



ACOSS Submission | June 2009

Australian  
Council of  
**Social Service**

## **Submission to the Productivity Commission**

### **Study into the Contribution of the Not for Profit Sector**

ACOSS, June 2009

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## **Summary of Key Findings**

### **10 features and benefits of a strong, diverse and effective Not for Profit community services and welfare sector**

1. The sector is mission driven rather than market driven. This means that surpluses are reinvested back to provide a dividend for community stakeholders, rather than individual shareholders. This may take the form of an enhanced range of services, increased provision of services, or higher quality services.

2. The mission and altruistic purpose generates goodwill which mobilises additional human and material resources including valuable networks and relationships. While this provides added value, it is important to distinguish between such efficiency and “provision on the cheap”.

3. The altruistic purpose can lead to greater trust and faster and more effective engagement of marginalised individuals – not for profit community service and welfare agencies can be a safe and preferred place to go which is supported by ABS surveys and ACOSS commissioned polling.

4. The sector can be more responsive to previously unrecognised needs resulting from market or government failure – the initiative is far more likely to come from organisations which have a stake in that need, than from government departments or commercially engaged service providers. Not for profit providers often provide services which may be too politically sensitive for governments to directly offer – for example, assistance for asylum seekers, needle injecting centres and sexual health workers.

5. An ability to respond holistically and flexibly - community organisations are generally better equipped to respond to a full range of client needs in a flexible way. Such responsiveness and flexibility cannot be guaranteed by contracted commercial services and probably not by more bureaucratic or siloed government structures.

6. Participation and representation of clients in management structures, program development and delivery can be empowering and lead to more effective outcomes. Representative and networked ways of operating enhance information flows both up and down and across a range of points of contact.

7. A long term commitment to an issue, client group or local community brings a history of knowledge, expertise and lessons learned and a constant search for understanding the structural causes of problems.

8. Innovative solutions based on practice to both anticipate new needs (from an ageing population, a global financial crisis or climate change) and to respond more effectively to ongoing and deep seated inequalities (closing the gap on indigenous life expectancy).

9. Building community cohesion and social capital. Meaningful community involvement in, and responsibility for, providing community services is an important tool for weaving

community cohesiveness. This can serve as a safeguard against some parts of our society becoming marginalised or alienated.

10. The activities of community organisations contribute directly and indirectly to the economy, directly through paid and unpaid employment and indirectly through their contribution to maintaining the wellbeing of individuals, families and communities, thereby providing the human resources necessary for the economy to function.

### **Summary of key recommendations**

Governments need to work in partnership with the considerable expertise of the community services and welfare sector to tackle entrenched disadvantage, unemployment and achieve social inclusion. The relationship between the Federal Government and the community services and welfare sector needs to be re-engineered to find a more even balance, underpinned by greater levels of understanding about respective roles and responsibilities and a greater sense of common purpose. The sector is more than keen to share its expertise with Government in the design of programs and contracts to achieve more responsive and innovative service outcomes.

A complete overhaul of the regulation regime applying to Not for Profits is long overdue – the complexity and duplication by the more than 20 means of incorporation, different fundraising and other laws is impeding the sector ability to respond to the global financial crisis, an ageing population and delivering more effective solutions to its clients. ACOSS reiterates its call for a single national regulator (a Not for Profit Commission). Australian Not for Profits, their voluntary Boards, the legal profession and government officials all struggle with definitions of charity based on British statutes from the 1600's. The recommendations of the 2001 Definitions of Charity Inquiry have been widely accepted and the Federal Government should implement them without further delay.

Contracts and other funding from Government need to reflect the true cost of delivery and low pay rates and under investment in basic IT, financial and other infrastructure must be addressed.

The definitions used for data collection and reporting on programs are inconsistent and waste valuable resources and time. One agency serving family and children in a highly disadvantaged area of Queensland has 32 service agreements across Federal and State government agencies, is required to establish and operate 8 separate data systems, and generate 121 financial reports and 125 performance reports each year. Community services and welfare agencies report the information flow is largely a one-way street to government with little analysis or feedback to allow for benchmarking and service delivery improvements.

Current approaches to performance monitoring focus too heavily on managing a service agreement and counting throughputs and outputs rather than informing service effectiveness and improving outcomes. This may further disadvantage individuals who are already marginalised as organisations struggle to balance meeting their needs with those of government reporting requirements which stress success as delivering high volumes of service.

Innovation is central to the mission and approach of the community services and welfare sector but it has been stymied by overly prescriptive contracting and needs to be allowed to flourish. At least 1% of program delivery costs should be devoted to innovative approaches delivered in partnership with government, the community services and welfare sector, research bodies and philanthropy. Outcomes could be set in consultation with partners but there would be considerable flexibility around how to get there. Innovation funds must factor in a percentage of failure – the price we expect to pay in science, health and business to get leaps of innovation which may ultimately pay off many times over.

## **Section 1: Measuring the Contribution**

### **Introduction**

Section one responds to the terms of reference in relation to measuring the contribution of the Not for Profit sector in Australia. This response will be limited to the sub sector represented by ACOSS and its members, namely the community services and welfare sector.

Extensive consultation with ACOSS members revealed a strong desire to set out the full range of activities performed by the sector before attempts are made to measure the contribution. Therefore this section covers who we are, what we do, how we do it and captures some of the unique contribution made by this sub set of the wider Not for Profit sector in Australia.

### **The Australian Council of Social Service**

The Australian Council of Social Service (ACOSS) is the peak council of the community services and welfare sector. Established in 1956, ACOSS is the national voice for people affected by poverty and inequality. Through its network, ACOSS links community and welfare services in every corner of Australia by bringing together eight State and Territory Councils of Social Service which represent thousands of front-line community agencies and 57 national member organisations including:

- National peak organisations of consumers and service providers such as the Australian Federation of AIDS Organisations, Community Housing Federation of Australia and Jobs Australia
- National religious and secular welfare agencies including the Salvation Army, St Vincent de Paul and Mission Australia
- Low income consumer groups such as the National Council for Single Mothers and their Children and People with Disabilities Australia.

Membership of ACOSS also includes professional bodies working within the community welfare sector such as the Australian Nursing Federation, the professional and industrial voice for nurses and midwives in Australia. Many state and local organisations and individuals also support ACOSS's work by being Associate Members. There are currently 237 Associate Members.

### **Diversity of members**

While the membership of ACOSS is diverse, within each member organisation there is often also considerable diversity. For example, Catholic Social Services Australia, one of ACOSS' national members, is comprised of 66 organisations delivering services and programs. Their largest member organisation has an annual turnover of over \$100 million and their smallest organisations have little or no annual turnover, as direct community services are provided only by volunteers.

Consultations with ACOSS members found that the sector covers a broad spectrum of size and focus. Some members work with specific client groups, such as ethnic minorities with disabilities; others are large and deliver services across the social services, development and housing spectrum of activities. Some deliver “wrap around” services, others become experts in one area such as social security law and policy and refer clients with other problems to relevant agencies including crisis accommodation and financial or domestic violence counselling.

Like the Not for Profit sector generally, the community services and welfare sector is heterogeneous, ranging from small unincorporated groups with no paid staff and minimal income to large organisations with multi-million dollar budgets and hundreds of employees. The nature of the work undertaken by the sector also varies: some organisations provide direct assistance: some work to achieve systemic change; many do both. Organisations can work nationally but employ relatively few staff, or be based in a local area and employ many. Large national organisations can develop research and program evaluation capacities that become a significant resource for government and the community as a whole. While some organisations receive government grants or contracts from government for service delivery, many do not.

The diversity of the community services and welfare sector across Australia is partly a response to meeting needs that have evolved over time, are not met by government or the market and cannot be resolved within the family or personal support networks alone. While organisations may initially form to meet a specific need, over time they may also change the focus of the people they deliver services to, the nature of the services, or how they deliver the services. For example, the Benevolent Society, Australia’s oldest charity, is transitioning away from residential aged care to care in people’s homes and communities; has significantly increased its services to families with children with an increased focus on connecting them to their communities; and is commencing long term social inclusion projects in two disadvantaged locations in NSW.

This diversity is a feature of the sector and one of its strengths. To summarise from recent consultations with ACOSS members: *“our sector is organic and evolving, not static and easy to pin down.”*

### **History of an evolving and diverse sector**

Neighbourhood and Community Centres have existed in NSW since at least 1961, with many early Centres beginning as Community Aid Centres, Citizens Advice Bureaux or Community Information Centres. They grew along with the movements for self help, resident action and welfare rights. Neighbourhood and Community Centres reflect the move away from dependence on traditional welfare towards disadvantaged people and communities participating in the decisions which affect their lives.

NSW Government funding began with small seeding grants in the late 1960s and was boosted by Australian Federal Government funding through the Australian Assistance Program which emphasised the development of local initiatives and participation.

More than 280 Neighbourhood and Community Centres now exist in NSW alone. A number of Neighbourhood and Community Centres now act as multipurpose community service providers while others focus on a particular service or activity. Neighbourhood and

Community Centres are different in each community - rural, provincial towns and cities, outer metropolitan Sydney, inner urban Sydney. Some of these differences reflect historical and political events and pressures.

Currently, the peak organisation which represents neighbourhood centres nationally has more than 1000 members, ranging from organisations which have nearly \$50m in turnover and employ nearly 150 staff to small organisations with a turnover of \$20,000<sup>1</sup>.

### **About the State Councils of Social Service**

Councils of Social Service have been active in each State and Territory from as early as 1935 and currently have approximately 3000 member organisations collectively.

	Numbers of Members	Established
ACTCOSS	184	1963
NCOSS	800	1935
NTCOSS	110	1976
QCOSS	600	1959
SACOSS	300	1946
TASCOSS	130	1961
VCOSS	600	1946
WACOSS	292	1956

Details of the scale and diversity of work can be illustrated by the NSW Council of Social Service (NCOSS). NCOSS estimates that through its 800 members and current membership forums, it represents more than 7,000 community organisations and over 100,000 consumers and individuals. The sector that NCOSS represents is comprised of about 6,400, small to medium sized non-government organisations that deliver social services to their communities. Member organisations are diverse, including: unfunded self-help groups, children's services, registered training authorities, emergency relief agencies, chronic illness and community care organisations, family support agencies, housing and homeless services, mental health, alcohol and other drug organisations, local indigenous community organisations, church groups, peak organisations, and a range of population-specific consumer advocacy agencies.

### **What we do**

In 1959, the ACOSS constitution sought to promote assistance to the needy, to improve services designed to relieve poverty, distress, sickness or helplessness, to carry out research to alleviate poverty and distress, and to promote the establishment of new services in the areas of health, migrant support, and juvenile delinquency. More than 50 years later, ACOSS's vision is for a fair, inclusive and sustainable Australia where all

<sup>1</sup> (Local Community Services Association, 2009), consultation with members, 2009.



individuals and communities have the resources they need to participate in and benefit from social and economic life. The aims of ACOSS are to reduce poverty and inequality by developing and promoting socially, economically and environmentally responsible public policy and action by government, community and business while supporting non-government organisations which provide assistance to vulnerable Australians.

Our diverse members and supporters come together under the ACOSS umbrella because of their commitment to these aims.

**Breadth of work: South Australian Council of Social Service**

*Policy:* we analyse, negotiate and argue for fair and effective public policy.

*Advocacy:* we advocate on behalf of vulnerable and disadvantaged South Australians, and work with member organisations to initiate, develop and provide expert advice and opinion to achieve fair and just public policy.

*Information & Comment:* we provide independent information and commentary to the sector and the broader South Australian public, raising awareness of social justice issues and strategies to tackle them.

*Sector Support:* we advise and assist community and social service sector organisations with issues including advocacy, negotiation, planning, management and governance.

*Training, workshops & seminars:* we bring people together to debate community and social service sector issues and current public policy. We promote cooperation, the sharing of resources, information and discussion through public training workshops, customised training, and consultancy services.

*Research:* to help inform evidence based practice, advocacy and campaigning, SACOSS undertakes research, briefing papers and literature reviews<sup>2</sup>.

ACOSS and its members in the community services and welfare sector undertake a number of activities to achieve their aims. These include:

- Advocacy to provide a voice for marginalised people, either directly or on their behalf;
- Research on the issues affecting low income and disadvantaged people – this may include program evaluation, design of innovative services based on pilot programs, international best practice, survey of client users and joint work with universities;
- Policy development based on members, service users, volunteer experts and from experience on the ground of delivering services. This may help shape priorities for governments, highlighting areas of need and providing on-the-ground experience of policy in action;

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<sup>2</sup> (South Australian Council of Social Service, 2009)

- Education for the broader community to better understand the needs and rights of marginalised groups in society, build empathy for them and overcome stigma and discrimination. This work can dramatically improve the quality of the society as a whole – making it more inclusive;
- Representation – community service and welfare organisations may directly represent their members or clients, including older people, people with disabilities, sole parents, and people living with HIV/AIDS;
- Interpretation of government policies – organisations can help explain complex government policies, programs and procedures and ensure members of the public access the programs that can best help them;
- Empowering local citizens and clients to take charge of their own lives through community development, building relationships and networks in neighbourhoods and communities, and providing self-help and mutual support, which in turn builds social capital and community cohesion;
- Direct service delivery to meet the needs of clients or members including home and community care; residential aged care; disability services; child care; child welfare; family relationship services; financial and material support; housing and homelessness services; employment/training services; legal services; information, advice and referral services; health services; individual advocacy; youth services; and sexual assault/domestic violence services. Early intervention and prevention programs which lessen risk, increase resilience and keep people out of these crisis system have become an increasing focus in this work; and
- Promote a heightened sense of community and social responsibility which goes far beyond the provision of services.

## **Advocacy**

Advocacy is of fundamental importance to the work of the community services and welfare sector.

Many organisations whose primary role is to deliver services to disadvantaged people often develop policy responses to gaps and unintended or perverse outcomes and to address the structural causes of disadvantage and lack of opportunity.

From its foundation, ACOSS has been influential in many policy debates and social campaigns to increase payments to alleviate poverty and to address the structural causes of poverty and inequality.

Dr John Falzon, CEO of the Society of St Vincent de Paul and a current ACOSS board member, stated in 2008:

We would see advocacy as absolutely non-negotiable. It is integral to our charitable purpose. This is not something we have invented in recent years. In Paris in 1833,

our founder made very explicit the principle that we were not simply to give assistance to the poor but to seek out and understand the structures that give rise to poverty and inequality, and to actively advocate to change those structures<sup>3</sup>.

Reflecting the broad and diverse membership and working to meet its aims means ACOSS is currently active in developing policy and advocating in ten key areas:

- Community Services
- Economics and Tax
- Employment, Education and Training
- Health
- Housing
- Indigenous Issues
- International social issues
- Law and Justice
- Rural and Remote Communities
- Social Security

#### **Brief history of advocacy undertaken by the community services and welfare sector**

An example of an early advocacy achievement by ACOSS and its members was the significant increase in the widows' pension that was successfully campaigned for and achieved in 1963. Research undertaken by NCOSS in 1959 (at the request of ACOSS) had found severe poverty amongst widows and their dependent children. The campaign included submissions to federal parliamentarians, successful media promotion and a series of public meetings.

ACOSS was instrumental in calling for, and broadening, the 1973 Henderson Poverty Inquiry and ensuring consumer representatives participated in preparing evidence to it.

In the 1970s ACOSS advocated for a range of issues including a more progressive and equitable taxation system, expanded legal aid services, increased emphasis on the needs of migrants, including greater access to interpreters, the introduction of a national health care system and improved services for the physically and mentally handicapped. The establishment of Medibank and the introduction of the Supporting Mothers pension by the Whitlam Government were welcome responses to this advocacy.

In the 1980s ACOSS significantly contributed to the Review of Social Security and worked closely with the ACTU to obtain substantial increases in family payments for low income families.

In the 1990s, advocacy focused on reductions in poverty traps and effective marginal tax rates through: less harsh benefit withdrawal rates; increased need for dental care; the need for employment and training services to provide intensive assistance to long term and disadvantaged clients and reduced breaching and penalties for recipients of unemployment

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<sup>3</sup> (Falzon, 2008)

benefits.

Recent campaigns have highlighted the need for a fairer Australia and the benefits to the community as a whole. This approach has been validated in international research<sup>4</sup>. ACOSS has also supported reconciliation with indigenous people and policies to close the gap on indigenous life expectancy. Since 2006, ACOSS has worked to ensure the needs of low income and disadvantaged people are taken into account in the response to climate change.

Persistence is often a hallmark of the advocacy work of ACOSS and its members. For example, one ACOSS member, the Australian Nursing Federation has campaigned for more than 15 years to allow rebates for prescriptions, referrals and diagnostic tests ordered by nurse practitioners and midwives across Australia in order to break down the barriers that prevent Australians accessing equitable health care, keep people well in the community and ultimately reduce pressure on public hospitals. This was achieved in the 2009 Budget.

ACOSS has drawn attention to the inequities in superannuation taxation treatment since the early 1990s. In 2009, public debate has shifted with the ACTU, many academics and commentators agreeing with this position and the Federal Government taking the first steps to remedy this in the 2009 Budget.

The ACOSS submission to the *Industry Commission Inquiry into Charitable Organisations* in April 1994<sup>5</sup> remains relevant in 2009. It neatly encapsulates the benefits of the community services and welfare sector as:

the maintenance of diversity and variety within the system (especially by small scale local provision), the capacity for innovation and testing of alternative models of service, and constructive criticism of government, which all help to safeguard against long-term instability born of a preoccupation with a single monopolistic approach.

Consultations undertaken in the course of writing this submission have identified the following 10 benefits.

### **Ten features and benefits of a strong, diverse and effective Not for Profit community services and welfare sector**

Consultations with ACOSS members and research for this submission has highlighted the following key benefits of a strong, diverse and effective Not for Profit community services and welfare sector.

1. The sector is mission driven rather than market driven. This means that surpluses are reinvested back to provide a dividend for community stakeholders, rather than individual shareholders. This may take the form of an enhanced range of services, increased provision of services, or higher quality services.

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<sup>4</sup> See for example, (Pickett & Wilson, 2009).

<sup>5</sup> (ACOSS, 1994)

2. The mission and altruistic purpose generates goodwill which mobilises additional human and material resources including valuable networks and relationships. While this provides added value, it is important to distinguish between such efficiency and “provision on the cheap”.
3. The altruistic purpose can lead to greater trust and faster and more effective engagement of marginalised individuals – not for profit community service and welfare agencies can be a safe and preferred place to go which is supported by ABS surveys and ACOSS commissioned polling.
4. The sector can be more responsive to previously unrecognised needs resulting from market or government failure – the initiative is far more likely to come from organisations which have a stake in that need, than from government departments or commercially engaged service providers. Not for profit providers often provide services which may be too politically sensitive for governments to directly offer – for example, assistance for asylum seekers, needle injecting centres and sexual health workers.
5. An ability to respond holistically and flexibly - community organisations are generally better equipped to respond to a full range of client needs in a flexible way. Such responsiveness and flexibility cannot be guaranteed by contracted commercial services and probably not by more bureaucratic or siloed government structures.
6. Participation and representation of clients in management structures, program development and delivery can be empowering and lead to more effective outcomes. Representative and networked ways of operating enhance information flows both up and down and across a range of points of contact.
7. A long term commitment to an issue, client group or local community brings a history of knowledge, expertise and lessons learned and a constant search for understanding the structural causes of problems.
8. Innovative solutions based on practice to both anticipate new needs (from an ageing population, a global financial crisis or climate change) and to respond more effectively to ongoing and deep seated inequalities (closing the gap on indigenous life expectancy).
9. Building community cohesion and social capital. Meaningful community involvement in, and responsibility for, providing community services is an important tool for weaving community cohesiveness. This can serve as a safeguard against some parts of our society becoming marginalised or alienated.
10. The activities of community organisations contribute directly and indirectly to the economy, directly through paid and unpaid employment and indirectly through their contribution to maintaining the wellbeing of individuals, families and communities, thereby providing the human resources necessary for the economy to function.

**Valuing community based Not for Profits**

“Community based organisations have seen themselves as offering something unique, they are locally run. They engage with the community in a range of ways, and typically adapt to the specific problems and needs in their community. They are often highly entrepreneurial. Being tied to a community they have developed ways of surviving through waves of different funding regimes and winning or losing contracts. They don’t have the option of simply moving on. Their entrepreneurialism extends to the way in which they see and deal with local problems... They have the ability to deliver services in a way that takes advantage of the assets in the local community and they will reinvest in that community to build those local assets<sup>6</sup>”.

**Measuring the contribution of the community services and welfare sub-sector of the Not for Profit sector**

To carry out its aims the community services and welfare sector needs to be properly understood and supported. The capacity of this sector will, to a significant degree, determine how well Australia will cope with the social and economic pressures of an ageing population – in terms of meeting the care and support needs of the population and enabling the economic participation of working age adults, as well as in responding to the global financial crisis and the impact of climate change.

It is important for public policy to understand the supply and distribution of services as well as access, affordability and utilisation. To understand these changes we need quality data about the geographic distribution of services and the financial contribution to services from governments, users and providers.

Measuring can help us understand all these component parts and better understand the value they serve. It can help us to answer the questions of which client groups or activities receive the most resources and where there is unmet need. Questions in relation to which programs and activities are most efficient and effective at meeting needs are more properly the subject of program evaluation and will be dealt with later in this paper.

The quality of community services and welfare sector provision is strongly related to the level of education and training of the workforce, which in turn is affected by the wages and conditions offered within the industry.

Again, our understanding of these issues is dependent on good quality data of the kind collected by the ABS and the Australian Institute of Health and Welfare. Current data is not adequate for this task.

Currently there are three main Australian Bureau of Statistics (ABS) data sources to draw on, the *Community Services Industry*<sup>7</sup>, *Non Profit Institutions Satellite Account*<sup>8</sup>, and the *Not for Profit Organisations Survey*<sup>9</sup>.

6 (Fowkes, 2009, p. 36)

7 (Australian Bureau of Statistics, 2001)

8 (Australian Bureau of Statistics, 2002)

The *Community Services Industry 8696.0* survey (most recently published in 2001 based on 1999-2000 data and previously published in 1996) is extremely valuable. It contains data on the economic and organisational structure of the industry, including identification of the relative contribution of government, non-profit and for-profit providers. ACOSS and its members have relied heavily on the data from these surveys. ACOSS strongly supports the decision to carry out the survey again in 2009 with a planned release for mid 2010, however we believe a 10 year survey cycle is too long. ACOSS has previously provided specific input into this survey and our comments are attached at Appendix 1. This survey draws on Australian Industry classifications (known as the Australian and New Zealand Standard Industrial Classification – ANZSIC) which are different to the classifications used internationally for Non Profit data collection. In terms of the sector ACOSS represents, significant industries (such as employment services, housing, law) are also classified separately and would need to be extracted from other industry surveys to provide a comprehensive picture.

The *Non Profit Institutions Satellite Account 8256.0* (published in 2002 based on 1999-2000 data) collapses the data from 12 categories used by the International Classification of Non-Profit Organisations (ICNPO) and reproduced in the Productivity Commission Issues Paper into five categories, namely: education and research; health; social services; associations; other. An updated publication is due for release later in 2009.

The most recent data published by the ABS, the *Not for Profit Organisations Survey 8106.0*, (published 2008 based on 2006-07 data), relies on an extremely small sample survey and classifies the data into nine activity categories.

ACOSS members fall into four of the nine activity categories listed in the ABS 8106.0, namely:

- Health - ACOSS members are actively involved in some of these categories including nursing homes, mental health and crisis intervention, and other health services such as public health and wellness education.
- Social services – ACOSS members are in almost all of this category: child welfare, child services & day care; youth services and youth welfare; family services; services for the handicapped; the elderly; self-help and other personal social services; temporary shelters; refugee assistance; income support and maintenance and material assistance. ACOSS members would not typically be represented within disaster/emergency prevention and control.
- Business and professional associations and unions (we estimate a small number of ACOSS members would fall into this category).
- Environment, development, housing, employment, law, philanthropic, international (we estimate a large number of ACOSS members would fall into this category, particularly development, housing, employment and law).

The data captured in this *Not for Profit Organisations Survey* is not sufficiently broken down by sub set to be able to extract specific industry groupings and analyse the number of employees, size of organisation or quantum of activities undertaken within these large and diverse categories of activity. This means it is impossible to separate out data about what activities are being undertaken by environmental, housing, legal, international or employment Not for Profit organisations.

ACOSS has attempted to extrapolate available data to understand better the tangible inputs of what is undertaken within the social services category. We have used a number of the categories updated by Mark Lyons in 2009<sup>10</sup> and the same data sources. These are:

- Employment and economic contribution
- Sources of Income
- Philanthropy
- Volunteering

We have also added a fifth: Services Delivered and included data from the *2009 Australian Community Services Sector Survey*<sup>11</sup>, published in June 2009, where appropriate.

However it must be stressed that this social services category omits a considerable amount of the activities undertaken in the broader community services and welfare Not for Profit sector represented by ACOSS. In particular they omit nursing homes for the aged, mental health and crisis intervention, community housing, employment services, community legal centres, community and neighbourhood organisations, business services for disabled people, advocacy, ethnic associations and professional associations. In terms of activities it omits the work of more than 275 non profit organisations which deliver employment related services for unemployed people in Australia.

### **Employment and economic contribution**

In 2006/07, Australia's 41 000 economically significant nonprofit organisations:

- Employed 995,000 people, 8.6% of Australians in employment
- Had an income of \$74.5 billion
- Contributed \$34 billion, or 3.4%, to GDP
- Made an economic contribution equivalent to that of the government administration and defence industry and one and a half times the size of the economic contribution of the agriculture industry<sup>12</sup>.

The data for 2006-07 show that the social services sub-sector:

- Employed 240,700 paid staff (27% of the total NfP sector)

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<sup>10</sup> (Lyons, 2009)

<sup>11</sup> (Australian Council of Social Service, 2009)

<sup>12</sup> ABS 2008 in (Lyons, 2009)



## Submission to the Productivity Commission The Contribution of the Not for Profit Sector

- Had an income of \$12.163 billion (16% of total NfP sector)
- Contributed \$7 billion to GDP (20% of total NfP sector)

### Sources of Income

In 2006/07 the nonprofit sector's main sources of income were as follows:

- 38% - sale of goods and services
- 34% - government grants and contracts
- 14% - fundraising and membership fees

For social services alone, the main sources of income were:

- 31% - sale of goods and services
- 56% - government grants and contracts
- 4% - fundraising and membership fees

A detailed breakdown is below:

<b>Not-for-profit organisations, Sources of income by type of not-for-profit organisation<sup>13</sup></b>				
	<b>Social services</b>	<b>Percentage of social services income</b>	<b>Total</b>	<b>Percentage of NFP income</b>
	<b>\$m</b>		<b>\$m</b>	
<b>Funding from federal, state and local government</b>				
Funding for current operations				
Volume based	<b>4324</b>	36%	17273	<b>25%</b>
Non-volume based	<b>2298</b>	19%	7425	<b>31%</b>
Funding for specific capital items	<b>85</b>	1%	659	<b>13%</b>
<b>Income from related or affiliated organisations</b>	<b>391</b>	3%	3790	<b>10%</b>
<b>Donations, sponsorships and fundraising</b>	<b>511</b>	4%	6975	<b>7%</b>
<b>Membership fees</b>	<b>10</b>	0.1%	3580	<b>0.3%</b>
<b>Sales of goods</b>	<b>1134</b>	9%	6844	<b>17%</b>
<b>Income from services</b>	<b>2632</b>	22%	21319	<b>12%</b>
<b>Other</b>	<b>779</b>	6%	2597	<b>30%</b>
<b>Total</b>	<b>12163</b>	100%	<b>74466</b>	<b>16%</b>

<sup>13</sup>From data in (Australian Bureau of Statistics, 2008)

It is important to note there is considerable diversity within ACOSS members in terms of income and expenditure. For example Mission Australia received some 84% of its income from federal, State and Local Government and 8% from fundraising in 2008. Some 50% of its expenditure was incurred in delivering employment and training programs under contract to the Federal Government by the Job Network. The Society for St Vincent de Paul reported 37% of income from government grants, 21% self generated from its centres of charity and 25% from fundraising in 2008.

N=223

<b>Funding Sources from Australian Community Sector Survey 2009<sup>14</sup></b>				
<b>Source</b>	<b>2006-07 (millions)</b>	<b>2007-08 (millions)</b>	<b>% change</b>	<b>% total (2007-08)</b>
Commonwealth Government	653	691	5.8%	42.3%
State/Territory Government	455	523	14.8%	32%
Local Government	3	3	3.7%	0.2%
Client fee income	162	149	-8%	9.1%
Own source income*	371	382	3%	23.4%
<b>Total</b>	<b>1,581</b>	<b>1,634</b>	<b>3.4%</b>	<b>100%</b>

incl. donations, sponsorship, sale of goods and services to the public etc

## **Philanthropy**

*The Giving Australia: Research on Philanthropy in Australia, Australians Giving and Volunteering 2004* found that 60% of adults donate to organisations providing community services but the average size of each donation is relatively small (\$81) and these organisations received only one dollar of every eight donated in total.

## **Volunteering**

- During 2006, 5.2 million Australians, 34% of adults, volunteered a total of 620 million hours of labour for non-profit organisations of all sizes; a further 93 million hours were donated to government and for-profit entities.
- Of this 620 million volunteer hours, 52% were for organisations that rely entirely on volunteer labour; 48% was for nonprofits that also employ staff.
- This voluntary contribution was equivalent to an additional \$13 billion donated to the nonprofit sector<sup>15</sup>.

A breakdown of total volunteers by community/welfare services (a different definition than that used by other ABS statistics cited above) shows that over one million people (1,123,000) or just over one fifth of all volunteers donated their time to community/welfare

<sup>14</sup> (Australian Council of Social Service, 2009)

<sup>15</sup> ABS 2007 in (Lyons, 2009)

organisations<sup>16</sup>. 2005 research showed that organisations providing community and welfare services received voluntary assistance from nearly 13% of the adult population but received 28% of the total hours volunteered<sup>17</sup>.

The 2009 Australian Community Sector Survey shows 21,519 people volunteered for the 556 organisations who responded.

NTCOSS recently commissioned work to estimate the value of volunteer contributions. Using commercially realistic time valuation principles, they concluded that volunteers' time was worth \$49 per hour. Applying this to ABS figures gave a value of voluntary inputs approximately equal to the value of NT government grants to the community sector.

### **Services delivered**

Data from ABS Community Services 1999-2000 (the most recently available data) showed that not for profit organisations had contact with nearly 6.4 million people seeking information, advice and referral; over 3.2 million cases of individual and family support, more than 2.7 million beds in crisis accommodation and over 2.5 million beds in transitional accommodation.

The 2009 Australian Community Sector Survey showed the 556 respondent organisations (approximately one sixth of the total number of organisations in the ACOSS and COSS membership network) provided services to over 3.1 million people, which is an increase of 19% on the 2.6 million people who received a service from these agencies in 2006-07. Of this 3.1 million people, just under 40% were provided with "information, advice or referral" services (including telephone advice services).

In 2007-08 respondent agencies turned away 278,107 people who were eligible for a service which is a 17.3% increase on the 237,024 people who were turned away by the same services in 2006-07. One in 12 people accessing a service were turned away. Of the people turned away from a service, 17.4% were seeking a youth service, 12.1% were seeking an information, advice or referral service, and 11.5% were seeking financial and material support.

Total demand was 8.2% greater than organisations' capacity to supply services. The disaggregated figures demonstrate considerable differences between service types in terms of mismatch of supply and demand. While a large number of people (representing 12.1% of those turned away, as noted above) were not able to access information, advice or referral services, they are only equivalent to 2.7% of the total number of people who were able to access these services. Child welfare services faced additional demand equivalent to 50% of those assisted, and the demand for housing/homelessness services (representing 6.9% of all people turned away) was equivalent to 30% of those people accessing the service.

The table below shows the percentage of eligible people turned away as a proportion of the number of people who received a service by service type in 2007-08. This provides a guide to the level of the mismatch of supply and demand for specific services.

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<sup>16</sup> (Australian Bureau of Statistics, 2006)

<sup>17</sup> (Lyons & Passey, 2005)

Number of people assisted and not assisted by service type 2007-08 <sup>18</sup>			
Service type	Number of eligible people turned away	Number of people who received a service	People turned away as a % of total people assisted
Youth	48357	161970	29.9%
Other	95920	875374	11.0%
Information, advice & referral	33680	1231375	2.7%
Financial and material support	32118	145658	22.1%
Housing/homelessness	19202	64641	29.7%
Employment/training	10903	50071	21.8%
Home/community care	10724	78916	13.6%
Child welfare	5570	11279	49.4%
Family relationship	4996	86695	5.8%
Legal	4716	28792	16.4%
Sexual assault/ domestic violence	4068	151796	2.7%
Residential aged care	2490	67222	3.7%
Individual advocacy	1577	30405	5.2%
Child care	1575	29288	5.4%
Health	1165	59432	2.0%
Disability	1046	51076	2.0%
TOTAL	278107	3123990	

### What services and supports are needed?

Agencies were asked to list in priority order the services and supports most needed by their clients, other than the services provided by their own agency.

*Long term housing* was identified as the service most needed, with 23% of respondents listing this as the most important service, and 74% of respondents listing it in the top five most important services. *Crisis and supported accommodation*, and *health care (including mental health and drug and alcohol services)* were both ranked first by 12% of respondents. *Crisis and supported accommodation* was listed as in the top five most important services by 65% of respondents, and *health care* was listed in the top five by 74% of respondents.

<sup>18</sup> Data from the Australian Community Sector Survey, 2009

**Client need by service type 2007-08<sup>19</sup>**

<b>Service type</b>	<b>Ranking score</b>	<b>Number of times ranked most important</b>	<b>% of respondents who ranked this service in the top five most important</b>
Long term housing	1	58	74%
Crisis and supported accommodation	2	29	65%
Health care (including mental health & drug & alcohol services)	3	29	74%
Income support	4	19	61%
Aged and disability services	5	33	34%
Employment, education and training programs	6	13	45%
Transport	7	15	42%
Legal services	8	14	25%
Family relationship services	9	12	40%
Domestic violence/ sexual assault services	10	7	34%
Cultural, arts, recreation, sporting, information and social activities	11	4	23%
Child care	12	11	18%
Assistance with the cost of utilities (energy, water, telecommunications)	13	4	29%
Child welfare services	14	3	24%
<b>TOTAL</b>		<b>251</b>	

**The counter factual**

Another way to measure the contribution of the sector is to consider the consequences of its absence. What would our society look like if the work of the community services and welfare sector stopped for a day, a year, a decade?

Who would make the calls to elderly people living alone; provide help with obtaining a benefit; enable someone to stay near employment by accessing affordable housing; give advice to a new migrant who does not speak English; negotiate with large employers to employ people with an intellectual disability and support them to be retained; provide mental health services to prevent depression; or provide counselling and resettlement for victims of torture arriving from war torn countries?

**Difficulties with measuring contribution**

<sup>19</sup> (Australian Council of Social Service, 2009)

There is great concern within ACOSS membership about reducing the value of what is done to a specific numeric figure. The breadth of work is beyond the scope of economic or dollar figures.

However, it is important to develop measures to quantify the activities undertaken and to determine the relative merits of one intervention over another. These will certainly include significant qualitative measures and case studies. Numerous frameworks and measures have been developed within the program evaluation sphere of work to provide a more sophisticated approach and we commend the work of many of our members to develop these (references are provide later in this paper).

However it is telling that attempts to replicate and bring to scale successful individual programs are often disappointing. As noted by many, this is often due to the complexity of the work done by the sector and the problems it is attempting to overcome. It may not be always possible to isolate the particular interventions which lead to more successful outcomes or to identify, let alone replicate, the specific factors such as the culture of the organisation, the role of key individuals, the strength of surrounding community organisations, and other local factors and the interaction of all of these which come together to enable a successful outcome.

As the previous section has demonstrated, the education, research, policy development and advocacy work undertaken by the sector is important and needs to be acknowledged and captured. While it may be possible to measure the inputs which go into these activities (for example the number of staff working on research, the number of submissions written for parliamentary inquiries or government consultations) - their value is in the quality of outputs and the impact they may have had on the policy process.

### **Measuring early intervention and prevention**

As mentioned earlier, prevention and early intervention is an important and significant component of the work undertaken by this sector. QCOSS has drawn attention to this work and advocated for an increased investment in prevention and early intervention services. It uses the term broadly – referring to a range of programs, across the service continuum, that will prevent or lessen the effects of harm or crisis:

Disadvantaged Queenslanders are more likely to fall into crisis. People in poverty, and people marginalised by location, culture, language, disability, age, and critical health needs are overrepresented in our expensive crisis systems (hospital emergency wards, mental health facilities, prisons, and the youth justice and child protection systems). Prevention and early intervention programs lessen risk, increase resilience – and keep people out of these crisis systems. The cost effectiveness of investing in prevention and early intervention programs is now irrefutable. Work commissioned by QCOSS by the Social Policy Research Center at the University of New South Wales in 2007 has found *“Early intervention has been shown to achieve, at relatively modest cost, changes that prevent harms that are very expensive to remediate. A summary of cost benefits range from 2.36:1 to 19:1. Meaning, for every \$1 spent on early intervention– the state reaps a return of between \$2.36 and \$19 over time<sup>20</sup>”*.

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20 (Queensland Council of Social Service, 2009)

Prevention and early intervention is increasingly recognised in some sections of social policy, namely health. “Queensland Health has identified in 2006 that 9% of all hospitalisations are potentially avoidable through preventative care and early disease management in settings such as community-based services”<sup>21</sup>.

### Community Legal Centres

CLCs, like many community organisations, have a community development and strategic focus which means that they not only provide immediate services (often to people in crisis), but also do preventative and early intervention work. Being able to show the 'value' of strategic early intervention or preventative work is even harder than showing outcomes for direct service delivery. Research undertaken by Institute for Sustainable Futures at UTS commissioned by the Combined Legal Centres Group NSW and the National Association of Community Legal Centres shows that for “*each dollar invested in CLCs, around \$100 may be 'saved' by CLC clients, government and/or other affected parties*”. This is partly due to their ability to leverage volunteer or pro bono legal help but also because “*much of their work is preventative in that it reduces the need or extent to which individuals are (or could be) involved with the legal system*”. The Welfare Rights Network has identified that in the first 10 months of 2008, its caseworkers assisted in waiving a total of \$1.3million of Centrelink debts.

But how does a CLC demonstrate that their work has successfully supported a person to learn information about their rights and avenues of action, and to develop the skills to assert them in ways that work in the future? When can you measure this and how? For a person who may not return to your service, their failure to return may be a sign of success, or the opposite. There is also a need to study effectiveness, such as through impacts over time and numbers of interventions needed to achieve an outcome<sup>22</sup>.

### Measuring the value of community preferences and satisfaction

Polling conducted in mid 2007 by Roy Morgan Research as part of the ACOSS *Australia Fair* campaign shows that a majority of Australians prefer community services to be delivered by either government or non-profit community providers<sup>23</sup>.

This preference was even stronger among people who had actually used a community service, indicating that the generalised 'moral' preference of many is confirmed in the actual experience of people who have used community services.

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21 (Queensland Council of Social Service, 2009)

22 (National Association of Community Legal Centres, 2009); member consultations.

23 Roy Morgan Research July 2007. Community services were listed as including child care, aged care, home care, supported accommodation, disability services, family support services and community legal centres.

Of the 44% of people who said they had used a community service, 85% of people agreed that non-profit organisations should operate community services and 47% agreed that for-profit organisations should operate community services. 57% said they preferred services run by non-profit organisations, compared to 4% who preferred for-profit providers and 36% who said it makes no difference. Other results showed that for the delivery of community services:

- 97% agreed it was important that staff and volunteers are approachable;
- 92% agreed that it was important that the organisation was linked to the local community and other services people need;
- 85% said it was important that users of the service are consulted before changes to the service are made;
- 91% said it was important that staff are well paid, trained and supported; and
- 83% said it was important that the service employ staff with a range of backgrounds.

As stated in the Productivity Commission Issues Paper, Not for profit organisations are generally identified as valued service providers with the community. For example, in the General Social Survey for 2006<sup>24</sup>:

- 14 per cent of respondents indicated that they found the services of government and business providers difficult to access, while only 1 per cent identified the same problem with not for profit organisations.
- 17 per cent of respondents indicated that they had difficulties communicating with government service providers and 14 per cent indicated a problem communicating with business service providers. The comparable figure for not for profit organisations was 2 per cent.
- 12 per cent of respondents identified community, charity or religious organisations as a source of support in times of crisis. In comparison, 5 per cent nominated local council or other government services as a potential source of support.”<sup>25</sup>

Australia’s Welfare 2007 published by the Australian Institute of Health and Welfare provides data on the overall satisfaction of tenants with social housing providers in 2005. While 63% of State Owned and Managed Indigenous Housing tenants and 71% of public housing tenants reported they were satisfied or very satisfied, more than 85% of community housing tenants reported they were satisfied or very satisfied.<sup>26</sup>

## **Recommendations**

ACOSS believes it is critical to obtain a better understanding of the input based measures before attempting to quantify outputs and impacts of any sub-set or indeed the entire Not for

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<sup>24</sup> (Australian Bureau of Statistics, 2007)

<sup>25</sup> PC Inquiry Issues Paper, page 20

<sup>26</sup> (Australian Institute of Health and Welfare, 2007)



Profit sector in an aggregate sense. As set out previously in this submission, the outputs and impacts of the work of the sector are significant and extend beyond the quantity of services provided. This needs to be acknowledged and valued, however a numerical aggregate count is not practical. Nor would it be desirable in terms of resources required.

ACOSS supports the development of frameworks and performance measures to better understand outcomes and impacts and which values the contribution of early intervention and prevention interventions.

To try to measure the inputs, number and scope of organisations it would be necessary to better understand the number of organisations in some detail beyond the Activities listed by the National Satellite Accounts into their sub category parts and by State and Territory. We understand the ABS is not currently resourced to do this and we would recommend that:

ABS increase its sample size significantly to allow it to produce a breakdown of the

- Nine or 12 (preferably 12) ICNPO categories into sub categories and by State and Territory.
- That the ABS undertake the Not for Profit Organisations Survey (with the increased sample size) every 3 years and also release the data in the Australian and New Zealand Standard Industrial Classification (ANZSIC) Class.
- That the Federal Government specifically tie funds to the ABS to undertake the above.
- That the Community Services Industry Survey be undertaken at five year intervals.

## **Section 2: Enhanced efficiency and effectiveness**

The Productivity Commission has posed a number of questions around improving the efficiency and effectiveness of the not for profit sector. ACOSS acknowledges that the community services and welfare sector itself must take responsibility for this aim.

Considerable work is going on within organisations both large and small, and forms an extensive part of the work conducted by our State Councils of Social Service. Significant contributions are also made by the philanthropic and corporate sectors and by individuals offering their time and expertise on an unpaid basis. The comments in this submission, however, will be restricted to the role of government. These are offered in the expectation that government reform will have a flow-on effect and unlock support from other sectors of the community. Again the focus will be on the sub-sector represented by ACOSS, the community services and welfare sector.

### **Re-engineer the relationship with government**

ACOSS works with most Federal Government departments and our members and State Councils of Social Service relate to numerous departments and agencies across Local, State, Territory and Federal jurisdictions. Many member organisations see the whole picture and are not limited to specific “silos” which may occur within government departments. In this ACOSS and members often have a unique perspective on the impact and occasionally unintended consequences of the interaction of government policies on the ground.

As demonstrated in the previous section on contribution, the value of the sector extends beyond its capacity to deliver services, government funded or otherwise. In particular, it should have input into the design of policy, including agreed aims, outcomes and impact.

Consultations with members has found that there is a strong sense that governments in many jurisdictions do not recognise the value of the expertise the sector has, and the contribution it can make to policy and program design. When external advice is sought, governments may think first of hiring a private sector consulting firm rather than looking to the expertise and knowledge developed over many decades in the community services and welfare sector.

There are some positive recent examples where governments have used the policy expertise of the sector well:

- The *National Rental Affordability Scheme* provides incentives to encourage investment in affordable rental housing, with dwellings to be rented to low-moderate income households at sub-market rent. The scheme was initiated by the community services and welfare sector who collaborated with unions and the private sector to develop policy and advocate for change. This innovative new policy solution was then significantly adopted by the incoming Federal Government. There has since been some limited involvement by sector representatives in the program design and implementation of this initiative.

- Soon after the release of the *Homelessness White Paper*, the Queensland Department of Communities expressed interest in sector engagement in the implementation planning process. A joint Homelessness Working Party was established, consisting of representatives from the community services sector led by QCOSS and Queensland Government. This Working Party has met frequently to discuss priorities for the plan as well as performance indicators. Discussions were framed around what is currently working in the service system and what should be increased or expanded, what needs to be improved in terms of service models which have potential but need to be 'tweaked', and service system improvements. These discussions were very productive with the advice provided by sector representatives largely taken on board by Government counterparts. Sector representatives were given opportunities to provide feedback on a draft plan. All indicators are positive that the Queensland community services and welfare sector has had considerable constructive input into the final implementation plan which is due to be signed off by the Queensland Government in late June.

Governments have long recognised the benefits of representative peak bodies in the community services and welfare sector and have funded them accordingly.

ACOSS outlined a six point rationale for Federal Government funding of secretariats of national peak organisations in its 1991 submission to a House of Representatives Inquiry. There ACOSS stated that peak organisations in the community services and welfare sector provide a crucial role in liberal democracies, including:

- representing the interests of disadvantaged groups, who might otherwise be without a direct voice;
- promoting more informed and reasoned debate among members and others in the community;
- providing a convenient point of contact for parliamentarians and departments, with a range of diverse organisations;
- assisting consumers, especially disadvantaged consumers, to participate meaningfully in policy debates, program design and implementation.

These arguments were accepted and subsequent Federal Governments have continued to fund a number of peak bodies in the community services and welfare sector. However when making stakeholder appointments to inquiries or consulting on matters of great import for the community services and welfare sector, governments sometimes choose not to appoint representatives of peak bodies. Recent examples where the community services and welfare sector are not represented on key Federal Government task forces include the Henry Review into Taxation and the Infrastructure Fund. The business sector is represented on both and the union movement is represented on the Infrastructure Fund. There are numerous other historic examples. This results in a lose/lose situation – governments do not get the benefit of advice from bodies they fund and representatives with considerable expertise derived from their membership, practice and research, lose the chance to contribute.

ACOSS calls for a much better relationship with government based on respect for the breadth of the work we do, our history and how we do it. Government needs to recognise that many community services and welfare organisations and governments share the same objectives – a fairer Australia with less inequality, solutions which address the underlying causes of poverty and disadvantage and more effective service provision. The Federal Government has recently committed itself to a social inclusion agenda which ACOSS and its members strongly support. A more balanced partnership would significantly enhance the progress of this agenda.

A “compact” between the Federal Government the Not for Profit sector has been under discussion for some time. ACOSS undertook a first round of consultations with its members and others from the broader Not for Profit sector in 2008 at the request of the Federal Government.

Experience from compacts operating at State Government level have been disappointing, however there have been some recent positive developments in South Australia and Queensland. ACOSS strongly recommends that any compact must be a framework from which practical and effective decisions can flow, rather than a static document signed by two parties. For instance, in NSW, the compact “Working Together” is now largely perceived as an out of date document signed by a former Premier and a former Director of NCOSS. The extensive consultations in Queensland identified that a National Compact needs:

- clarity from the beginning about what each party expects to get from it;
- a commitment to protect the diversity of the Sector;
- symbolic breakthroughs early on;
- to include initiatives that cut across government departments to make it clear that the compact is about broad sectoral reform;
- an upfront commitment of resources by the Federal Government; and,
- a commitment to evaluation and monitoring undertaken by a credible agency<sup>27</sup>.

### **Recommendations:**

- The relationship between governments and the community services and welfare sector needs to be re-engineered to find a more even balance, underpinned by greater levels of understanding about respective roles and responsibilities and a greater sense of common purpose. The sector is more than keen to share its expertise with government in the design of programs and contracts to achieve more responsive and innovative service outcomes.
- This re-engineered relationship needs to acknowledge the value and independence of the community services and welfare sector.

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<sup>27</sup> (Australian Council of Social Service, 2008)

- A National Compact could contribute to this re-engineered relationship as a framework from which practical and effective decisions could flow. It would need to set out commitments to accountability, policy development and consultation. It must be a living, high-level document, signed by representatives of constituent parts of the sector, as there is no single representative body representing the entire Not for Profit sector in Australia. To this end, the peak body representing international aid NGOs, ACFID, recently signed a partnership agreement with AUSAID which may be a useful model to explore<sup>28</sup>. A National Compact between the Federal Government and the community services and welfare sector would need to be signed with the Prime Minister, given the breadth of relevance and interaction between the sector and Government.
- Governments should consult meaningfully through representative structures (including appropriate lead times and times for responses) around program and policy implementation and to appoint peak body representatives to relevant Inquiries.
- Relationships can also be improved through better understanding between individuals working in the different sectors. This could include public servants undertaking voluntary work in the community services and welfare sector and a program of secondments between the two (there were numerous secondments from Federal Departments to ACOSS in previous years; secondments were also recommended by the Victorian Government Strengthening Community Organisations Action Plan in April 2008). Leadership programs such as Sydney Leadership run by the Benevolent Society and the Leadership Victoria Program bring together leaders from government, non profit and business sector and are another practical way to enhance better understanding.

### **Streamline and Modernise Regulation**

As stated by The National Roundtable of Nonprofit Organisations in 2004,

the community values the contribution of the sector and expects State, Territory and Commonwealth governments to help non profits to flourish through appropriate regulation and concessional treatment. This is reflected in current legislation and regulations, which aim to assist non profit organisations by reducing costs, providing protection for members and directors, and by increasing the confidence of the public to make donations.<sup>29</sup>

The Not for Profit sector in Australia operates in a highly complex regulatory environment. The National Roundtable of Nonprofit Organisations has identified that

there are more than twenty different ways to incorporate a non profit organisation in Australia; the rules covering fundraising differ across each State and Territory; and

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<sup>28</sup> (Australian Council for International Development, 2009)

<sup>29</sup> (National Roundtable of Nonprofit Organisations, 2004, p. 2)

the definition of 'charity' urgently needs to be reformed. Perhaps the most complex area, however, relates to the taxation rules for non-profit organisations".<sup>30</sup>

ACOSS reiterates the following from the submission to the Senate Inquiry in 2008:

The lack of simple, consistent and equitable regulation has a direct, negative impact on the sector, resulting in higher compliance costs for no greater protection for stakeholders, including volunteers, donors and the broader community. As a consequence, resources that would have been best used to serve the community, including assistance provided to low income and disadvantaged people, are drawn into unnecessary administration and compliance costs.

Existing poorly coordinated regulation constrains the development of the sector, particularly smaller organisations, and fails to acknowledge the high standards of professionalism in the sector. The lack of clear and simple regulation also increases the risk that members of non profit organisations may inadvertently break the law.

Reform is urgently needed. As successive governments have committed to reducing the regulatory burden on business, so it needs to give equal priority to working with the Non Profit Sector to reform its operating environment.

A substantial reform project is needed to address those issues raised above: the definition of charity; the overhaul of regulation related to incorporation and reporting; and the taxation and concessionary treatment of non profit organisations.

The 2008 Senate Inquiry followed a significant inquiry conducted into the Definitions of Charity which reported in 2001. ACOSS and many of its members made extensive written and verbal contributions to this Inquiry and there was broad support for its recommendations. ACOSS particularly supports the recommended clarification around advocacy and charity which stated that

advocating on behalf of those the charity seeks to assist, or lobbying for changes in law and policy that have direct effects on the charity's dominant purpose, are consistent with furthering a charity's dominant purpose. We therefore recommend that such purposes should not deny charitable status provided they do not promote a political party or a candidate for political office<sup>31</sup>.

Since that time the need for streamlined regulation has become even more urgent and this is reiterated in the National Roundtable of Nonprofit Organisations submission to this Inquiry. Work undertaken as part of the Victorian Government's initiative *Strengthening Our Community Organisations* included a study by Allens Consulting Group that estimated approximately \$12 million could be saved in Victoria each year by the reforms to incorporation, fundraising and regulatory support from the State Government alone<sup>32</sup>. At a recent consultation for this submission, a member raised the prospect that excessive cost and complexity could be inhibiting the establishment of new Not for Profit organisations.

<sup>30</sup> (National Roundtable of Nonprofit Organisations, 2004, p. 2)

<sup>31</sup> (Report of the Charities Definition Inquiry, 2001.)

<sup>32</sup> (Allens Consulting Group, 2007) A further \$13 million could accrue from reforms to contracting which are referred to later in this paper.

The following example from one of ACOSS' members, The Community Housing Federation of Australia, demonstrates the sometimes perverse outcomes arising from outdated definitions of charities:

Since the introduction of the GST and the requirement that the ATO endorse organisations' charitable status, most community housing providers were endorsed based on their stated purpose of the alleviation of poverty. The ATO has accepted providers' use of existing low income benchmarks to articulate their compliance with the test for alleviation of poverty, i.e. providing accommodation for low income people is an allowable charitable activity. More recently, however, the ATO had taken a harder-line approach to what constitutes the relief of poverty. Rather than being primarily concerned with an organisation's *purpose*, the ATO has instead begun to focus more on individual *activities* that are conducted by organisations.

A critical issue threatening the ongoing participation of the community housing sector in schemes such as the National Rental Affordability Scheme and other affordable housing programs, (including developing, owning, or managing stock funded through the Nation Building and Jobs Plan or the National Affordable Housing Agreement, stock transferred from State Housing Authorities, or being involved in more entrepreneurial activities), is the risk that they will lose their charitable tax status if these activities are deemed by the ATO to be inconsistent with the relief of poverty. This is the head of charity under which most community housing organisations derive their charitable status from. Central to this issue is the approach that the ATO takes in defining what constitutes *incidental* activity. At this stage, this is not clear.

The Community Housing Federation of Australia, in its submission to the Henry Tax Review, has outlined a solution to these problems. This would require deeming the not-for-profit provision of affordable housing as a charitable purpose under tax law. There is already a precedent set for this in the area of childcare, and such a legislative solution is necessary to provide the assurance to the community housing sector to continue its active and expanding role in the provision of affordable rental accommodation for low and moderate income households in Australia<sup>33</sup>.

## Recommendations:

Most recommendations of the Senate Inquiry 2008 should be implemented, including

- Appointing an Independent Commission for the Not for Profit Sector – this would include a national regulatory role and a common chart of accounts, national fundraising legislation, reduction in red tape and capacity building for the sector. It could also have a role as a conduit between governments and the broader Not for Profit Sector but not at the expense of specific departmental relationships). It should cover the entire Not for Profit Sector but with different levels of reporting depending on size of turnover, staff etc. This would allow for organisations to remain in the same system as they evolve. The Commission must be located independently from the Australian Taxation Office, as was recommended by the 2001 Definitions of Charity Inquiry.

<sup>33</sup> (Community Housing Federation of Australia, 2009)

ACOSS submits the following caveats on the Senate Inquiry Recommendations:

- Reform is necessary to streamline regulation and implement the definitions recommended by the 2001 Inquiry into the Definitions of Charity, including simple clear points on advocacy *before* undertaking any review of taxation. ACOSS believes the overarching framework needs to be set before taxation matters are considered. Given the complexity and importance of taxation treatment for this sector, any future taxation review would need to include considerable expertise from specialist lawyers and Not for Profit Sector experts.
- ACOSS does not support the call for a new Minister for the Third Sector as we believe there are not enough issues in common across the entire Not for Profit Sector to warrant a separate new Minister. ACOSS instead calls for a greater emphasis on the leadership of the Deputy PM on social inclusion and across the whole of government via the existing inter-departmental task force. That task force should work and consult with ACOSS, other members of the community services and welfare sector, and other not for profit organisations to support enhanced outcomes for disadvantaged Australians.

## **Improve funding, contracting and reporting requirements**

### ***Investing in the workforce***

Workforce issues consistently emerge as a major inhibitor to the efficiency and effectiveness of the community services and welfare sector. The 2009 Australian Community Sector Survey found that 64% of respondent agencies had difficulty attracting appropriately qualified staff in the past year and 62% of respondents named workforce issues when asked an open ended question about what are the three most pressing issues facing your service. A survey conducted by the Australian Services Union and published in 2007 found that 75% of managers said that low wages were the main reason for staff leaving<sup>34</sup>. Evidence emerging from ACOSS' Future of the Sector conferences and consultations for this submission confirm there are significant concerns about wage levels, retention, recruitment and job insecurity across the community services and welfare sector.

The Queensland Industrial Relations Commission has acknowledged that much of the paid work undertaken in the community services and welfare sector is undervalued and under paid. It ruled on 6 May 2009 that the work of social and community services workers in Queensland had been undervalued and recommended wage increases of between 18% and 37% phased in over a three year period starting in July 2009. The Commission determined that "*a pattern emerges that gender is at the core of present work value of the community services sector*" and that the "*work has been undervalued on a gender basis*"<sup>35</sup>.

Many people are attracted to work for the community services and welfare sector because they support its aims. Often they are prepared to pay a price for this commitment to the mission. A 2007 survey of 74,000 direct care workers working in the community found that

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<sup>34</sup> ASU (2007) Building Social Inclusion in Australia. Priorities for the social and community services sector workforce.

<sup>35</sup> (Queensland Industrial Relations Commission, 2009)



56% earn \$500 or less per week, partly due to short hours but also due to the low wages.<sup>36</sup> Experienced skilled workers (sometimes with PhDs or Masters qualifications) accept pay as low as \$45,000 pa for work including counselling victims of torture and trauma. Consultations undertaken for this submission estimated a gap of between 20-30% for similar roles in community as opposed to government sectors<sup>37</sup>. This gap widens to as much as 40-50% for senior policy experts and managers. For example in 2008, a Senior Executive Officer Band 1 (the entry level of the SES) in the Federal Government received a remuneration package totalling at least \$190,000 per annum,<sup>38</sup> while an experienced senior policy officer or manager in the community services and welfare sector would rarely receive a package worth more than \$100,000.

While the community services and welfare sector has historically paid less than government, analysis by Jobs Australia observes this gap is growing. This is due to the opening up of enterprise bargaining resulting in higher than award increases in the public sector over the past 15 years. At the same time, contracting and other funding for the community services and welfare sector by governments has assumed wages will be set at the lowest award rate. This is illustrated by the fact that in Queensland awards for graduates have increased by 7% in the community sector and by 12.5% in the public service since 2005<sup>39</sup>. This growing wage gap is coming at a time when the sector is ageing faster than the labour force as a whole and while the demands made upon it from the impact of the global financial crisis and an ageing population are increasing.

In her May decision, the Queensland Industrial Relations Commissioner stated “*the benevolence and commitment of workers and unlikelihood of industrial action is assumed by government funding models*”.

Consultations undertaken for this submission found that historically staff have regularly moved between government and community services and welfare sectors, but *the traffic is now only one way*, with staff leaving for government positions because they can no longer afford to remain in the community services and welfare sector.

Paid staff in the community services and welfare sector often take on many voluntary roles, either in governance structures for other non profit organisations, unpaid overtime for their employer or in numerous other contributions to advocacy and policy development through networks and collaborations. This contribution should be acknowledged.

Volunteers are an important resource for most community service and welfare organisations. The 2009 Australian Community Sector Survey found that organisations of all sizes used volunteer labour to assist with service delivery – the 556 agencies who responded engaged with a total of 21,500 volunteers. In addition to helping deliver services, volunteers also contribute to effective governance, may provide pro bono professional services and are often a valuable source of fundraising income. However volunteers engaged in service delivery require support which is not dissimilar to the support required for paid staff – management, training, infrastructure and checks to ensure they

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36 (Martin & King, 2008)

37 For example a study by Mercer Human Resource Consulting for the NACLC in October 2006 found that salaries in CLCs were between 29 and 38% lower than comparable positions in government. See [www.naccl.org.au](http://www.naccl.org.au) for a copy of this report.

38 This includes base salary starting at \$131,000, a performance bonus of up to 15% of salary, a \$20,000 car allowance and 15.4% employer superannuation contribution.

39 (Pegg, 2009 forthcoming)

meet regulatory standards, depending on the client groups they are working with. This cost to community service and welfare organisations is not adequately recognised by funding agencies.

### **Funding: Capital and infrastructure**

The Australian Community Sector Survey 2009 and past surveys and 2008 Social Compact consultations show that successive years of under-funding mean that capital and infrastructure has declined. When asked the question in the Australian Community Sector Survey 2009, 'What were the three most important issues facing your service over the past 12 months', 76% of respondents answered funding and costs and 85% disagreed with the statement 'Government funding covers the true cost of delivering services'.

ACOSS members have identified barriers related to raising capital funding and pooling operational funding that place their long term viability at risk.

A 2008 Allens report for VCOSS argues that further productivity gains are unlikely in the sector without jeopardising service delivery outcomes. "This is because community sector organisations have already made significant productivity gains in recent years and further improvements will be very difficult to achieve without the funding to do so." The report highlights the fact that increasing productivity requires up front investment, for example, in IT systems or training programs and that community sector organisations are not currently adequately funded to enable them to invest in such innovations.

CSOs struggle to borrow against future appropriations or utilise existing surpluses to undertake investments that will produce future productivity savings. Smaller CSOs generally do not have significant investments to draw on and are unlikely to carry large surpluses from year to year. This impedes their ability to improve delivery of services and increase productivity. Unlike productivity gains in the rest of the economy, productivity gains in the community services sector are difficult to achieve given the labour intensive, people-oriented nature of the service<sup>40</sup>.

Adequate price indexation for funding provided by the Federal Government for the delivery of community services is essential to ensure that the value of the funding keeps pace with costs. The Federal Government does not have a consistent or adequate approach to indexation of funding to community organisations.

Funding agreements reflect a range of practices in relation to indexation. In Victoria, the State Government has introduced an NGO Price Index to ensure that payments from government to community sector organisations keep pace with cost increases over the life of the funding agreement. However the NGO Price Index for 2006-09 is 2.9% and the CPI was 3.7% for the financial year 2007-08. A request to the Victorian Secretary of the Department of Human Services in July 2008 to pay the shortfall of 0.8% has been declined<sup>41</sup>.

### **Recommendations**

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<sup>40</sup> (Allens, 2008)

<sup>41</sup> (VCOSS, 2008)

Government funding to the community services and welfare sector needs to:

- Recognise the importance of the advocacy, research, policy development, and representation undertaken by sector as well as service delivery.
- Use Wage Cost Index as the primary index for annual funding adjustments, with the Consumer Price Index being used when this exceeds the Wage Cost Index. This is because community services are human resource intensive and salaries constitute the major cost component.
- Invest in capacity building including the IT systems and program evaluation.
- Fund programs for a minimum of three years, with longer funding cycles for place-based strategies in areas of severe disadvantage.
- Reduce stop start and short term funding which contributes to workforce instability, high turnover rates and loss of skilled employees and volunteers.
- Take account of the Queensland Industrial Relations Commission decision that: *"the overriding public interest consideration in this matter is to ensure that employees in this sector are remunerated commensurate with their work value and in a way that is affordable to the funding bodies. This will ensure that qualified, competent employees are attracted and retained in the sector to provide quality services, that services users receive appropriately funded quality services so as to properly assist them to increase their capacity ... and finally that the services can be provided at a cost reasonable to the taxpayer."*<sup>42</sup>

### **Contracting for Services**

ACOSS and its members strongly support the need for transparency and accountability when Government funds community services and welfare agencies to deliver services. Indeed transparency and accountability are fundamental even when government funds are not invested. However consultations undertaken for this submission revealed consistent experience where transparency and accountability are seen to be addressed simply with the introduction of competitive tendering and onerous reporting requirements, often at the expense of useful performance measures. There is considerable concern that government service delivery contracts significantly shift the risk to community services and welfare organisations without adequate compensation. Meanwhile, competition between agencies for government contracts has reduced collaboration and sharing of best practice.

### **Improving the contracting framework**

Consultations for this submission found that much of the processes around contracting are overly burdensome yet fail to set sensible outcome measures or assist in performance evaluation and improvement. Regulation focuses on control over the process, often at the expense of ensuring that outcomes are achieved.

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<sup>42</sup> (Queensland Industrial Relations Commission, 2009)

One example of these problems stems from the significant focus in recent years on the contracting for employment services. This is an area that greatly effects disadvantaged Australians and has significant budgetary implications (the contract for the latest tender totals \$4.8 billion over the three years 2006-09). However the nature of the contracting process has had some negative impacts upon program and service delivery, as was illustrated by the Australian Government's 2008 Review of the Job Network.<sup>43</sup> The Review acknowledged: "inflexibility... is as much a result of contractual and other requirements imposed on providers, as it is about the model itself".

The process for the latest tender of employment services (now known as Job Services Australia) reveals ongoing problems. As we state in our letter to the Inquiry:

in relation to the selection criteria and process of the tender there appears to have been a heavy reliance on quality of submissions (as distinct from demonstrated performance in the existing system or elsewhere) within the tender process. ...The playing field appears to have been tilted in favour of those with a strong submission, as distinct from a strong performance in the field.<sup>44</sup>

While government relies heavily on non-government organisations including not for profits in the provision of employment services, their contribution does not appear to have been valued during consultation and tendering processes. In particular, ACOSS members have expressed concern that:

- there is considerable imbalance between the Government and providers
- the tender process was far too time consuming (the request for tender document ran to nearly 400 pages)
- significant disruption to clients will ensue
- agencies with strong track records as local providers and with established connections to employers and other community services in the areas lost out to new providers
- promises of new partnerships and community connections were weighted at least as highly as long standing existing community connections.

We refer the Productivity Commission to the specific submissions made by ACOSS, Jobs Australia, Job Futures and Catholic Social Services Australia for more details of the impact of the process and recommendations for an improved approach in the future. We also refer the Commission to research which is being conducted with financial support from Jobs Australia by the Whitlam Institute and the Public Interest Advocacy Centre in New South Wales into the nature of government contracting with nonprofits. It is due to be completed shortly and we urge the Inquiry to take account of the findings and recommendations of this extensive study.

These issues are not limited to tendering for employment services, nor is Australia alone in dealing with them. As Geoff Mulgan has stated,

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43 (Australian Government, 2008)

44 ACOSS letter to Senate Standing Committee on Education, Employment & Workplace Relations Inquiry into the Tender for the Jobs Services Australia contract and related matters, 29/5/09

a constant complaint in many countries is that NGOs are treated worse than either businesses or the public sector in terms of contract conditions. Many would perform better with a move away from short term annual contracts for service delivery or specific project work, to medium or longer-term contracts with agreed milestones. Many NGOs are also bogged down in unnecessary reporting to deliver these short-term contracts. A shift to longer-term contracts as part of a more explicit compact between government and the sector, could do much to encourage them to direct their creativity and energies to delivering better services rather than servicing bureaucracy<sup>45</sup>.

### **Contracts are influencing the shape of the sector and outcomes for clients**

As previously discussed, there are considerable strengths in maintaining a diverse community services and welfare sector. This diversity is consistent across organisations that are large and small, local and national, mainstream and specialist. Governments must be careful to facilitate this diversity. We acknowledge that Government has to ensure value for public money in terms of clear program objectives. Indeed, we share that responsibility. The question is what funding frameworks can best achieve this while simultaneously enabling contributions from not for profit organisations experienced in the delivery of services, alongside those of governments, other funders and other service providers.

Evidence from consultations undertaken for this submission found that smaller organisations may be disadvantaged in responding to contracted services because of their relatively unsophisticated IT systems or their constraints on investing in writing professionalised tender applications. These concerns are not limited to organisations dealing with the tender for employment services. It appears that some locally based organisations, particularly in smaller states and territories, are losing out to outside larger organisations when contracts are awarded by governments. This may then be accompanied by 'imposed partnering' where former competitors are 'encouraged' by government to work together.

Results of the latest employment service contract are by no means opaque in terms of understanding the impact on the number and size of providers. A detailed breakdown has not been provided of the business shares granted to different bidders, which makes it difficult to assess whether diversity among different kinds of providers has been enhanced or reduced.

Jobs Australia states that "The design of the new JSA system combined with the natural market consolidation which has occurred has meant, however, that there is a significant reduction in smaller providers which has only been ameliorated to a limited degree by the development of partnerships and sub-contracting arrangements. This consolidation of the 'market' was predicted by many observers prior to the announcement of the tender results and is to some extent an inevitable consequence of ongoing market consolidation (which has resulted in an ongoing reduction of the Job Network from an initial 300 providers in 1998 to the current 81) and the consolidation of 7 programs into a single suite of JSA services"<sup>46</sup>.

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<sup>45</sup> (Mulgan, 2008)

<sup>46</sup> (Jobs Australia, 2009)

As ACOSS stated in our letter to the Senate Inquiry on the JSA contracting process:

*the profile of providers may have shifted in ways that weaken the provision of high quality services for disadvantaged communities. This could occur if fewer resources are available to not for profit providers with strong connections in local communities, or providers that integrate their employment services with other community services for disadvantaged people such as homelessness or family counselling services (including specialist providers offering services under the JPET or PSP programs). This has implications for the effectiveness of the Government's social inclusion strategies. In the absence of the above information, it is difficult to judge whether this has occurred<sup>47</sup>.*

Submissions by some of our members to the current Senate Inquiry indicate a loss of small specialist providers who had a long history of working with very disadvantaged clients.

### **Measuring the costs of compliance**

Most government contracts specify significant reporting requirements including data collection, performance reports, financial reporting, service standards and audits. However there is growing evidence that this has become overly burdensome and diverts scarce resources away from core business. As stated in one of our member consultations: *contract reporting requirements generate a lot of heat without shedding much light.*

Recent examples include:

- An agency providing youth and family services in one of the most disadvantaged communities in Queensland has 32 service agreements across Federal and State government agencies, and is required to establish and operate eight separate data systems, generating 121 financial and 125 performance reports each year<sup>48</sup>.
- A TASCROSS study released in early 2009 reported that the CEO of a medium sized organisation (with 20 to 30 staff) and delivering multiple services estimated they spent around 25% of their time on reporting<sup>49</sup>.
- In 2007, the Centre for Excellence in Child and Family Welfare Inc in Victoria found that large and small organisations alike saw an increase in compliance and regulatory costs, ranging between 7.5 to 10 per cent of their annual income from the introduction of one piece of legislation.<sup>50</sup>
- The Allens Consulting Group study in Victoria in 2007 estimated that nearly \$13 million could be saved from streamlining Victorian State Government servicing agreements alone (this does not take account of savings from streamlining Federal service agreements). This estimate is based on an extremely conservative

<sup>47</sup> (Australian Council of Social Service, 2009)

<sup>48</sup> (Queensland Council of Social Service, 2008)

<sup>49</sup> (Tasmanian Council of Social Service, 2009)

<sup>50</sup> Increases were significant for compliance requirements relating to CSO registration, Looking After Children, internal audits, quality assurance, and data systems upgrade, particularly implementation of Corporate Reporting and Indicators of Summary Performance (CRISP) (Centre for Excellence in Child and Family Welfare in (Allen Consulting Group, 2008))

assumption that regulations and contract compliance by non profits account for 3% of the total Victorian spend on service agreement funding. Savings would accrue from improving the consistency and reducing the duplication of: data/reports; quality standards; financial and accounting terms for reporting; and reporting for grants across departments<sup>51</sup>.

### **Excessive compliance monitoring**

Poorly framed or overly stringent service standards or requirements become unnecessary cost drivers that distract the service providers' resources and focus from the areas of most importance to the achievement of agencies' overall objectives. Respondents to a TASCROSS study of five agencies in 2009 found considerable cynicism about the value of reporting. This was often because there was rarely any feedback on reports: "*reporting was seen as a one way street*". Several organisations wondered "*Are they even read?*"<sup>52</sup>

ACOSS is aware that one of the measures being considered by the COAG Business Regulation and Competition Working Group (BRCWG) is the introduction of a standard Chart of Accounts, which would provide a standardised format for the presentation of funding information by not for profits<sup>53</sup>. We strongly support this endeavour and any other attempts to reduce the onerous and duplicated reporting functions of funding and contract models across the sector.

### **Recommendation**

- We recommend immediate action to shift the emphasis in contract management from excessive compliance monitoring to a risk-management approach, for instance through the adoption and implementation of the BRCWG standard Chart of Accounts for not for profit organisations.

### **Consistent client data collection**

Organisations are required to report on the same activities in different ways to different funding bodies. Research has shown that client data requirements were 'exactly the same' across funding bodies for only 10% of multiple-funded agencies. There are ongoing complaints about different data definitions used by different agencies, even if they are in the same department or same jurisdiction and supporting similar programs. Government agencies do not adopt National Community Service Data standards which they have established and which community service and welfare organisations have contributed to. There are different definitions used between ABS and AIHW, let alone between Departments when collecting information. While DOHA and FachSIA may be funding similar programs to organisations, their reporting requirements are significantly different.

### **Recommendation**

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51 (Allen Consulting Group , 2007). The \$24m is based on an extremely conservative assumption that regulations and contract compliance account or 3% of the total Victorian spend on service agreement funding.

52 TASCROSS study

53 (Tanner MP, 2009)

- Commission the Australian Institute of Health and Welfare to undertake an audit of client data collected by the Federal, State and Local Governments and develop a discussion paper for the harmonisation of client data collected from the community services sector.

**Recommendations:**

- ACOSS welcomes recent initiatives such as the Victorian program *Reducing the Regulatory Burden* which aims to cut the administrative burden of red tape by 25% over five years. We note too that many of our members are involved in current work underway at a Federal level within the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA). This valuable work needs to be extended across jurisdictions and to a whole of government approach.
- We endorse the QCOSS submission to the Queensland Parliament's Public Accounts Committee in 2008 which spelt out a program to actively reduce administration duplication. It canvassed improvements in the area of performance measurement including: moving to collection of relevant data which can inform evaluation, the development of common definitions relating to performance indicators and measures and moving to common standards and adopting the recommendations of the Queensland Auditor-General Report 2007.

**Performance Monitoring and Program Evaluation**

QCOSS has identified that the current approaches to performance monitoring can further disadvantage individuals who are already marginalised. This occurs as the impetus on agencies to meet quantitative reporting measures, in terms of number of clients assisted, causes high needs clients to be overlooked in favour of clients with less complex needs in an effort to ensure performance measures are met.

As one of our members stated: "*It is easier to count the numbers of people assisted rather than measure the change required for a movement in from point a to point b.*" This also stems from a failure to understand the multiplicity of problems facing many clients and that a holistic approach and structural changes are often required. There is a need to focus on measuring outcomes and impact rather than throughputs and outputs and to understand the complexity and longevity of what needs to be done.

**Recommendations:**

- The Productivity Commission should assist in developing more sophisticated frameworks and program evaluation tools which could then be adopted consistently by governments. It should draw from recent work within the community services and welfare sector such as that conducted by Mission Australia, The Smith Family, the National Association of Community Legal Centres<sup>54</sup> and The Benevolent Society as well as effective and appropriate practices in the Australian agencies working in the international NGO sector.

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<sup>54</sup> See for example (National Association of Community Legal Centres, 2008)



## Encourage Innovation

As demonstrated in the previous section on contribution, the community services and welfare sector is born of innovation. It is filled with the direct experiences and responses of people with needs. Positive examples of innovative approaches include:

- Mission Australia's Pathways for Children (Inala, Queensland). A ten year research collaboration with Griffith University found a 74% improvement in behaviour where children and families participated in a two-fold intervention – both for the child at a centre-based intervention and for the family in a family support program. This was instrumental in the Federal Government initiating *Communities for Children*, an innovative national model of delivery using lead providers as facilitating partners working with local small agencies in disadvantaged communities.
- QCOSS advocacy for prevention and early intervention investment has contributed to the Queensland Government recently committing \$70m over 4 years (starting 2008-09) for a 'prevention and early intervention pool' to fund innovative projects in human services and justice.
- The Community Housing Federation of Australia cite Common Equity Models as an innovative service delivery option. Even small scale innovative ideas can make a big difference in a person's life - a community housing organisation in Tasmania offers rent holidays over Christmas funded by slightly higher payments over the rest of the year and the purchase of a set of gardening tools (or tool library) which is then shared by 100 households.
- NTCOSS cite intergenerational learning centres in indigenous camps with full-time community development workers that have built connections and become hubs for other services and for outreach to other communities.
- NCOSS report developments in shared service models such as a Hub in Bankstown which brings together more than 14 community organisations to share corporate resources and provide a one stop shop for the local community and Regional Service Hubs to deliver affordable corporate services for regional and rural agencies. NCOSS has also developed an extensive ICT strategy for the NSW community sector.<sup>55</sup>
- Macquarie Legal Centre obtained funding over two years to run a series of crime prevention workshops for young people. The CLC coordinates this collaborative project with local high schools, the Police Service, NSW Legal Aid Commission and the University of Western Sydney (UWS). The project follows a smaller but successful project, 'Be Engaged Be Proud' where the CLC, Police Service, local youth workers and local high schools cooperated to provide legal information workshops at two high schools in 2005. The CLC uses a community development approach to the project, consulting young people on the content of the workshops through questionnaires and focus groups. In addition young people are given the opportunity to develop their own legal resources, which reinforces the learning from the workshops and is available to a wider audience. UWS designed and assisted

<sup>55</sup> See (New South Wales Council of Social Service, 2008)

with questionnaires, focus groups and evaluation and will also assess the project's effectiveness.

- Jobs Australia has recently documented the work of 10 members undertaking innovative approaches to unemployment in their communities.<sup>56</sup>

However there appears to be at least three factors inhibiting innovation:

- a lack of capacity building funding from government and philanthropic sources which inhibits the ability to systemically innovate as part of normal business;
- little specific government or philanthropic funding allocated to innovation; and
- government contracts specifically precluding innovation through an overly prescriptive focus on the way the service is delivered rather than the outcomes.

The previous Job Network Contracts probably best illustrate how government contracts can impede innovation:

Over the last 10 years program guidelines have become more prescriptive and rigid as the degree of micro-management has grown and innovation has been stifled. Contract management has increasingly focused on the fine detail of service providers' processes in contrast to the original premise of relying on the skills and innovation of the private and community sectors. The financial cost of this excessive prescription and reporting is borne by government and providers and is obvious.

Less tangible but equally important is the limitation on the overall effectiveness of employment services attributable to the throttling of innovation.<sup>57</sup>

The CEO of UK Young Foundation Geoff Mulgan has stated, "NGOs in South Australia as elsewhere are often involved in innovating to meet changing needs. But the ways in which they are supported are often antithetical to this role." He has called for "a more systemic and reciprocal relationship" between NGOs and government to advance social innovation<sup>58</sup>.

### **Recommendations:**

- ACOSS believes that a move toward a more balanced and involved relationship between governments and the community services and welfare sector, as discussed previously, will help innovation to flourish.
- Reform of contracting approaches and program evaluation which uses outcomes and impacts over inputs and throughputs, also described previously, would significantly improve innovation.

In addition:

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<sup>56</sup> (Jobs Australia, 2008)

<sup>57</sup> (Jobs Australia, in Australian Government, 2008, page 8)

<sup>58</sup> (Mulgan, 2008)

- Governments should dedicate a percentage of program funding (possibly 1%) to an innovation fund or pool. For example DEEWR has recently established an Innovation Fund to which it is allocating \$40m, or approximately 0.8% of the total \$4.8 billion over three years, to its Job Services Australia contracted services for the unemployed. Another approach would be to allocate a percentage of the Future Fund for innovation.
- Some innovative projects would be run over a three to five year time frame, rather than one or two years. An innovation fund or pool would have clear objectives and outcomes but would enable considerable flexibility around how these were achieved. It would need to factor in a percentage for failure, the price we expect to pay in science, health and business to get leaps of innovation which may ultimately pay off many times over.
- There is also a need to consider low interest loans or no interest loans for capital infrastructure for community service and welfare organisations.

## **Appendix 1: ACOSS comments on the proposed 2010 Community Services Industry Survey**

### ***Population Frame***

We note that non-profit organisations with an annual turnover of less than \$150,000, who have chosen not to apply for an ABN, remain outside the scope of the ABS Business Register and will not therefore be picked up in the Community Services Industry Survey. Around 18% of organisations who completed the ACOSS Australian Community Sector Survey question on income for the year 2006-7, reported an income of \$150,000 or under.

ACOSS would welcome the opportunity to explore options for capturing survey data from these organisations.

### ***Industry structure***

From our analysis of the current Australian and New Zealand Standard Industrial Classification (ANZSIC), the employing businesses within the scope of the survey would potentially include businesses classified to the following:

- 7861: Employment placement services (Job Network organisations and organisations supporting people with disabilities only)
- 8010: Preschool education
- 8601: Aged care residential
- 8609: Other residential care
- 8710: Child care
- 8790: Other social assistance
- 7510: Government administration (only government organisations responsible for funding community services or being directly involved in the provision of community services)
- 7559: Other interest groups N.E.C. (only organisations involved in community services advocacy activities).

### ***'Other Social Assistance'***

The 'Other Social Assistance' classification essentially replaces the previous 'Non-Residential Care Services (Not Elsewhere Classified)' classification.

In the 1999-2000 Survey, Non-Residential Care Services N.E.C accounted for the largest number of employing businesses after child care.

While the updated classification removes the concept of this being a residual category, it still brings together a large number of different types of services, including:

- Adoptions services
- Adult day care centre operation
- Aged care assistance service
- Alcoholics anonymous operation
- Disabilities assistance service
- Marriage guidance service
- Operation of a soup kitchen.

Given the size and diversity of this classification, ACOSS believes there is a case for disaggregated reporting under this classification.

***Preschools and childcare***

The distinction between child care and preschool education is increasingly redundant. Do preschool services not also provide child care? Certainly many child care services provide preschool type educational and developmental programs.

ACOSS believes that preschool services should be included in the 2008-09 Survey.

***Labour force characteristics***

Workforce planning and training development are now crucial issues facing community services and more information about the workers in community services provision would greatly assist in this regard.

ACOSS suggests that in relation to each of the industry classifications and sub-classifications, there is data on the gender, age, qualifications, pay rates and working arrangements of community service workers.

In relation to working arrangements, it would be useful to have data broken down according to the number of employees working:

- Permanent Full Time
- Permanent Part Time
- Fixed contract (less than 12 months)
- Casual.

Another issue facing the industry is the difficulty filling positions, despite organisations being funded for those positions. It would therefore be useful to know the number of Full Time Equivalent positions filled and the number of Full Time Equivalent positions funded for but unfilled.

In relation to pay rates, it would be useful to have data broken down according to the number of employees by income bands.

In relation to qualifications, it would be useful to have data broken down by the number of employees with:

- No qualifications
- Diploma-level qualifications
- Undergraduate qualifications
- Post graduate qualifications.

***The value of volunteering***

The non-profit part of the community services industry relies heavily on volunteers for a wide range of activities, including direct service delivery, which is of significant economic value. It would therefore be useful to gather data about the number of volunteer hours worked in the industry, broken down by provider type (ie government, non-profit, for-profit) in each classification. This would enable imputation of average hourly ordinary time earnings in selected occupations in each sub-sector (taken from other data sources) to be used to calculate the value of volunteer work.

***Geographical scale of reporting***

Given the extensive involvement of State and Territory Government in the planning, budgeting and delivery of community services and the different demographic profiles of the States and Territories, reporting state/territory level data would enhance the usefulness to stakeholders on both the 'demand' and 'supply' sides of the community services industry.

## **Appendix 2: Other specific concerns and recommendations around Government Contracting**

### ***Delay in government payments to community services and welfare organisations***

While many contracts place stringent obligations on community organisations in terms of performance and provide for termination if contractual obligations are not met, governments are often slow to pay contracted community organisations. Contracts do not generally provide for compensation or interest payments where government departments have been slow to pay. There is also evidence of stop start funding or major delays in funding from Federal DOHA around mental health in NT and AIDS peak bodies which disrupt services for clients and potentially lose valuable staff expertise.

#### **Recommendation**

- Insert clause in contracts to provide for compensation/interest payments where payment to community organisations are delayed.

### ***Failure to cover the cost of reporting requirements and changes to them***

The costs of audits are not funded in many programs – for example HACCC and the Family Relationships Services Programs. There is also a lack of consistency across Government departments, even when in the same jurisdiction. For example one of our national members noted that the Federal Department of Health and Ageing (DOHA) is provided funding to cover the cost of adapting their IT systems to new reporting requirements but FaHCSIA, who are in the process of reviewing their reporting requirements, are not proposing to offer any additional funds to cover the costs of the IT changes which will ensue.

### **Responding to changes in the external environment**

If an agency has to meet additional costs that could not have been expected at the time of contract negotiations or were not allowed by the government, the contract should state how the government will respond. In such situations there should be sharing of responsibility. This happened for example, with the increase in the SACS Award in NSW, where the additional cost of providing services was not shared by the Federal government, where there were Commonwealth funding organisations in NSW with employees paid under the SACS Award.

#### **Recommendation**

- While it is acknowledged that this is a complex issue, it would be possible to outline in principle support for the idea that where there are changes in the external environment, then the Federal Government will share responsibility for responding to the situation, with the details of the response determined on a case by case basis.

### **Termination of contracts**

There are concerns that some contracts allow government too much flexibility to terminate contracts and conversely provide inadequate security for contractors, preventing agencies

from responsible planning, managing cash flow and paying/retaining employees. For example, ACOSS understands that some contracts permit government departments to terminate contracts at their convenience without providing reasons, access to alternative dispute resolution processes or compensation for the contracted organisation.

**Recommendation**

- Insert contract clauses requiring that contracted agencies be given reasons for termination of contract and access to alternative dispute resolution mechanisms to resolve, wherever possible, contractual disputes.
- Insert clause requiring that agencies are entitled to compensation for contract termination where there has been no significant breach of terms by the contracted organisation. This compensation should cover the additional costs borne by the agency as a result of the termination.
- Ensure that all contracts provide at least a 90 day notification period before termination of a contract (except where there has been a major breach of contractual terms by the contracted organisation).



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**About this submission**

This submission was written by Toni Wren on behalf of ACOSS. It documents and reflects consultations conducted by Toni with ACOSS members during May 2009 and benefits from discussions with current and former Board and staff members. It also reflects consultations undertaken by ACOSS around developing a National Compact during 2008 and the significant contributions made by ACOSS to previous relevant Inquiries.