



# Auckland Metro Food Services Business Case

Submission to Health Benefits  
Limited *Te Ara Maia*

14 November 2014



**For a better working life**

New Zealand Public Service Association

Te Pūkenga Here Tikanga Mahi



# Auckland Metro Food Services Business Case

## Submission to Health Benefits Ltd Te Ara Maia

14 November 2014

### Introduction

*This submission is based on the views of our members*

The New Zealand Public Service Association Te Pūkenga Here Tikanga Mahi (the PSA) is the largest trade union in New Zealand with over 58,000 members. We are a democratic organisation representing members in the public service, the wider state sector (the district health boards, crown research institutes and other crown entities, state owned enterprises, local government, tertiary education institutions and non-governmental organisations working in the health, social services and community sectors.

We have around 17,000 members in the district health boards, mostly employed in clerical, administration, nursing, allied health and support staff roles. We have a number of members employed in kitchens and nutritional services in the DHBs, mainly as food supervisors, menu processors, managers, and as dieticians. We have members in all three Auckland DHBs affected by the proposal.

In developing this submission we relied heavily on the information provided by Health Benefits Ltd and have also discussed the issues with groups of members likely to be directly affected. We have seen the report of the review done by Pat Snedden for unions, Auckland DHBs and HBL, and have been briefed by Mr Snedden. We also sought feedback from other members who had an interest in the proposal.

In May 2013 we submitted on the indicative case for change<sup>1</sup>, commenting that: *'We are frustrated in our ability to provide a truly comprehensive submission responding to the proposal set out in the indicative case for change (ICC) because of our lack of access to crucial information on the costings used to generate the alleged savings from the preferred option'*. Much of that frustration remains, and has not been allayed by the information provided in the proposal for "Changes to Food Services"

The PSA is an affiliate of the New Zealand Council of Trade Unions Te Kauae Kaimahi (the CTU) and endorses the substantial submissions of the CTU and of the Service and Food Workers' Union (SFWU).

---

<sup>1</sup> <http://www.psa.org.nz/media/resources/submissions/>

## Summary of PSA views and recommendations

*The PSA opposes the proposal, and sees major risk*

The PSA strongly opposes these proposals; our May 2013 submission on the Indicative Case for Change put forward a comprehensive view that the proposals were unnecessary and not well considered. Having considered the business case, we have no reason to change this view. Given that the three DHBs have made the decision to consider implementing a new service delivery model, and Compass has been selected as the single national provider, we at the outset would like to state that we will oppose any decision to outsource food services that are currently being delivered in-house.

Our opposition is not ideological but based on feedback from our members that shows that the proposal has not been thought through adequately and will impose additional costs to ADHB rather than save any money. We also note that any savings that may occur in the short term will be derived from reduction in job numbers and in reduction in food quality, nutritional value and choice.

*The contract must support best outcomes for staff*

We have major concerns about the impacts for our members' jobs, and for the jobs of members of other unions. Mr Snedden's report raises his concerns about the commitment and capability of Compass to an exemplary consultation process with the workforce and their unions on the transition to a new model of food service. We see this as a major risk and a major weakness that HBL and the DHBs must remedy, probably through the contract conditions. They have an obligation to act in good faith.

*Staff must have confidence in the consultation and transition arrangements*

We request that any contract the DHBs enter into with Compass provides that the terms and conditions of employment and hours of work of employees are maintained and that the workforce is not casualised or made predominantly part time. Adequate and appropriate training must be provided for all workers, and qualifications recognised.

The consultation to date has been flawed and frustrating. We expect that both HBL and the DHBs will commit to best practice transition arrangements and to full and early consultation with staff and their unions, and that they will make these expectations clear to Compass and monitor compliance.

## PSA submission

### The review by Pat Snedden

We welcome Mr Snedden's report, and appreciate his briefing to unions. We note his assurances that on the basis of the information made available to him the projected financial benefits are achievable, and that lessons have been learnt from the failure of other roll-outs that will be applied. However our broad experience

with other shared services projects and contracted-out services in health and the other sectors of our membership leads us to a degree of scepticism about this. The projected savings are based on national procurement. There is no guarantee that other DHBs will move to use Compass as a provider. If this were to happen than Compass will no doubt seek to renegotiate the prices. . Our member's views are that Compass and HBL have also under estimated the staffing levels needed to provide meals on towards at ADHB.

We also note that he believes that the assurances given around the maintenance of food quality and standards are credible, but our dietician and other members still have doubts on this score. Reports we have received suggests that Compass standards in food safety are not up to the same standards as ADHB. They are under resourced in this area and are slow in following up complaints.

He does however pinpoint what we consider to be both a major weakness and a major risk: the commitment and capability of Compass to an exemplary consultation process with the workforce and their unions on the transition to a new model of food service. He notes that the long lead-in time should enable this, and we urge HBL and the DHBs to be explicit and rigorous in their expectations that this will happen, and to be rigorous in holding Compass to account on its workforce and employment relationships through the contract. We note that DHBs are statutorily obliged to be good employers, and they should not abdicate this responsibility in the contract.

### **General comments on the proposal for change**

*Food quality and safety is paramount*

*Nutrition standards:* Our May 2013 submission set out our serious concerns with the model being proposed, and the lack of information to support the indicative case for change (ICC). It focused almost purely on the economic, commercial, financial and management case for change. There was little or no emphasis on the quality of food or the needs of patients. To our members the goal of delivering nutritious quality food that is planned and prepared to sustain patient recovery is paramount.

The Metro Food Services proposal for change has to some extent taken points made in the ICC submissions on board and has set out how food quality and standards will be achieved, and how they will be monitored by a nutrition advisory group. In principle we support this, but we have a number of reservations about the process and the potential for disconnect between the quality of food that patients get and standards set by the advisory group. In particular we have deep concerns about sourcing food from the lowest-cost suppliers, some of whom will be from overseas where it is hard to be fully confident about their food safety standards. Food safety is crucial, and hospital dieticians must be closely involved in local monitoring and be empowered to make local changes as necessary. We recommend that food quality is rigorously monitored, with significant and quick penalties for non-performance by the contractor.

In an attempt to gain economies of scale Compass will limit the number of choices on its menu, to the extent that same menu choices will be offered nationally on the same day. Seasonal vegetables will also be offered automatically, while in theory this seems a good idea in practice in number of cases it will lead to increased food wastage from patients who may have a dislike for a particular vegetable or have loss of appetite.

### *Steamplicity*

At ADHB Steamplicity will be used as the main method of cooking and providing meals on a number of wards. To do this current ward pantries will need to be modified to hold all the equipment ( 4 microwaves, a fridge, a supplies cupboard, rubbish bins, trolley, soup kettle, sanitizer, work bench for food assembly and many other items) the current ward pantries are small and are shared by visitors and nurses. We are concerned that additional space will needed in the wards to accommodate the Steamplicity process and make this space inaccessible to nurses and visitors for long periods of time.

Smell of cooking using the Steamplicity process in the wards will also be a major issues. Previous experience of reheating food in the wards shows high levels of complaints and dissatisfaction. It is our view that the consultation process of informing nurses and other ward based staff of what the use of Steamplicity entails has been inadequate. It will be a very costly exercise to introduce such a system and have to either withdraw it or have very dissatisfied staff. We recommend that at ADHB staff in the wards be provided clear information on what Steamplicity will mean for them.

We further believe that the time allowed for staff to get the meals cook and deliver them is very tight. It does not take into account the logistics of getting around AHC to pick up meals and to heat and deliver them without it getting cold.

*Length of the proposed contract:* The proposal is for a 15 year contract, with 5 year review points. If this is agreed, this presents a real opportunity for the contractor to put sustainable and long-lasting policies and processes in place that will assure best outcomes for staff and for patients. In the section on the impacts for staff we refer to the need for a commitment to training and development for staff, for job security and regularisation for staff. The contract should be explicit about the DHBs expectations of good practice in workforce and employment relations, and this should be monitored, with penalties as appropriate for non-performance.

### *There are significant risks for DHBs*

*Risks to DHBs:* we continue to believe that this proposal presents huge risks for DHBs, particularly around the loss of local autonomy, food safety risks and the impacts on the workforce and loss of both skills and flexibility at local level. Our submission on the ICC set these out, and in our view the business case does not have adequate mitigation of the risks. The terms of the contract will be vital in ensuring that standards are met, not just in food quality and price, and that there are no adverse outcomes for patients and staff.

*Positive working relationships lead to better outcomes*

*High engagement / high performance work practices:* The PSA would like to see a commitment by Compass to developing a positive working relationship with staff and their unions to ensure high engagement and high performance. There is a significant body of evidence that workplaces where staff feel valued, supported and where they have a voice that is listened to by management are more productive. We are working with several DHBs on productivity programmes based on these principles.

### **Impacts on PSA members**

*Jobs must be protected and secured, through strong contracting arrangements*

*Protecting and securing jobs:* If the three DHBs do decide to proceed and accept the proposal for change we urge the DHBs to ensure that the contract it enters into with Compass has strong provisions for protecting employee rights and conditions of employment. Reports and advice from existing Compass employees suggests that its employment practices are not the best. Of greatest concern to us are the employment of staff on part time basis (up to 24 hours) and offering them additional work on casual basis. Also of concern is that while DHBs will transfer employees to Compass under Part 6A of the ERA which protects their terms and conditions of employment at the time of transfer, it does not guarantee that Compass will preserve these conditions going forward. Our members' experience is that where jobs are transferred from public providers to third sector providers, terms and conditions – including wages – are eroded over time and inevitably move downwards to the lowest common denominator.

*Staff need to have certainty*

We request that any contract the DHBs enter into with Compass provides that the terms and conditions of employment and hours of work of employees are maintained and that the workforce is not casualised or made predominantly part time.

During the consultation period ADHB has assured employees that it will redeploy staff who do not wish to transfer to Compass. We are concerned that the processes being used where the consultation being undertaken, is on contracting out services to Compass and is at a very high level view on how food services will be provided. This leaves staff unclear and uncertain on how their roles will be affected and transformed. Staff will be required to make decisions on whether they wish to transfer without any knowledge of the actual impact the move to Compass will have on them.

We are extremely concerned that once staff have transferred to Compass and are no longer ADHB employees, ADHB will have no obligation to redeploy them to roles within ADHB. We are also concerned that even if ADHB were agreeable to redeploy employees it may not have suitable roles available. Staff need as much certainty as possible, as early as possible, about what their options are, and what those options are likely to mean for them in future.

*Redeployment  
within ADHB should  
be an option*

We request that ADHB provides an option to employee who do not wish to transfer to Compass to seek redeployment to roles with in ADHB at the initial stage of transfer. Where this is not possible ADHB should provide employees the opportunity to seek redeployment to ADHB once Compass reconfigures its final structure and roles. Employees who cannot be redeployed or who do not want to accept roles that are in the same capacity as ones they have now should be offered redundancy under the terms of their employment agreements.

*Training must be  
provided*

*Training and qualifications:* Because the new model is such a different way of delivering food services, extensive training and supports will be required for the staff who undertake the work. This must be comprehensive and inclusive, and formal qualifications should be required and recognised. A well-trained workforce will be crucial for the success or failure of the new model, so there must be no economising on training. We expect that the contract should be explicit about this. A further point we wish to raise is the necessity of having a permanent workforce; we have noted elsewhere our concerns about the likelihood of the workforce becoming casualised as has happened at other Compass and other employer sites. A part-time, casualised workforce will be less well-trained, have higher turnover and therefore the possibility of not meeting performance standards and of consequent adverse health and safety impacts and negative outcomes for patients will be higher. This, in our view, is a significant risk for the DHBs.

*Consultation and transition arrangements:* We fully agree with the CTU's assertion that to date the consultation process has been flawed and frustrating. The business case in effect assumes that the proposal will go ahead in the Auckland DHBs and that it will then roll out more widely to other DHBs. We expect that both HBL and the DHBs will commit to best practice transition arrangements and to full and early consultation with staff and their unions. This should be made clear to Compass, and compliance monitored. Leaving it until after the process has started is not good practice, and has the potential to undermine the transition from the outset. The PSA has extensive and long experience, across all sectors of our membership, of change management and restructuring processes, both large and small. We know what works, what the pitfalls are, and what best practice looks like. We do not see it here.

**For further information about this submission contact:**

Ashok Shankar, PSA Organiser

E: ashok.shankar@psa.org.nz

T: 0508 367772

M: 027 2778134



[www.psa.org.nz](http://www.psa.org.nz)