Catholic Social Services Australia (CSSA)

Funding and Indexation shortfalls: A case of Mission versus Margin

Catholic Social Services Australia Catholic Social Services Australia (CSSA) appreciates the opportunity to provide feedback on the Department of Social Services (DSS) Issues Paper, *A Stronger, more diverse and independent community sector.*

CSSA advocates for the Catholic Church's social service ministry and is the peak body for Catholic social service providers, including CatholicCares and Centacares in dioceses across the nation and providers such as Mackillop Family Services, Marist 180, and Jesuit Social Services. CSSA members provide a wide range of services across the social services sector, including family support, early childhood education and care, community aged care, programs for Aboriginal and Torres Strait Islander persons and disability support.

CSSA supports the submissions and recommendations made by the Australian Council of Social Service (of which we are a member), the St Vincent de Paul Society and the joint submission made by (CSSA members) CatholicCare Victoria Tasmania (CCVT) and Mackillop Family Services. Additionally, we would like to emphasis the following points:

Providing grants that reflect the real cost of delivering quality services

Grants need to *genuinely* match the cost of providing quality services and attracting, retaining, and training a skilled workforce in secure jobs with fair pay and safe working conditions. For example, as a first step, the current 1.2% productivity offset applied to all Commonwealth Government grants, and the indexation of those grants needs to be abolished, at least for not-for-profit and charitable community services organisations.

The theory underpinning the productivity offset is that it may create an incentive for community service organisations to focus on finding more efficient ways of working. However, the reality for CSSA members is that it is *causing inefficiencies* due to funding shortfalls, an inability to raise wages and conditions beyond the Award minimum, and cuts to staffing - all inhibiting their ability to provide the necessary services to clients.

Whilst there is certainly a place for government to invest in improving efficiency, such as through funding for new technology, facilitating partnerships or supporting improved workplace health and safety, the productivity offset and other efficiency dividends, have only a negative effect in the not-for-profit care and support sector.

Furthermore, Commonwealth models for community services grant funding and indexation are based on crude, narrowly construed formulas, using Consumer Price Index (CPI) and Wage Cost Index (WCI) figures. These formulas typically result in funding that falls significantly short of the actual cost of providing the quality of services required.[1][2]

Some examples of areas where the current federal government models of funding and indexation do not adequately meet the true costs encountered by Community Service Organisations in striving to provide quality care and support services include:

a) Increased community demand for services.
b) Increased complexity of client needs.
c) Mandated improvements to Award/ FW Act wages and conditions.
d) Mandated Superannuation increases.
e) The need to enter into above-Award employment arrangements with employees (and their representatives) through enterprise bargaining.
f) Increases insurance costs, including workers' compensation insurance.
g) The cost of leasing or paying a mortgage on a premises.
h) Property maintenance.
i) Travel and fuel (especially in regional and rural areas).
j) Necessary technology changes or upgrades.
k) Electricity.
l) State/Territory government taxes and charges.
m) The need for research, facilitating partnerships, service innovation, and advocacy.
n) The need for staff training and development.
o) The cost of effective organisational administration and the accommodation of regularly changing rules and regulations.
p) The cost of labour turnover due to low wages, poor conditions and high workloads. E.g. compared to the Commonwealth public sector.
q) The cost of staff recruitment and retention difficulties due to housing costs and shortages.
r) The cost of delays in the provision of information about ongoing funding and indexation.
s) The cost of entering into short-term contracts and late notice of changes.
t) The lack of flexibility in the ways that grant funding can be expended and the timing of such.
u) The cost of competing with for-profit organisations that may cut corners or temporarily run at a loss in order to secure market domination.

[1] See: Gilchrist, David, J., and Clare T. Feenan. 2023. "Economic Paper 2: Why the CPI and WPI are not Appropriate Bases for Human Services Funding Indexation." Working Paper Series on the Economics of Human Services, Centre for Public Value, UWA Business School, Perth, Australia.
[2] Gilchrist, David, J., and Clare T. Feenan. 2023. "Challenging the Framework for Funding Indexation in Australian Human Services: Achieving Sustainability". A report developed by the Centre for Public Value, UWA Business School, Perth, Australia.