, and the total disbanding of the department, which currently employs around 33,000 people.

Announcing the step, Health Minister Peter Dutton declared: "We're determined to put into place a 21st-century payment system that will be more efficient for patients and doctors." This claim is a fraud. Services, as well as jobs, will be badly affected.

The decision is a key recommendation of Prime Minister Tony Abbott's pre-budget Commission of Audit and is in line with the government's plans to drastically slash public spending. That includes gutting social services, axing thousands of jobs and dismantling working conditions across the federal public sector.

The government has already moved to cut the pay and conditions of DHS workers. Last month, it demanded a new enterprise work agreement based on an annual pay increase of around 1.18 percent—well below the current

3 percent inflation rate—plus the surrendering of a raft of increment payments and working conditions.

Given the scale and complexity of the services involved, currently dealing with about 633 million transactions a year, worth \$31.5 billion, few companies could undertake the task. The outsourcing is likely to generate a lucrative revenue stream for one of the country's four major banks, or the government-owned Australia Post.

Handing contracts to Australia Post would assist the government's drive to privatise Australia Post itself, by giving it additional commercially attractive ventures.

Other federal government departments and agencies are clearly in the firing line. The audit commission's proposals include outsourcing Centrelink social security payments, making big cuts to Defence Department staffing in Canberra, abolishing the Australian Public Service Commission and establishing a shared services department.

Finance Minister Mathias Cormann said more announcements on the future of the public service were expected in the mid-year economic update expected in November. "We will continue to methodically consider and review the other issues raised in the National Commission of Audit report that are not addressed in the 2014–15 budget," he said.

The Labor Party's shadow human services minister Senator Doug Cameron feigned opposition to outsourcing DHS's processing operations, saying it would mean "even more cuts to frontline public services and Australian jobs."

Previous Labor governments, in which Cameron either served, or assisted as a trade union leader, launched the process of large-scale outsourcing and privatisation, starting with the Commonwealth Bank and Qantas in the 1980s and 1990s.

In 1993, the Keating Labor government also began contracting out some of the functions of the Commonwealth Employment Service (CES), paving the way for the Howard Liberal-National government to shut down the CES in 1998 to make way for a fully privatised Job Network.

By December 2000, 23 federal government departments and agencies had outsourced their IT infrastructure. Services that were outsourced in the early 2000s included key functions of Centrelink, Australian passport applications, defence port services and medical services cost recovery processing.

In 2012, the Gillard Labor government took the process to a new level with its National Disability Insurance Scheme (NDIS), a pro-market program to privatise disability services, while removing the Disability Support Pension from many recipients. Under that scheme, the state governments in New South Wales and Victoria have already begun shutting down disability residential support facilities.

No less than the latest move on medical, pharmaceutical and veterans' payments, the underlying premise of the NDIS is to hand over all public services to private operators, which will compete for business by further slashing labour costs and thus the quality of services. The NDIS is a virtual voucher system, allocating nominal amounts to disabled people, who must purchase their own care packages on the private market.

The public sector union bureaucrats, concerned only with maintaining their positions as labour brokers and industrial policemen, have collaborated with successive governments, both Labor and Liberal-National, to impose privatisation, outsourcing and downsizing by isolating and containing all opposition by workers.

The reaction of the Community and Public Sector Union (CPSU) to the Abbott government's decision to outsource DHS functions is a case in point. CPSU national secretary Nadine Flood said the move could result in the destruction of "20,000 public service jobs." But the union is opposed to any unified mobilisation of public sector workers.

Flood appealed for the government to consult with the union. This is a time-honoured mechanism for the collaboration of the public sector unions with governments to impose sweeping cuts to jobs, working conditions and services.

Just before Labor was swept from office in 2013, the CPSU participated in consultations with the Department of Finance and Deregulation to provide options for delivering \$1.8 billion in savings from Labor's "efficiency dividend targets." Altogether, Labor's "efficiency" measures cost thousands of public sector jobs.



To contact the WSWs and the Socialist Equality Party visit:

**[wsws.org/contact](http://wsws.org/contact)**