



Department of Social Services

A Stronger, More Diverse and
Independent Community Sector

Submitted by Jobs Australia

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Jobs Australia acknowledges the traditional owners of country throughout Australia and their continuing connection to land and community. We pay our respects to them and their cultures, and to the elders both past and present.

Please consider the environment before printing this mail

1. About Jobs Australia

Jobs Australia is a national organisation that supports the largest network of Not for Profit Members who provide diverse employment services and pathways, education, training and skills development, and community and social services.

We are the Peak Body for Not for Profit Employment Services Providers including those organisations providing employment pathway programs.

We are funded solely by our Members allowing us to represent them with real insight by activating and amplifying their collective and independent voice.

<https://www.ja.com.au/>

2. About This Submission

The views expressed in this submission are the views of Jobs Australia. While our views are informed by our consultations and meetings with our Members, they should not be taken to be the views of any individual Provider or group of Providers.

3. Scope of this Submission

The Australian government is working closely with the Community Sector Organisations (CSOs) to consult on options to fulfill its election commitment for a *stronger, more diverse and independent community sector*. The commitment will help ensure:

- Grants reflect the real cost of delivering quality services, with options for longer-term contracts so CSOs can plan for the future, workers have certainty, and services can become part of the communities CSOs serve.
- Grant funding flows to a more diverse group of CSOs, with a renewed priority of partnering with trusted community organisations with strong local links.

- CSOs that support our communities are treated as respected partners of government, with meaningful consultation processes in place to ensure the sector has the voice and respect it deserves.

4. Jobs Australia's Scope of this Submission

The focus of Jobs Australia's submission will be on why CSOs represent better value for money for government spending than their for-profit competitors. This necessarily includes the critical role CSOs play in communities and the increasing challenges they face. Once CSOs value and competitive advantage are accepted by governments then issues like types of funding, length of funding agreements, adequacy of funding and inclusion in program design are much simpler to resolve.

5. Executive Summary

Jobs Australia's view is the full value of CSOs has not been fully recognised in the awarding of government grants and procurements over the last twenty years or more. This has led to the increase in the delivery of social services by for-profit organisations at the expense of CSOs. This in turn has placed an even greater strain on CSOs viability as it negatively impacts market access, scale and efficiencies.

Too often we have seen the more lucrative city markets and services awarded to the for-profits whilst CSOs have taken responsibility for the more disadvantaged locations and more complex cohorts. This is not a sustainable approach by government in the funding of social services.

Factors not valued or given sufficient consideration in government decision making on funding:

1. CSOs reinvest all profits back into services and communities in contrast with the for-profits who pay these profits to shareholders, often based overseas.

2. The contribution and value of volunteers and volunteering.
3. Recognition and payment of the real cost of service delivery including indirect costs like IT, HR and management.
4. The building of social capital. CSOs are the drivers of bringing other CSOs, business and government to address community issues and build community capability.
5. Investment in CSOs provides a far greater return to communities than just the investment.
6. CSOs regularly pivot rapidly in response to a crisis e.g., Covid-19, 2019/20 bushfires and current cost of living and housing crisis.
7. CSOs work with the most complex/disadvantaged people in our communities.
8. The role of CSOs in place-based solutions.
9. The capacity of CSOs to deliver services is not keeping pace with the increasing demand for services. The underfunding of services is the underlying cause of the widening gap between demand and supply.
10. CSOs are best placed and most likely to collaborate, share best practice and participate in communities of practice. The for-profits have an inherent conflict in needing to protect what they view as a valuable asset in their IP.
11. CSOs indirectly build trust in key government institutions through their advocacy and representation of the people using social services.
12. CSOs are great drivers of innovation e.g., the emergence of social enterprise to provide more employment and training opportunities for disadvantaged Australians.

CSOs like any business benefit from factors such as access to markets, scale and certainty in the running of their community businesses. This lowers their indirect costs such as management, HR and IT and consequently the cost of delivering a service. Achieving these efficiencies is very important to CSOs in the delivery of services. With often smaller balance sheets and limitations on capital raising these efficiencies are even more important to CSOs.

It has been the design of government funding grants and procurements that have driven the rise of the for-profits at the expense of CSOs. There has been too little attention paid to the

entire benefits CSOs bring to any funding decisions. Governments have had a narrow focus on just the service to be delivered rather than the overall benefit to communities including other services.

The design of funding processes, under appreciation of the full value of CSOs, and failure to recognise the full cost of service delivery, have threatened the sustainability of CSOs and led to the erosion of our collective community capital.

Recommendation:

Government builds into funding decisions and assessments of grants/tenders the full value of services offered by organisations, including their contribution to communities.

The 12 factors above form the basis of recognising that full value.

Acceptance and implementation of just this one recommendation will go a long way to ensuring CSOs have equitable access to markets, receive the real cost of service delivery and can continue to serve their communities for many years to come.

6. Community Sector Organisations = Purpose, Values & Mission Driven

For the purposes of this submission, Jobs Australia is adopting a definition of Community Sector Organisations (CSOs) as defined in the DSS issues paper and ATO:

...organisations that are not-for-profit and established for community service purposes, which provide for the wellbeing and benefit of others. CSOs promote, provide or carry out activities, facilities or projects for the benefit or welfare of the community or any members who have a particular need by reason of youth, age, infirmity or disablement, poverty or social or economic circumstances.

This purpose, values and mission approach is in contrast to for-profit organisations. The for-profits are required by law to exercise a duty to their shareholders. This necessarily means maximising return on shareholder investment. In many instances these profits flow out of Australia. CSOs on the other hand invest any surpluses back into their services and

communities. This factor is rarely considered when governments assess competing funding applications.

The requirement under corporate law mean for-profits enter and exit markets depending on contracts and profitability. CSOs on the other hand have deep connections with and longevity within communities. This building up of relationships, trust and certainty over time leads long term to better collaboration and better all-round services and results.

7. Community Sector Organisations' Contribution

CSOs are an important part of the economy employing 1.38 million people and contributing an estimated \$129 billion in value. More than one in ten workers in Australia are employed by CSOs which is more than are employed in retail and more than both mining and manufacturing combined¹.

One factor that is often overlooked in the current funding and procurement processes is the indirect contributions, including volunteers. There are 3.6 million Australians who volunteer to help CSOs deliver programs which equates to one in seven Australians². Every time a for-profit is successful in securing government funding at the expense of CSOs there is an inevitable loss of volunteers and social capital. There has been a steady decline in the number of volunteers and the median volunteer hours.

Volunteering leads to better psychological well-being, mitigates isolation and loneliness and increases social and human capital. Volunteering is associated with high levels of social connectedness and stronger networks. The benefits of volunteering both to the volunteers

¹ McKinsey report – Building from purpose: Unlocking the power of Australia's not-for-profit sector (Nov 2021)

² Ibid

and the ability of CSOs to deliver services are widely accepted. A continued decline in volunteering will have inevitable negative impacts on communities.

The Chair of the ACNC Advisory Board and CEO of UNICEF Australia, Tony Stuart sums up the scale of the benefit CSOs bring when he said the NFP sector is so much more than its economic contributions - “The not-for-profit sector is one of our competitive advantages as a nation.”

8. Building Social Capital

CSOs enable communities to create social capital to an extent not possible by the for-profits. CSOs typically have been present in their communities for many years building connections and most importantly trust. This allows CSOs to bring together other CSOs, businesses and government to address community issues and build community capability. This trust and connectedness is what drives the creation of social capital e.g. for every \$1 invested in Surf Life Saving Australia there is a return of \$20.20 to the Australian community³.

CSOs often provide essential services required by communities for their continued health, wellbeing and quality of life. Recognising CSOs complete contribution to communities when government makes funding decisions not only preserves these essential services but also provides financial stability to CSOs. This financial stability is required for CSOs to invest in their capabilities and to continue to effectively support their communities.

9. Reliability and Responding to Need

CSOs regularly pivot rapidly to respond to a crisis. The pandemic demonstrated how crucial CSOs are to our way of life. CSOs such as Lifeline, Beyond Blue and Kids Helpline filled the role of first responders to mental-health challenges throughout the pandemic, supplementing

³ Between the red and yellow flags, Deloitte Access Economics, deloitte.com, August 2020

existing mental-health infrastructure. At the same time, many private psychologists closed their books to new patients.

During the catastrophic bushfires of 2019/20 CSOs and their volunteers were there first to not only fight the fires but to help communities recover and rebuild. We have seen a series of devastating floods in Australia in recent years and again it is the CSOs who keep turning up to assist.

Now with high inflation and a cost-of-living crisis, we are seeing housing options disappear and a full-blown housing crisis is with us. It is the CSOs who are there offering support and building trust and dignity for people feeling the brunt of the housing crisis.

10. Working with the Most in Need

CSOs are typically the organisations that work with the most complex/ highly disadvantaged people in our communities. Whether it be mental health, homelessness, or victims of domestic violence, just to name a few cohorts, it is left to the CSOs to provide the services and support required. This is appropriate for a range of reasons such as trust and the mission-based nature of CSOs and their dedicated staff. Nonetheless, without a strong community sector and volunteers, these needs would not be met.

The rise of social enterprises is increasingly helping address the issue of employment for our more marginalised community members. These enterprises are guided by a social purpose. They are run by CSOs and exist to benefit the public, community and environment rather than shareholders and owners.

There are currently over 12,000 social enterprises in Australia that employ over 200,000 people and contribute \$21.3 billion to the Australian economy each year ⁴.

⁴ Social Enterprises Australia www.socialenterprisesaustralia.org.au

The Australian government in its recently released white paper on employment, titled 'Working Future', specifically refers to social enterprise. The white paper states government will build on work underway with the social enterprise sector. The introduction of an Outcomes Fund and the Social Enterprise Development Initiative are a part of the strategy. The initiatives aim to provide more employment and training opportunities for Australians who face disadvantage. Jobs Australia supports these initiatives.

11. Place-Based Approaches

Place-based approaches are co-ordinated, long-term approaches, invariably community-led initiatives, and aim to build strong communities and ensure local solutions meet the needs of that community. They typically involve local communities, multiple levels of government, service providers and other stakeholders working together to identify and solve local issues.

It is recognised a "one size fits all" approach is not appropriate for many of our services and communities. There is a growing recognition that place-based approaches must be a part of the solution. CSOs are almost always front and centre in place-based initiatives.

12. Pressures of Increased Demand and Decreased Supply

The demand for community services rose significantly during Covid and has stayed high due to cost of living pressures. At the same time as demand has increased, CSOs are experiencing financial pressures which has meant there has not been a corresponding increase in supply. The increased gap between supply and demand has placed the community sector under great strain.

Strong CSOs are critical to the future productivity and well-being of Australia. At present they are needed more than ever but most, CSOs are struggling financially. A study of over 16,000 charities using ACNC data⁵ found:

- Many charities operate with thin or no margin and did so even before the COVID crisis.
- Many charities operate with limited reserves.
- A majority of charities reported that recent events had put a strain on their financial operations, and more than half of the organisations were worried they would not be able to provide their services in the current economic climate.

One of the elements causing this financial pressure is insufficient funding for ‘indirect costs’ e.g., IT, HR and finance. This is called the ‘non-profit starvation cycle’⁶. Governments have ignored the real cost of delivering services under the guise of driving efficiencies. This inevitably has a negative impact on CSOs forced to operate services without this core funding. Ultimately it is the social services and supports to communities that suffer.

The turnover of frontline staff is increasing as are burnout rates. For example, in employment services the staff turnover rate in the last 12 months to July 2023 reached a record high, exceeding 50%⁷. There are a range of reasons for this but payment of low wages to staff who undertake demanding jobs with complex cohorts is a key reason.

The acknowledgment by the Australian Government in the issues paper for this submission that funding needs to reflect the real cost of services is welcomed. Jobs Australia encourages

⁵ Social Ventures Australia and the Centre for Social Impact (2022) “Paying What it Takes”

⁶ Ibid

⁷ [2023 Frontline Survey \(unimelb.edu.au\)](https://www.unimelb.edu.au/research/2023-frontline-survey)

the government to fully understand the cost of services and fund them appropriately. A strong community sector depends on it.

13. The Need for Collaboration

One of the consequences of a market-based approach to the delivery of social services has been the decline in collaboration and the sharing of best practices. Service providers collaborating with competitors and sharing best practice, including service delivery models, risks a loss of intellectual property.

The for-profits legal duty to shareholders and return on investment requires them to guard their intellectual property as a valuable asset. This makes sharing their intellectual property problematic and therefore less likely. CSOs on the other hand are driven by purpose, values and mission, and that requires them to collaborate and share best practices with competitors. Anything less from CSOs would contradict their reason for existing and hence the greater willingness of CSOs to collaborate and share.

In his book, “The Careless State”⁸, Professor Mark Considine links the market-based model of social service delivery and proliferation of the for-profits to a decline in the quality of social services. His studies included Aged Care, Disability, Childcare, Employment Services and Vocational Education and Training. Professor Considine identifies the sharing of best practice and collaboration between providers as one of the pre-requisites to delivering high quality services. He points out the inherent conflict and reluctance of the for-profits in surrendering their intellectual property. This dilemma is not shared by mission based CSOs.

Another argument raised by Professor Considine, and by the Australian government across various forums, including the current Select Committee Inquiry into Workforce Australia, is the value of Communities of Practice. It is just common sense that practitioners in a particular

⁸ The Careless State (Melbourne University Press 2022)

field who collaborate and share best practice on an ongoing basis through a formal community of practice, will be better placed to learn from each other and deliver better services.

The OECD Recommendation on the Social and Solidarity Economy and Social Innovation (adopted 10 June 2022) promotes the social economy's potential to pioneer new business models, provide essential services and build communities. It recognizes the diversity of practice and encourages network building, cross-sector partnership development and knowledge sharing through communities of practice.

CSOs are best placed to be active participants in and supporters of communities of practice.

14. Building Trust

Having CSOs as advocates for the people they support indirectly builds confidence in key government institutions. Having trusted CSOs watching over these government institutions provides a greater level of comfort to those who interact with the government.

Studies have consistently shown CSOs are more trusted than business or government and thus reach people more in need more effectively than government or business can. Australians also find it easier to communicate with and access services from the not-for-profit sector, with only 1 percent finding this process difficult, compared to 14 percent who struggle to deal with business and government⁹.

⁹ Australian Bureau of Statistics, abs.gov.au, 2006

15. Conclusion

CSOs are a valuable asset to all Australians. They need to be supported to thrive not just survive. To achieve this the Australian government needs to value the full contribution made by CSOs when making all funding decisions.

Recommendation:

Government builds into funding decisions and assessments of grants/tenders the full value of services offered by organisations, including their contribution to communities.

Acceptance and implementation of just this one recommendation will go a long way to ensuring CSOs have equitable access to markets, receive the real cost of service delivery and can continue to serve their communities for many years to come.

References

1. McKinsey Report – Building From Purpose: Unlocking the power of Australia’s not-for-profit sector (Nov 2021)
2. Ibid
3. Between the red and yellow flags, Deloitte Access Economics, deloitte.com, August 2020
4. Social Enterprises Australia www.socialenterprisesaustralia.org.au
5. Social Ventures Australia and the Centre for Social Impact (2022) “Paying What it Takes”
6. Ibid
7. 2023 Frontline Survey (unimelb.edu.au)
8. The Careless State (Melbourne University Press 2022)
9. Australian Bureau of Statistics (abs.gov.au 2006)