

TITLE: Hurting the community

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Why should the not-for-profit sector have to pay for the govt to reduce red tape, when the private sector doesn't?

No rational person would work in the community sector. Not according to neoclassical economists at least.

Rational individuals, we are told, are motivated by their own self-interest. So why would anyone ever volunteer to help people they don't know? And why would an organisation structure itself as a "not-for-profit" when economists typically assume that profit maximisation is the only rational objective?

Luckily for all of us, most people aren't rational in the way that neoclassical economists assume. If they were then there would be no SES volunteers who rush out on stormy nights to fix the roofs of strangers. There would be no people donating their time and more to charities that provide services to our most vulnerable citizens. And there would be no people queueing up to donate blood.

But the fact that the community sector doesn't conform to the rational ideal does not mean it is inefficient. On the contrary, the community sector delivers a wide range of services at much lower cost than either the public or private sector.

There is no simple explanation for why the community sector is so cheap, but there is little doubt it is related to the low wages its workers are willing to accept, the ability to attract volunteers and the motivation of staff who are committed to being a part of something bigger than themselves. Put simply, because community sector workers aren't obsessed with money they turn out to deliver far more value for money when they provide community services for government than their profit maximising colleagues in the private sector. Who'd have thought! But just because the community sector doesn't behave in the way the economic rationalists believe, that doesn't mean that they don't suffer from policies designed by them.

In a cruel version of the game "heads I win, tails you lose", the ACT government recently announced that it was going to impose a \$1.4 million tax on the community sector to fund, among other things, initiatives designed to improve the efficiency of the government itself.

Announcing its commitment to increase the efficiency of the ACT government and reduce the cost of "red tape" for businesses, Minister Andrew Barr announced he would "create a Red Tape Reduction Panel to identify, remove and improve outdated, unworkable and illogical business regulations".

Furthermore, the minister announced his intention to reform the government's procurement procedures to give weight to local producers in an effort to stimulate the local economy and ensure that local spending created local jobs.

While these initiatives make sense, especially the commitment to remove illogical regulations, it is hard to see why the community sector should be asked to incur the costs of meeting some of these commitments. The government has argued that because the highly efficient community sector would benefit from a reduction in government red tape they should be the ones to pay for it. This argument is as novel as it is confused.

The more money the community sector can raise, and the more volunteers they can mobilise, the more services they will provide to the most vulnerable members of society. There is no profit margin; there is no incentive to do anything other than to support the community. On the other hand, the less money they receive from government, the fewer services they can provide.

It therefore follows that it is not the community sector that has "lost" \$1.4 million dollars, it is the community. If the government believed that the level of support provided to disadvantaged children and families caring for those with disabilities was adequate, then it might make sense to reduce funding for community services. But if the government believes that the disadvantaged in our community have all the support they deserve it is not clear where or when it came to that conclusion.

It is great that the government is trying to reduce the amount of red tape it produces. Governments should always be on the lookout for opportunities to streamline their processes. But it is not clear why the government has adopted such a different approach to reducing red tape for private business and reducing red tape for the community sector.

As pointed out by the Greens leader, Meredith Hunter, while the community sector is being charged \$1.4 million to fund the streamlining of the ACT, the government is footing the bill for the cost of reducing the cost of red tape incurred by the for-profit sector.

Economic rationalists are usually big on user pays, but, in the case of this new tax it is not the users that will pay, but the most vulnerable in our community. While it makes little sense for a government to charge any sector of the economy for increasing the efficiency of government, it makes no sense to ask the not-for-profit sector to pay for the privilege while the taxpayer foots the bill for delivering the same benefits to the for-profit sector. Australia is one of the lowest taxed countries in the developed world and, while Canberra has the highest average income in the country, it has the lowest average tax rate.

If our elected representatives wanted to spend more on community services they could. If our elected representatives wanted to return the benefits of reducing their own red tape to the community sector they could.

Unfortunately for those in the greatest need, the ACT government has gone in a different direction.

But then again, economic rationalists have always argued that the best way to help those in need is to help everyone else first in the hope that the benefits will trickle down.

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