

# Occasional Paper No. 1:

## Shaping the Future of the Victorian Community Sector: Scenarios and Issues for Consideration

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### ***Background***

The role and future of the community services sector is being canvassed in many quarters. There are national and international debates and trends as well as local or jurisdictional initiatives. However the Victorian sector has had only an ad hoc or passing engagement with these processes and has rarely been able to bring adequate and focussed resources to bear on the issue.

Earlier this year the VCOSS Peaks & Statewide Networks Forum established the Community Sector Futures Task Group (CSFTG). This Task Group is charged with enabling the sector to establish its own agenda and aims regarding its future directions, role and sustainability, separate to any government or other initiatives that might be occurring in this area. While many of our aims and aspirations might align with others, there will be other areas where this is not the case.

A key objective of the Task Group is to more broadly engage the sector in shaping its future – initially through raising awareness and providing opportunities to discuss the issues and then to develop longer term strategies and initiatives.

This paper is the first in a series of Occasional Papers the CSFTG will commission to enable this discussion.

When reading the paper, it may be helpful to consider the following questions:

- Are these scenarios likely to occur?
- Which path are we on?
- Which path do we want to be on?

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## **Defining Terms<sup>1</sup>**

The term 'third sector' is used here to refer to the broad array of organisations that do not distribute profits, are separate from government, and provide goods and services to, or on behalf of their memberships or groups of interest (Casey and Dalton, 2005: 25). The third sector includes not for profit, cooperative and mutual organisations.

The community sector is a subset of the third sector. Here, 'community sector' is used to refer to:

*those organisations that are not for profit, rely on high levels of volunteerism, and broadly respond to welfare needs. Community sector organisations work in related areas of health, education, employment and community services, amongst other industries. They comprise small informal community groups through to large incorporated organisations, and range in orientation from member-based consumer advocacy groups through to privately constituted but publicly-oriented service providers (Barraket, 2006: 3)*

For the purposes of brevity, the community sector is frequently referred to as 'the Sector' within the paper.

## **Introduction**

The Australian Third Sector currently faces a series of critical challenges. Lyons (2004) identifies these as:

- increased competition by for-profit providers in fields where nonprofits were traditionally unchallenged;
- changing patterns of voluntarism, which are draining sustained volunteer resources from the management and governance of small organizations;
- A decline in membership and shifts toward increased professionalisation of member-serving organizations (eg service clubs, unions, churches, some local sports organizations, traditional youth groups and political parties); and

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<sup>1</sup> Defining the nature and dimensions of the third sector may prove to be an important issue as the Victorian Community Sector shapes its future – particularly with regard to the kinds of partnerships or representative structures it may choose to participate in. This issue is not addressed here, but may need to be the focus of future discussions.

- critical erosion of the service infrastructure within the sector and reduced financial capacity to renew this infrastructure for the changing service needs of future generations.

An analysis of the sustainability of the Victorian community sector commissioned in 2006 by CSFTG's predecessor – the Sector Sustainability Task Group – identified similar third sector trends to those articulated by Lyons (2004), as well as several issues posing specific challenges for the community sector. These included:

- Reduction and increasing fragility of the Sector's financial resource base due to Governments' shifts away from core funding for organizations to competitive funding tied to specific programs or outcomes;
- A prohibitive regulatory regime that has major compliance costs for Sector organizations and leads to poor levels of accountability and transparency;
- Difficulties recruiting and retaining appropriately skilled staff due to lower awards than public agencies in the same industries, limited capacity to ensure income security and career progression where organisations' sustainability are dependent on tied government funding, and a history of relatively poor industrial practices;
- Difficulties in recruiting and retaining unpaid leadership within the Sector due to changes in volunteer patterns and the increasing complexity of regulations facing small organizations;
- An absence of public policy instruments to regulate whole of government-community sector relations; and
- Limited research driven by the Sector to assist in developing its knowledge of its needs, impacts and potential future directions (Barraket, 2006).

This paper presents a series of scenarios that have been developed for the Community Sector Futures Task Group to envision the possibilities for developing the Victorian Community Sector to 2027. The scenarios draw on:

- Sector consultations and visioning workshops conducted by the Strategic Foresight Program, Swinburne University, for the Victorian Community Sector Sustainability Project;
- An international policy analysis and research evidence review conducted for the Sector Sustainability Task Group in 2006;
- Current initiatives in Victoria including the Victorian Government's Strengthening Community Organisations Project and Review of Nonprofit Regulation; and

- Additional advice from Sector leaders and research experts in the field.

These scenarios assume that a set of societal and public policy conditions are present in the futures envisaged. These include:

- The effects of globalization on patterns of social exclusion have continued. These involve: unequal concentration of labour market opportunities in line with the globalization of economic markets; increased workforce casualisation and 'flexibility' in the knowledge economy; and continued movement – both voluntary and forced – of the world's populations leading to changing migration patterns and profiles.
- An aging population, the growth of single-person households, and the presence of diverse family and community structures.
- Ongoing global environmental challenges that affect public health, consumption and production patterns, and recreational opportunities.
- Continued residualisation of government-provided social security which does not meet all social needs or respond to the full costs of the trends identified above.
- A continued focus on corporate social responsibility, although this has manifest in different ways across different world regions and industries;
- Some improved coordination between Federal, State and Local government provision in relation to a few specific policy areas, but Australian public policy continues to be informed by a loosely federated political system.

### ***Possible Scenarios***

Scenarios can be effective tools in challenging our thinking and giving expression to our ideal futures. It must be emphasized that none of the scenarios provided below express a universal truth about the future of the Community Sector. Rather, they seek to identify possible trends and the impacts of these over time. It is likely that readers will accept and reject some aspects of each scenario. The desired outcome is not necessarily that one of these scenarios be accepted, but that each provides a prompt for Sector leaders to consider the future of the Sector that they want to aim for, and illuminates some of the issues that might need to be addressed to achieve this.

## **Scenario One: Worst Case**

*This case assumes that a number of current internal trends and external influences negatively affecting the Sector continue unchecked. It deliberately presents an outlook that emphasizes the conflation of 'worst case' factors.*

The Victorian Community Sector continues to comprise a variety of not for profit organizations that provide a range of welfare services, advocacy functions and opportunities for voluntarism and social participation. Overall, however, the Sector is considerably smaller and less diverse than it was back in the early 21<sup>st</sup> Century, having shrunk in real terms from \$1 billion to around \$750 000 000 annual contribution to the Victorian economy.

Internally, the Sector is fractured along industry sub-sector and organizational size lines. While organizations continue to do some work together, historical conflicts within the Sector have made it difficult to implement strategic plans developed and agreed to in 2007. The Sector continues to be represented by a range of different representative bodies; although these bodies do important work on specific sub-sector issues, this is limited as they are working off limited resource bases and have to direct most of their attention to resourcing themselves rather than working for their constituent groups. The proliferation of representative bodies also makes it difficult for Governments and other parts of the Third Sector to interact with the Community Sector, resulting in conflicting negotiations for resources and relatively limited influence of the Sector over policy development. Relationships with philanthropy continue to be piecemeal and specific to particular organizations or projects. The Sector has not particularly benefited from corporate social responsibility (CSR) in ways predicted by governments and commentators in the early part of the century, because large scale corporate sector organizations have tended to focus their CSR on environmental initiatives, and have generally focused on high impact regional activities, rather than local partnerships.

Many small associations and some larger organisations have collapsed. Some have disappeared because changing social patterns – including increased work hours and increased amount of time traveling for work - have affected the time and availability of volunteers to manage and lead them. Others have been unable to accommodate the growing burden of compliance accompanying public funding.

The financial problems facing the Sector around the turn of the Century were never adequately resolved. Continued reliance on government funding that has not funded the full costs of services, recognized the social value-added by

community sector activities, or invested in infrastructure for changing social needs, has continued to constrain the Sector's capital base over time. Some larger Third Sector organizations have been able to draw on their own assets to leverage finance, but traditional divisions within the Third Sector means that these resources have not produced Sector-wide benefits. Continued reliance on dwindling government funding has exacerbated conflict and division with the Sector. With very limited financial means, the Sector has not been able to invest in new infrastructure to support the changing demographic needs of the communities it serves, or the internal information management and research needs of the Sector. These financial constraints make it very difficult for the Sector to provide the range of experiences and services it wishes to contribute and severely limits its capacity to develop new innovations to support individual and community wellbeing.

Although there were some discussions about workforce planning back in the early 2000s, the Sector has made little progress in creating the conditions to support effective leadership and retention of staff and volunteers. There is limited public understanding of the work of the community sector, partly because it is so internally fractured that it doesn't have a visible external presence. The Sector is externally viewed as a poorly resourced and tenuous environment in which to work or develop a career. Pathways into employment in the Sector from different education providers have not been created, and the sector is competing for staff with (considerably better resourced) government, health and private sector employers. The Sector continues to be supported by a major effort from volunteers. Overall, however, organizations within the Sector find it increasingly difficult to draw in the people and skills that they need to lead them in a strategic manner, as they compete for volunteer time in an environment where time is an increasingly precious commodity for all.

The Sector's role as an advocate for society's most disadvantaged has continued. However, funding for organizations that have an advocacy function has been all but cut off by federal reforms to the Charities Bill. This, combined with continued reliance on (inadequate) government funding and ongoing erosion of strong sector leadership, constrains the Sector's influence as civil society leader, thus limiting its capacity to produce social innovation and/or shape the policy conditions that affect us all.

## **Scenario Two: The Middle Path**

*This scenario assumes some strategic development of the Sector, but limited change to governance and representative structures. It assumes incremental changes to public policy conditions that affect the Sector and its work.*

The Community Sector continues to comprise a variety of not for profit organizations that provide a range of welfare services, advocacy functions and opportunities for voluntarism and social participation. Overall, the Sector is marginally smaller and less diverse than it was back in the early 21<sup>st</sup> Century, having shrunk in real terms from about \$1 billion to \$995 000 000 annual contribution to the Victorian economy. The Sector continues to be represented by a number of peak bodies, which serve the needs of industry sub-sectors and the Sector as a whole. These groups seek, where possible, to work collaboratively in support of the broader strategic objectives of the Sector, that were first articulated in visioning processes and commissioned research conducted in 2006/7.

There have been some improvements to the financial problems that were facing the Sector around the turn of the century. Sustained and coordinated lobbying by the Sector's various peaks have ensured that full-costs of government delivered services are met by governments, and that organizations with advocacy functions have not been altogether defunded. These gains need to be protected by continued rounds of lobbying with a range of government departments and political leaders at federal and state levels. The considerable social value added by Community Sector delivery of services is not understood – by either the Sector or governments – and is thus not incorporated into costing models. There have been some government investments in community sector infrastructure in particular industry sub-sectors and geographic locales where governments have recognized that they rely on the Sector to support important social service delivery.

While the subsistence financial needs of the Sector are being met, its financial resource base continues to be primarily based on government funding. The Sector has successfully negotiated increased contributions – including, financial, skills, and volunteer resources – from the corporate sector. However, these have been directed to those 'good news' activities that yield commercial outcomes for corporate sector partners, and have not found their way to the advocacy and service activities of the Sector that support those facing complex forms of disadvantage. As governments deal with the needs of a now aged population drawing while on a diminishing income tax base, it is likely that there will be continued constraints on government purchasing of

services from the Sector. The financial challenges of the early part of the century appear to have been delayed, rather than truly redressed.

The Sector continues to advocate with different parts and levels of government on behalf of its constituents through its various peak bodies. In some cases, negotiations are successful and result in policy and/or funding changes that serve particular areas of social need or appropriately resource industry sub-sectors of the Sector for fixed periods. The Sector has not been particularly active in developing synergies with other parts of the third sector, either at a state or national level.

### ***Scenario Three: A Possible Ideal and pathways for achieving it?***

*This scenario assumes considerable internal restructuring and strategic action by the Sector. It also assumes major changes to external conditions that have been brought about through the Sector's involvement in and leadership of sustained advocacy, research and lobbying with governments, philanthropy and the business sector. The scenario proposes one vision and two pathways to realize it.*

#### **Vision**

The community sector is viewed, both internally and externally, as:

- An agent of progressive change for a truly participatory society;
- A credible voice within civil society for Victoria's most disadvantaged community members;
- An incubator for participatory democracy and civic leadership;
- A leader in social innovation that both initiates and supports progressive social policy benefiting all Victorian citizens;
- A connector of individuals, organizations and sectors that wish to work productively towards social justice and inclusion;
- A provider of high quality services in diverse industries and sub-sectors;
- An attractive sector in which to work and develop sustained career paths; and
- A vibrant and evolving sector that is able to demonstrate how it contributes to Victoria's society, economy, environment and culture.

The Sector is diverse; it includes a range of organizations that differ in size, legal structure, industry or sub-sector specializations, geographic areas, and

mission or purpose. The Sector continues to contribute in real terms around \$1 billion to Victoria's annual economy.

## **Pathway A**

*The Victorian Community Sector has developed its capacity by building and leveraging partnerships with other parts of the third sector, governments and the corporate sector.*

Externally, the sector has a unified and coherent presence, including clear mechanisms for advocacy, performance development and research administered through a single third sector body. Some time back, the Sector decided to maximize its stretched (although now somewhat increased) resources by working in partnership with the broader third sector to developing a single well-resourced Third Sector Council of Victoria. This Council provides strategic whole of sector leadership through a federated structure that includes equitable input and representation from industry sub-sectors, organizations from different geographic areas, and larger and smaller organizations.

The Council acts as a central voice of the third sector with governments and the corporate sector. It provides a vehicle for consistent collaboration with philanthropy, although philanthropy continues to source activities beyond the remit of the Council. The Third Sector Council provides developmental services and quality assurance accreditation for the Community Sector, coordinates third sector and community sector-specific research priorities, and is a central point of advocacy and negotiation with different levels of government. The Council also collaborates with its state and national counterparts to systematically address federal regulatory issues affecting third sector activities. This collaborative work has led to a more enabling public policy environment, including coordinated and transparent regulation of third sector activities, and tax regimes that support the functions of a range of third sector organizations and encourage investment in areas and groups experiencing high levels of structural disadvantage.

Partly as a result of the Council and its counterparts' work, relations with Federal and State Governments have since 2012 been governed by compacts that: recognize the contributions of the Sector to community wellbeing, policy implementation and service delivery; commit to full cost funding of government services delivered by the Sector; and honour the Sector's independence and advocacy functions as an important part of Australia's democratic system. Although the implementation of the compacts is an

ongoing challenge, they provide a useful mechanism for governing relations between the Sector and governments.

The financial problems that plagued the Sector around the turn of the century are a thing of the past. While generating income will always be a vehicle for, rather than a primary objective of its activities, the Sector is now sufficiently financially resourced to be a leader in social innovation, to provide a variety and depth of participatory opportunities for all Victorians, and to deliver high quality social and community services. Financial sustainability has been achieved by diversifying the Sector's financial resource through partnership approaches between organizations within the third sector, and between the third sector, governments, and the corporate sector. Over time, governments have been educated and lobbied to provide full-cost funding for Sector services and for the social value-added. The Sector has been vigilant in stipulating full-costs (including the costs of evaluating outcomes) in all its contract and funding negotiations. These negotiations have been assisted by the Sector developing rigorous forms of evaluation and social accounting that allow it to demonstrate, in economic terms, the full social benefits of its service provision.

To provide long-term low/no interest lending to the Sector back in 2008, Federal and state governments and philanthropy contributed to 'patient capital' funds that prioritised the regeneration of the Sector's capital infrastructure. The presence of these funds assisted the Sector to leverage further investment from other government, corporate sector and mainstream financial sources. Over time, patient capital funds have quintupled the original investment while servicing the changing infrastructure needs of the community sector. As part of a coherent broader third sector, community sector organizations are also able to draw on the considerable capital resources of other third sector organisation. The Third Sector has established its own community bank to leverage its considerable financial resources in support of activities across the Sector; this is particularly important for the work of advocacy organizations.

Since around 2005, the Sector and its industry sub-sectors have recognized the need for workforce planning. Over time, considerable attention has been paid to sustained industry planning, in collaboration with Governments where relevant. Adequate financial resourcing of the Sector, described above, has improved recruitment and retention of skilled staff by providing opportunities for secure, meaningful and appropriately remunerated employment and professional development. Staff retention has also improved as the Third Sector Council has developed and implemented Sector-wide standards of good practice in relation to recruitment, occupational health and

safety, professional development and workplace culture for paid staff and volunteers.

Since 2007, the Sector has developed and prioritised a research program to better understanding its dimensions, impacts and changing needs. This includes large-scale projects to map the 'big picture', and smaller-scale efforts to evaluate the impacts of particular programs, services and innovations introduced by the Sector. The research agenda is supported by a combination of: Sector-funded and conducted research; federally-funded independent research developed in collaboration with academic researchers; lobbying of government regulators and funders for systematic access to usable data collected about sector organisations; and coordination of Sector-wide data management through a central peak body. This research informs the Sector's knowledge of the needs of the people it serves, its own impacts and internal needs. It provides the evidence necessary to effectively lobby governments as part of a broader effort of Third Sector organizations in pursuit of a truly civil society.

## **Pathway B**

*The Victorian Community Sector has developed its capacity by maintaining its independence from governments, building its public credibility and drawing on its internal resources to support all of its activities.*

Back in 2007, the Sector became concerned that continued investment in partnership models were eroding its strength as a voice of civil society. A review of the costs and benefits of partnership found that this form of working involved very high costs for the Sector, as its organizations were typically smaller and less resourced than those of government and corporate sector partners. These costs did not appear to be yielding greater outcomes in terms of social justice and inclusion for all Victoria's citizens. While the Sector chose to move away from cross-sectoral partnership models, it did find that greater coherence and collaboration amongst community sector organizations and the broader third sector was important to ensure that it developed as a strong source of influence on government policy and corporate sector practices. This was achieved by the continued presence of a range of industry sub-sector peaks, which worked collaboratively on a range of strategic whole-of-Sector issues, and took a coordinated approach to lobbying for regulatory reform at State and Federal Government levels. While maintaining strong internal relationships, some community sector organizations continued to provide government funded social and community services, while others gave back their contracts to focus on advocacy and independent program delivery.

In order to better understand its own impacts on the Victorian community, the Sector initiated an independent inquiry into public perceptions of its performance and value back in 2009-10. Funded by a couple of large philanthropic foundations and conducted by a team of transparently appointed specialists, this wide ranging inquiry collected systematic feedback about the Sector's performance from the general public, service users, members/volunteers, and Sector staff. The inquiry found that, overall, there was high levels of public trust in the Sector's work, public value placed on the Sector as a site of civic and social participation, and general satisfaction with the quality and nature of services provided by the Sector. The inquiry also identified areas for improvement that have helped guide the Sector's development over the proceeding years. Politically, the inquiry proved important; it provided a good evidence base for the public credibility of the Sector that assisted it in future lobbying of Governments on a range of issues.

Around the same time, the sector lobbied effectively for the growth of community development financial institutions (CDFIs). These stimulate social innovation by providing equity and debt finance, social venture capital and investment that supports social, rather than economic, returns on investment. The CDFIs include traditional credit unions, community foundations and trusts, and revolving loan funds. They mediate investment based on models that recognize the Sector's specific financial needs, resources and societal impacts. The CDFIs are a new set of community sector organizations that broker finance from philanthropy, local communities, individual social entrepreneurs, and from the considerable combined resources of the Sector itself. They provide a diverse set of financial products that are explicitly fit for the purposes of the Sector.

Some parts of the Sector have continued to innovate in fundraising, by using web-supported technologies, and member/volunteer loyalty programs. Some parts of the Sector continue to appeal to and attract support from the corporate sector in the form of donations and sponsorships, although the broader trend of community-business partnerships has fallen away. At the same time, a few large Sector organizations and a couple of consortia of smaller organizations have further developed social enterprises or nonprofit business ventures to respond to community needs and/or generate income for other Sector activities.

The diversity of these income generating activities and their independence from governments assist the Sector to introduce new innovations in programs, services, advocacy and workforce development, although prudent management of financial resources was still necessary.

Pathways from education to voluntary participation or employment in the Sector have been created by: lobbying of education providers to develop core civics curriculum at primary and secondary levels; expanding service learning opportunities for students in post-secondary education; and expanding student internships, mentoring and shadowing opportunities in the Sector in collaboration with University, TAFE and ACE providers.

Current and future leadership of the sector is invested in through; availability of community sector leadership scholarships that act as 'vouchers' for participation in post-secondary education at the level and area of specialization relevant to different sub-sector leadership needs and geographic locales; opportunities for mentoring and secondments within and between different organizations and industry sub-sectors; and sustained opportunities for networking between staff and volunteers at different levels and in different roles.

### ***Questions and Considerations***

These scenarios suggest that there are iterative relationships between:

- the strength of the Sector's financial and human resource bases;
- its leadership role as a social innovator and voice for participatory society;
- its representative governance structures; and
- its capacity to understand and measure its own impacts.

Which of the assumptions embedded in these scenarios ring true? Which assumed relationships require further critical unpacking or testing? What features, if any, of these scenarios would the Sector accept in shaping its future? And what other contingencies need to be predicted and planned for?

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