

Community sector sustainability

*'High quality social services are an integral part of a productive economy. Investment in such services is a benefit not just to those in such desperate need of services, but also reduces long term social costs and enhances the overall productivity of the economy.'*²⁷

Access Economics, 2008

Community sector organisations (CSOs) are at the forefront of providing support for vulnerable and disadvantaged Victorians and play a critical role in strengthening community resilience, particularly in times of adversity. This role has been clearly evident in 2009 as organisations responded to the Victorian bushfires and people dealing with the fall-out from the Global Financial Crisis. Further investment in the sustainability of the community sector is critical to support the rebuilding process across Victorian communities.

The 2009 bushfires required a massive emergency response that heavily relied on the community sector to support communities. The 2009-10 State Budget provided welcome support to this process, including investment to provide case management services. However, as the immediate response phase has passed, it is clear that further investment is needed to enable CSOs to participate in the long-term recovery and rebuilding process.

The bushfires also highlight the new challenge presented by climate change in increasing the frequency and severity of natural disasters. CSOs need to be appropriately resourced to meet the demands of disasters and to participate in critically important emergency management and planning processes.

Increasing unemployment as a consequence of the Global Financial Crisis has meant a much greater number of people seeking support and assistance for trauma, family violence, drug and alcohol abuse and financial and housing stress. A recent survey of VCOSS members and stakeholders about the impact of the Global Financial Crisis on CSOs found that 56 per cent of organisations had experienced increased demand for services in 2008-09 compared to 2007-08. As unemployment deepens, demand for services is expected to increase further.

The financial crisis has also entrenched disadvantage for those most vulnerable to labour market exclusion, particularly young people.²⁸ Targeted programs to support these clients have the potential to avert long-term exclusion.

Community sector organisations have also suffered direct financial losses because of the financial crisis, from reduced investment returns and reductions in philanthropic grants and corporate and donor giving. VCOSS' survey revealed a 48 per cent reduction in investment income on average.²⁹ These results are consistent with other research, including surveys undertaken by the Office for the Community Sector.³⁰ It is vital that the sustainability of the community sector be supported to help disadvantaged Victorians bounce back during these difficult times for communities.

Achieving the Government's objective of building stronger and more equitable communities and meeting the future challenges of population growth³¹ requires investment in a high quality and sustainable social services sector. This submission outlines five areas for investment in the 2010-11 State Budget to support community sector sustainability and quality improvement:

1. Standardisation of indexation across government,
2. Sustainable pricing,
3. Emergency funding,
4. Community sector workforce strategies, and
5. Capacity building support services.

Standardisation of indexation across government

Adequate indexation of funding is essential to keep pace with costs. Without adequate indexation, declining value means organisations must either cut back on service delivery or subsidise government resources with other revenue.

Consequently, VCOSS welcomed the 2009-10 State Budget commitment to an annual indexation rate of 3.14 per cent each year for three years, plus a continuation of the \$2 million per year capacity building payments for Department of Human Services and Department of Education and Early Childhood Development (DEECD) funded services.

However, as this price index only applied to DHS and DEECD funded community services, organisations funded by other departments now receive different indexation, or none at all. For example, neighbourhood houses and learning centres received the NGO price index when they were administered by DHS but have received a lower rate of indexation since moving to the Department of Planning and Community Development (DPCD).

VCOSS proposes that the Victorian Government introduce a standard price index across all government-funded programs, based on movements in the Wage Price Index and Melbourne Consumer Price Index, adjusted for the proportion of labour costs and operating costs.³²

Sustainable pricing

For community sector organisations to provide high quality services and supports to Victorians they need to be funded at levels that reflect the full cost of quality service delivery.

International research indicates this is rarely the case, with funding typically covering only the direct costs of service provision.³³ The shortfall is met by organisations themselves underwriting additional costs or through sourcing philanthropic donations. Partial funding also underpins under-investment in long-term workforce skills development and wages growth. The Victorian community sector experience certainly reinforces this research.

The problem of partially funding services has been recognised by the Department of Human Services with the adoption of the *Price Review Framework* in October 2007. VCOSS, as a member of the Human Services Partnership Implementation Committee (HSPIC), welcomed the framework and is actively participating in the current review process.

These processes have identified unresolved problems that continue to threaten the sustainability of critical services for vulnerable Victorians. The timetable for implementation has been problematic with many areas of health and human services yet to have even started or scheduled a price review more than two years after adopting the framework.

For sectors that have participated in a price review, there is no guarantee that the outcomes will be funded, and there is a real risk that services will simply be cut back.³⁴ At a time when demand for services is increasing, further services rationing will only undermine outcomes for vulnerable Victorians and compromise productivity.

Emergency response

VCOSS welcomed the 2009-10 State Budget commitment of more than \$70 million to fund case management services for people affected by bushfires. This has been an important resource to support people at a time of high stress. However, its effectiveness is limited by the lack of resources allocated to the referral services. This mostly affects individuals and families in the greatest need.

Drug and alcohol services, family support, family violence services, and youth and early childhood services experienced significant extra demand as a consequence of fires, through increased client caseload or increased complexity due to the multiple stress factors experienced by clients. Community sector organisations are delivering some of this extra demand unfunded, and many staff members are working volunteer as well as paid hours. VCOSS is aware that many services have had to introduce triage processes or waiting lists to manage demand.

VCOSS proposes that the Government increase emergency and recovery funding to enable community sector organisations to respond to the immediate needs of the community during and after an emergency. Additional funding is also needed for ongoing support services for at least two years after the initial emergency due to the long-term nature of the recovery process.

Workforce strengthening strategies

Responding effectively to an increasingly complex and challenging community requires a community sector workforce with a high level of skills. Currently, opportunities to improve service quality are being compromised by recruitment and retention issues that reflect a lack of a sector-wide workforce strategy and relatively poor working conditions. VCOSS proposes the Government address these challenges by investing in more sustainable funding, in a portable long-service leave system and in the skills and capacity of the community sector.

Portable long-service leave

The Government has committed to the introduction of a portable long service scheme for the majority of the community sector, enabling community sector workers to work for more than one employer within the sector without losing entitlements to long-service leave. VCOSS, and many other peak bodies and community sector agencies, support the introduction of portable long service leave in principle considering it an important plank of a broader strategy to build depth of skills by improving retention.

A portable long service leave scheme will also have significant financial and administrative implications for community service organisations. A model is needed that delivers workforce benefits while promoting the sustainability of community service organisations. VCOSS welcomes the additional time the Government has committed to develop a workable scheme in consultation with the community services sector and unions.

The following features are necessary in a sustainable model:

- **Adequate pricing**—The ‘unit price’ of funded services needs to be adjusted to reflect the full cost of long service leave, including the additional costs of portability. There is a clear precedent for the Victorian Government to financially support organisations to implement the additional costs of a scheme. Previously the Exceptional Events Clause in the *DHS Price Index* has been used to fund legally-binding costs imposed on DHS-funded organisations, such as minimum wage safety net determinations and bargaining negotiations.
- **Administrative ease**—The model should be set up to enable organisations to ‘outsource’ all long service leave responsibilities to the central fund, not simply those entitlements under the *Long Service Leave Act 1992*.
- **Scope**—There needs to be clear criteria and a clear mechanism for determining who is ‘in’ and who is ‘out’. There is also a need for flexibility about who can join to allow for the changing nature of CSOs into the future.

Community services workforce capability framework

VCOSS welcomes the work undertaken by the Office for the Community Sector to develop the *Community Services Workforce Capability Framework*. The framework describes the broad capabilities required by people working in the community sector and provides current and future employees, managers and volunteers, with a description of the knowledge, skills and attributes that are critical for the organisation or individual roles.

VCOSS recognises the value of this tool for community organisations, particularly small ones with limited human resources capacity and proposes that funding is extended beyond the pilot to ensure the framework can be rolled out state-wide.

Addressing the impact of skills reform on the sector

Providing high quality services to all Victorians relies on the community sector workforce being able to engage in skills development across their careers. The *Victorian Government Action Plan: Strengthening Community Organisations* notes that attracting and retaining staff is a critical challenge facing the Victorian community sector.³⁵ VCOSS is concerned that this challenge will be exacerbated as a consequence of the recent reforms of Victoria's Vocational Education and Training (VET) sector through the *Securing Jobs for Your Future: Skills for Victoria* policy.

The community sector is a major industry employing nearly 7 per cent of the Australian workforce and mobilising hundreds of thousands of community volunteers; with more than 41 per cent of Victorians volunteering in community and not-for-profit organisations.

Currently community sector wages for service delivery - in aged care, welfare or child care - are similar to wages for hospitality, tourism or retail, but involve far more complex care relationships. For example, one VCOSS member recently recruited a newly qualified social worker earning \$18 an hour who was earning \$17 an hour in their previous job as a cleaner.

Imposing income-contingent loans on students creates a further disincentive for potential community sector workers to pursue relevant qualifications as they may earn very little extra income as a consequence of their study.

This is likely to worsen workforce shortages in parts of the sector that have mandatory qualifications for staff, such as children's services. VCOSS has strongly supported strengthening minimum qualifications regulations as a strategy to improve service quality. However, new costs for engaging in training may put some services at risk of closure if they are unable to recruit qualified staff.

Imposing fees for Vocational Education and Training also creates new direct costs for CSOs funding training for their staff and volunteers. Many community sector workers or volunteers transfer from other industries and so may have existing qualifications but need a new, lesser qualification to work in the sector. *Volunteering Victoria* has noted that 'training becomes an essential, not a luxury'³⁶ for services that rely on skilled volunteers and where providing training in areas such as occupational health and safety and food handling is mandatory.

Unfunded increased fees to provide training will compound the sustainability challenges facing the sector and result in organisations cutting back on services requiring trained volunteers.

Capacity building support service for the community sector³⁷

The *Victorian Government Action Plan: Strengthening Community Organisations* commits to 'broadening and expanding the range of information and support services available to community organisations to help them meet challenges of performance, long-term strategy and capacity development.'³⁸ VCOSS Clearinghouse and PilchConnect provide organisational support services that meet this need, including

management, governance, financial, legal, and information technology support to Victorian community organisations on a free or low-cost basis.

Through strengthening the sector, these programs also support the achievement of other government priorities, including maximising participation in employment, social inclusion and sector sustainability.

Both services have been a demonstrated success, leveraging far more support than they are funded to deliver. For example, the investment of \$313,600 in the Clearinghouse from DPCD's Community Support Fund:

- Delivered more than a 400 per cent return on investment with \$313,600 funding resulting in a total project income of \$1,681,382
- Brokered \$1,250,803 in in-kind contributions, and
- Brokered nearly \$1 million worth of skilled volunteer placements.

In its first year of operation with a budget of \$336,000, PilchConnect has:

- Provided face-to-face and telephone information, training and advice to over 800 Victorian not-for-profit organisations,
- Assisted an estimated 10,000 not-for-profits with legal information via its website, and
- Facilitated pro bono legal assistance for Victorian not-for-profits from the private legal profession with an estimated commercial value of over \$3 million.

Despite this success neither service has ongoing funding to sustain and grow their organisation and service provision. VCOSS and PilchConnect believe that the model of support service collaboration needs to be expanded and replicated to provide further specialist support in the areas of information and communication technology and finance, and to sub-sectors with specific needs, such as Indigenous organisations and newly arrived refugee and immigrant groups.

These services have the potential to be funded using a cost recovery model that allows for reducing Government investment over three to five years.

Recommendations

1. VCOSS proposes that the Victorian Government adopt a standard price indexation rate across all government-funded community sector programs based on movements in the Wage Price Index and Melbourne Consumer Price Index.
2. VCOSS proposes that the Victorian Government support community sector organisations to deliver high quality services by:
 - a. Providing resources to community sector organisations to fully participate in the price review process, and
 - b. Fully funding the outcomes of price reviews in the event of unit prices not being sufficient to maintain current levels of service delivery.

3. VCOSS proposes that the Victorian Government increase emergency and recovery funding to enable community sector organisations to:
 - a. Participate in emergency planning,
 - b. Respond to the immediate needs of the community during and after an emergency, and
 - c. Provide ongoing support services for at least two years.
4. VCOSS proposes that the Victorian Government commits funding to the portable long service leave scheme to deliver a benefit to workers without impacting on the sustainability of services.
5. VCOSS proposes that the Victorian Government extend funding for the *Community Services Workforce Capability Framework* to ensure its implementation state-wide.
6. VCOSS proposes that the Victorian Government invest in a highly skilled community sector workforce by:
 - a. Providing resources to community sector organisations to pay for staff and volunteer VET qualifications, particularly those qualifications that are required by legislative and funding requirements,
 - b. Substantially subsidising fees for training and qualifications in community sector fields,
 - c. Investing in evaluating and monitoring the impacts of the reforms on the community sector, and
 - d. Maintaining the fees for those eligible for concession at January 2009 rates.
7. VCOSS and PilchConnect propose that the Victorian Government invest \$3.2 million over four years to expand the VCOSS Training and Development Clearinghouse to:
 - a. Continue the current service and expand its reach to arts, sports and environment organisations,
 - b. Deliver niche services to identified topic and sub-sector areas, some of which could be self-funding, for example, finance and occupational health and safety, and
 - c. Incubate a community sector information and communication technology support service.
8. VCOSS and PilchConnect propose that the Victorian Government invest \$400,000 per year over four years to enable PilchConnect to run a full service and to build and position the service to go national.