
10 The not-for-profit workforce

Key points

- Many not-for-profit organisations (NFPs) are run on a completely voluntary basis, while others use both employees and volunteers. NFP sector employment has grown from 604 000 in 1999-00 to 890 000 in 2006-07, while over the same period the number of volunteers increased from 285 300 to 317 000 full-time equivalent (FTE) workers.
- NFPs in the community services sector appear to experience the greatest challenges in attracting and retaining employees and volunteers. Addressing these challenges is vital to enhancing the efficiency and effectiveness of these NFPs, especially those delivering government funded community services.
- Over the past few decades many NFPs have engaged more professionally qualified employees and some appear to have replaced voluntary positions with paid positions. Complex tendering and accountability requirements have also required NFPs to recruit additional professional back office staff.
- In community services, demand for staff with higher level qualifications is expected to continue growing as clients present with more complex needs and community expectations of standards of care rise. The ageing of the population will place substantial additional demands on these labour intensive services.
- Many NFPs in the community services sector can only offer Award wages considerably lower than comparable positions in government and business although some can offer the advantage of fringe benefits tax concessions. Low wages contribute to the substantial movement of employees from NFPs to the public sector. This is compounded by uncertainty created by fixed term contracts.
- The small size of many NFPs can result in fewer career paths, contributing to high staff turnover. This, along with funding constraints, mean that many NFP employers are unable to sufficiently invest in training their staff. Staff training expenses are often not regarded by funding bodies, or the public, as a necessary part of service delivery.
- NFPs report rising costs of recruiting, managing and training volunteers. Minimum qualifications, occupational health and safety, food safety, security checks, and public liability insurance add to these costs.
- Most board members of NFPs volunteer their time and expertise. Greater training and support for boards would help enhance the effectiveness of NFPs.
- While this analysis concentrates on community services, many of these issues are relevant to other parts of the NFP sector, including sports, arts and culture.

In 2006-07, the not-for-profit (NFP) sector workforce was made up of 890 000 paid workers and 4.6 million volunteer workers. This chapter looks at the characteristics of, and the main issues affecting, these workers — both employees and volunteers.

10.1 Volunteers and volunteering

It was estimated that 5.2 million Australian volunteered in 2007 (ABS 2007b). Of these, 4.6 million were estimated to volunteer with the NFP sector. Around two-thirds of these volunteer with NFPs that do not have employees. The volunteer workforce was estimated in the ABS satellite accounts to provide over \$14.6 billion of unpaid labour in 2006-07.

In submissions and consultations, NFPs which are largely dependant on volunteers identified a number of concerns in relation to:

- the changing profile of volunteers and increasing expectations of volunteer roles
- the increasing costs of engaging volunteers (including regulatory costs)
- the difficulties associated with the cost and consistency of background checking.

Volunteers offer their time and skills for a number of reasons (box 10.1).

Box 10.1 What motivates volunteers?

Values such as the belief in the importance of helping others and the belief in ‘what goes around comes around’ are important motivators of volunteering (Esmond and Dunlop 2004).

Recognition and continual reinforcement of the contribution of volunteers can assist in retention. Although 80 per cent of volunteers in a recent survey reported that ‘knowing that my contribution would make a difference’ was the most important factor in the decision to volunteer, 36 per cent had not received any recognition for their work in the past month, suggesting an avenue for organisations to improve retention of volunteers (VA 2009). Volunteers who understand and believe in the mission of an organisation are more likely to continue volunteering.

A national survey of volunteers found the main reason for volunteering was altruism:

- ‘helping others or the community’ was reported by 57 per cent of respondents.

Other reasons for volunteering are self motivated:

- 44 per cent reported ‘personal satisfaction’
- 36 per cent reported ‘to do something worthwhile’ (ABS 2007b).

Sources: ABS (2007b); Esmond and Dunlop (2004); VA (2009).

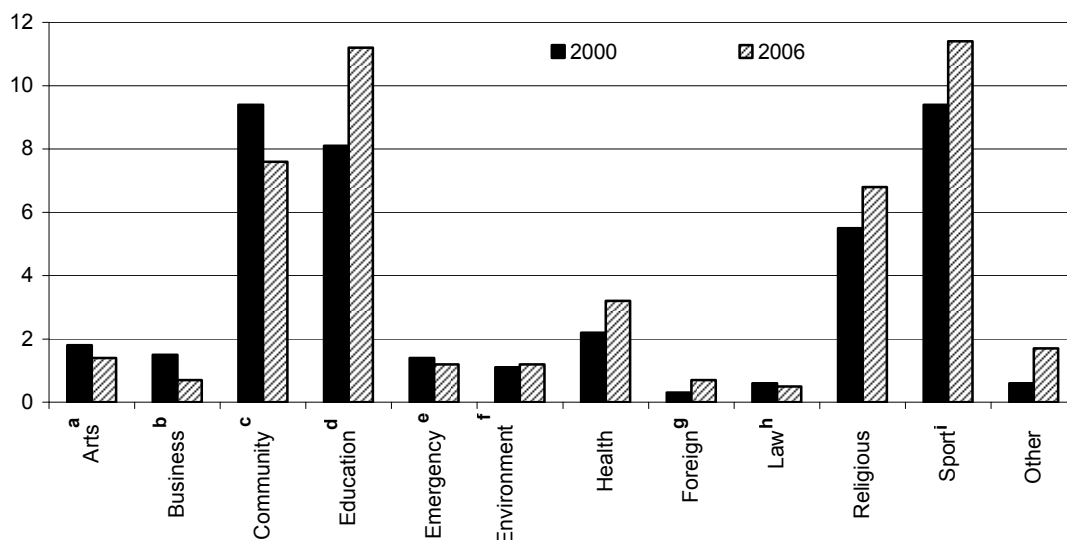
Profile of volunteers

Many NFPs rely on the substantial contribution of volunteers. In the culture and recreation area, NFPs involved around 2.1 million volunteers, while NFPs in the community (or social) services sector involved around 1.5 million volunteers. In 2006-07, a total of 4.6 million people volunteered for 623 million hours in the NFP sector (equivalent to 317 000 full-time positions) (ABS 2009c).

Despite an overall increase in numbers of volunteers, volunteering for client serving organisations such as those providing community and welfare services has seen a relative decline in participation (figure 10.1). The percentage of the adult (over 18 years of age) population volunteering in community and welfare organisations decreased from 9.4 per cent (181 million hours) in 2000 to 7.6 per cent (135 million hours) in 2006 (ABS 2007b). This may possibly be a result of ‘crowding out’ as more professional staff may be required by organisations that receive a significant share of funding from governments.

The percentage of the adult population volunteering increased from 24 per cent in 1995 to 35 per cent in 2006. Although the total number of hours has increased, the amount of time each volunteer contributed decreased from a median of 74 annual hours per person in 1995 to 56 hours in 2006 (ABS 2007b).

Figure 10.1 Volunteering rate by organisation type, 2000 and 2006
Per cent of adult population



^a Arts and culture. ^b Business and professional associations and unions. ^c Community and welfare. ^d Education, training and youth. ^e Emergency services. ^f Environment and animal welfare. ^g Foreign and international. ^h Law, justice and political. ⁱ Sport and physical recreation.

Data source: ABS (2007b).

Across the different age groups:

- people in the age group 35–44 were most likely to volunteer
- women were more likely to volunteer than men
- people aged 65–84, on average, contributed the most hours annually
- around 16 per cent volunteered for community/welfare organisations.

Volunteers perform a range of different tasks, the most frequently reported in 2006 were:

- fundraising — 48 per cent of volunteer involvements
- preparing and serving food — 31 per cent
- teaching/providing information — 28 per cent
- administration — 26 per cent (ABS 2007b).

Young volunteers

The number of volunteers aged 18 to 24 increased from 300 000 in 1995 to more than 570 000 in 2006, from 17 per cent of this population to 32 per cent respectively. Research has found that young volunteers are more likely to:

- volunteer as a way of building their own skills for future job opportunities
- support organisations with a clear cause or mission that is attractive to them
- volunteer in roles supporting young people
- require different models of engagement including short-term opportunities (Esmond and Dunlop 2004).

These interests influence the experience that NFPs have to offer to attract volunteers:

Younger generations are also reshaping the nature of volunteering through their technological skills, their focus on outcomes rather than inputs and the greater levels of autonomy and responsibility they are seeking in their roles. (The Smith Family, sub. 59, p. 18)

Examples of approaches that are effective in engaging young or episodic volunteers are Conservation Volunteers Australia, which offers short-term, project based volunteering opportunities through the website *Conservation Connect* (Conservation Volunteers Australia 2009), and Young People and the Arts Australia, which represents a number of NFPs providing opportunities for artistic endeavour for young people.

Changing profile of volunteers

Participants commented on the changing nature of volunteering:

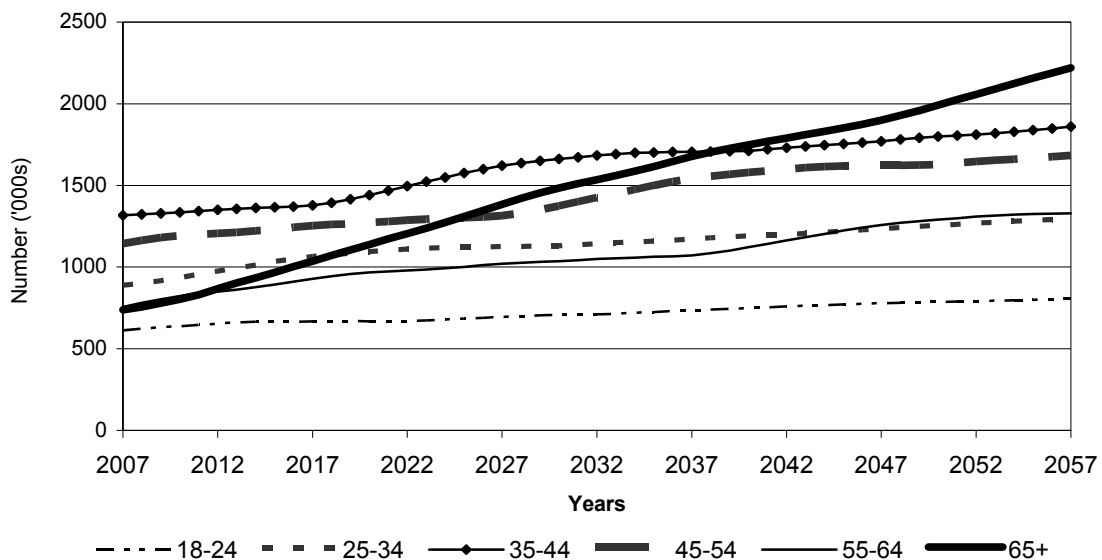
Increasing numbers of baby boomers are volunteering which is changing the face of volunteering — they are entering the sector from a work environment and their expectations of the volunteer role is significantly different ... (CANH, sub. 25, p. 5)

And on the need to adapt to the demands of a new generation of volunteers:

Baby boomers are generally more likely to be looking for fulfilling roles related to their skills or interests ... *They want flexibility and more project volunteering* ... They also want better volunteer management and better jobs, more challenges in their volunteering ... (Australian Evangelical Alliance and Missions Interlink, sub. 55, p. 13) [emphasis in original]

Population ageing is likely to have a significant impact on the age structure of volunteers, increasing the proportion of volunteers aged 65 and over (figure 10.2). As older volunteers contribute more hours, population ageing is projected to increase volunteering. However, NFPs will have to accommodate the changing desires of the ‘baby boomer’ generation in order to access these resources.

Figure 10.2 Projected number of volunteers working for organisations, 2007 to 2057^a
By age group



^a Assuming constant participation rates.

Data source: Commission estimates.

Connecting volunteers to NFPs

The changing requirements of volunteers, the high share of the population in the labour force and the increasing mobility of people, are changing the way volunteers go about identifying opportunities. A number of websites have been developed where volunteers can search advertised positions (for example, govolunteer.com.au and volunteermatch.com.au).

Data from an annual survey by Volunteering Australia indicates a growing role for intermediaries in connecting volunteers to NFPs. The proportion of volunteers who found their current volunteer work through the internet increased from 5 per cent in 2007 to 8 per cent in 2009 (VA 2008a; 2009). Specialist organisations have also been established to match volunteers to NFPs; examples include Indigenous Community Volunteers (box 10.2) and Australian Volunteers International.

Box 10.2 Indigenous Community Volunteers

Indigenous Community Volunteers (ICV) works in partnership with Indigenous communities, giving support in a 'bottom up' approach to community development. The core business of ICV is matching volunteers to the needs of Indigenous communities:

ICV helps Aboriginal and Torres Strait Islander peoples harness opportunities and assets available to them to overcome social and economic disadvantage through community and human development projects. (sub. 74, p. 1)

ICV proactively engages with Indigenous communities. In the last few years ICV volunteers have been engaged in a range of projects including:

- a partnership with the Menzies School of Health to screen children in remote Australia for rheumatic heart disease
- teaching local Indigenous women in a remote Northern Territory community the essentials of sewing
- modification of a former dog pound facility providing a room suitable for veterinary services on Palm Island. This has allowed a travelling vet to improve the welfare of animals, thus reducing the risk of animals transferring diseases to the community.

From 2007-08 to 2008-09, ICV increased the number of volunteer placements from 204 to 440, directly benefiting around 25 000 Indigenous people.

Sources: ICV (2009a,b, sub. 74).

Personal costs associated with volunteering

As well as donating their time and skills, volunteers often incur personal costs. In 2006, this was estimated to be around \$700 per volunteer (VA 2007). A recent

survey found that around 44 per cent of volunteers reported that out-of-pocket expenses reduced their ability or desire to volunteer and only 17 per cent of volunteers received full reimbursement of expenses (VA 2009). Some types of volunteering are particularly expensive due to training requirements and travel expenses, for example emergency services.

In order to increase the supply of volunteers, some participants argued that volunteers should be reimbursed for their expenses through the taxation system.

Consideration must be given through the taxation system to support those who volunteer in sport and active recreation. One suggested support mechanism is to have the associated costs of their involvement (up to a limit of say \$500) be made tax deductible. (vicsport, sub. DR221, p. 6)

However, this type of scheme would not benefit low income earners or those not in the labour force, for whom out-of-pocket expenses may have a significant effect on disposable income and tax relief would have no or minimal effect. Where governments want to support volunteering, the most appropriate means is through volunteer grant programs that help NFPs cover the costs associated with volunteers (box 10.3).

The Australian Government is currently undertaking work on a National Volunteering Strategy for 2011, the tenth anniversary of the United Nations Year of Volunteering. This strategy will articulate the Government's approach to volunteering and identify areas needing the greatest support (FaHCSIA 2009a).

Box 10.3 Volunteer grant programs

National program

- The Volunteer Grants Program provides grants of up to \$5000 per organisation to purchase equipment or reimburse fuel costs. In 2009, funding for this program was \$21 million which supported around 6700 organisations (FaHCSIA 2009e).

State programs

- The Victorian government offers Volunteer Small Grants of up to \$5000 to support organisations to attract new volunteers. They have a particular emphasis on the inclusion of marginalised or disadvantaged groups (DPCD 2009b).
- The ACT Volunteer Grants Program provides funding up to a maximum of \$5000 to help meet costs associated with volunteering (Volunteering ACT 2009).
- In South Australia, the Office for Volunteers administers a Volunteer Support Fund providing funding of up to \$3000 for each project. Priority is given to innovative programs that assist volunteers and promote the value of volunteering (OFV 2009).

Public liability insurance costs

NFPs often require a range of insurance products to protect their employees, volunteers and board members. Organisations that engage volunteers report that the cost of obtaining personal accident insurance for volunteers is a major concern:

... the main impacts on volunteering concerning the issue of insurance coverage for volunteers, is the rising cost of insurance. (Volunteering Australia, sub. DR271, p. 9)

Surf Life Saving Australia reported that inconsistent legal protection can make securing affordable insurance protection for volunteer lifesavers a major issue for its member organisations (Surf Life Saving Australia, sub. DR219).

The cost of obtaining public liability insurance for NFPs across all sectors increased dramatically from 2001 following the collapse of the insurer HIH.

From 2002, Australian Governments have worked to reform Civil Liability legislation by capping claims for damages. This helped to reduce the cost of insurance, with public liability insurance premiums falling by 27 per cent in the five years to 2008 (Insurance Council of Australia 2009). Group purchasing arrangements were another response. These allow smaller NFPs, such as local sporting organisations, to benefit from economies of scale and reduce administration costs. These have been organised by peak bodies, for example, the New South Wales Council of Social Service facilitates a group insurance policy for community organisations (NCOSS 2009). Government departments can also facilitate such arrangements. In Victoria, the Department of Human Services organises and funds an insurance scheme covering most community organisations that provide services for the department (DHS 2009a).

Increasing costs of engaging volunteers

In 2009, around 55 per cent of NFPs indicated the main barrier to involving volunteers was cost — mostly a lack of capacity and not enough resources to provide necessary support, training and skills development (VA 2009).

The Australian Council of Social Service noted that:

... 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 meet regulatory standards ... (sub. 118, pp. 32–3)

Costs for organisations that engage volunteers can include: recruiting, background checking, managing, training volunteers to meet occupational health and safety (OHS) and food safety standards and, in some instances reimbursing, costs that volunteers incur.

Background checks

Background checking of volunteers is in many instances recommended to protect vulnerable clients and is often mandated by governments. A concern commonly raised by participants was the cost, amount of administrative work, slow processing times and lack of portability between organisations and across jurisdictions associated with police checks. The cost of police checks across jurisdictions ranges from \$5 to \$52 per volunteer. Furthermore, some jurisdictions require employees and volunteers to obtain both police checks and ‘Working with Children’ checks. For example, a recent survey of volunteers found that 48 per cent of respondents had to obtain both a police check and working with children check, with a further 40 per cent having to obtain only one of these background checks (VA 2009). For NFPs with limited resources this cost can be substantial and even prohibitive.

Recognising this cost, some governments have moved to provide support. For example, the South Australian Government offers free police checks for volunteers working with vulnerable groups (sub. 175, p. 20). The ACT Government has announced a proposal to create a central background checking system for employees and volunteers working with children and vulnerable adults. The proposed ‘Working With Vulnerable People Checks’ will be portable, allowing employees and volunteers to move between ACT organisations without the need to be rechecked within a five year period. The costs of these mandatory checks will be met by the ACT government (Gallagher 2009a).

In 2006, 37 per cent of volunteers worked for more than one organisation (ABS 2007b), suggesting an unnecessary burden of re-applying for police checks between organisations. As the time cost of submitting for police checks can be more important than fees, portability within a state appears to be a valuable feature. A national system of police checks or a system of mutual recognition between states would remove the need for volunteers to be re-checked for each jurisdiction. This could be especially beneficial for sporting organisations and ‘grey nomad’ volunteers.

Other regulatory costs associated with involving volunteers

Industry specific and generic legislation can also impose compliance costs on NFPs, which can be especially burdensome where they apply to volunteers who may engage with an NFP for only a short period of time:

The direct application of some legislation designed primarily to regulate the for-profit sector to the not for profit sector is becoming an increasing hindrance to attracting volunteer workers ... This is particularly the case in smaller not for profits. Examples

include the effect of OH&S legislation on a range of volunteer roles ... (Anglican Church Diocese of Sydney, sub. 82, p. 5)

Submissions pointed to OHS and food safety regulations as areas of concern. While recognising the need for regulation for worker and consumer protection, the application can be disproportionate to the risks posed (box 10.4).

Regulation that is proportionate to the risks involved and appropriately applied can improve safety for volunteers. Although such regulations can impose additional costs, a recent survey found a majority of volunteers reported OHS requirements had either no impact or a positive impact on their volunteering (VA 2009).

The Workplace Relations Ministerial Council has agreed to a framework for uniform OHS laws and is developing a model OHS Act which will provide greater national consistency of OHS laws across Australia (WRMC 2009). Under model legislation, volunteers would be included in the category of workers, reducing confusion about legal liability of volunteers across jurisdictions.

Box 10.4 Meals on Wheels

Meals on Wheels began as a service provided completely by volunteers. Most of the food was prepared and cooked in domestic kitchens and distributed by volunteers in their local neighbourhoods. Meals on Wheels found that 'professionalism' took over when they changed from this traditional model to using large commercial kitchens.

Administrative requirements, OHS and food safety procedures are claimed to be driving otherwise well meaning volunteers and paid staff from the sector.

These tiny, generally understaffed and low cost organizations are now required, as a part of receiving generally quite small allocations of government funds, to put in place vast and extensive ... OH@S procedure manuals that would choke a horse ... (sub. 7, p. 8)

Compliance with these regulatory measures has also resulted in increases in fixed costs that need to be absorbed by the organisation. Meals on Wheels reports these regulatory requirements as the major blockage to recruiting and holding employees and volunteers.

Source: NSW Meals on Wheels Association, (sub. 7).

Corporate volunteering

Corporate volunteering is in part a response by business to demands by their younger skilled workers to engage with the community on issues that matter to them. Long working hours can prevent them from undertaking community service work, and they also seem to want to have the approval of their firm for this engagement. From the business perspective, such volunteering can build the skills

and understanding of staff, with returns to business productivity. It can be used to reward staff where their workload otherwise limits their ability to volunteer. The valuing of volunteering by business sends a strong message to staff that NFP activities are worthy of support.

The benefits of partnerships can include: pro-bono provision of essential business services; access to corporate management, leadership and communication skills; and exposure to corporate expertise in internal reporting and external accountability. But interestingly it is exposure to capacity building that participants suggest provides the greatest benefit:

Capacity building is the process, often over a long period, that strengthens and improves the ability of all parts of an organisation — including external relations, internal infrastructure, finances, management and staff — to most effectively fulfil its core mission. (CCPA 2008, p. 63)

Traditionally, corporate volunteering has involved a large number of employees participating in short-term unskilled activities such as fundraising. This leads to a ‘volunteer value gap’ where highly skilled professionals are engaged in unskilled physical work. Many NFPs prefer companies to combine employee volunteer days into fewer, longer, skill based placements which will assist in giving greater consideration to the allocation and management of skilled volunteers.

Businesses too can see value in this approach. The Smith Family has been able to:

... take advantage of a growing recognition in the corporate sector of the value of strategic volunteering to source short term skilled volunteers to work on specific projects focussed on increasing organisational capacity. (sub. 59, p. 40)

RECOMMENDATION 10.1

Australian governments should introduce a system of ‘Working with Vulnerable People Checks’ that provides for checks to be portable between organisations for a designated time period.

Further, Australian governments should explore the feasibility of developing a consistent national system allowing portability across states and territories of police checks and the exchange of information on people deemed unsuitable for working with vulnerable people, especially children.

10.2 Can not-for-profits attract and retain employees?

In the community services sector, participants identified a number of key workforce issues that influence the effectiveness of NFPs including:

- the impact of professionalisation on costs of delivering services
- difficulties attracting and retaining employees due to low wages
- high levels of employee turnover within the sector
- a lack of career paths and training opportunities.

Participants also expressed concern about the sustainability of the current approach for the provision of community services — which is based on (labour intensive) individual servicing of clients — in the context of an ageing population.

Profile of employees

NFPs employed around 890 000 workers in 2006-07, growing from 604 000 in 1999-00 (ABS 2002, 2009c). This was made up of around 41 per cent full-time, 34 per cent part-time and 24 per cent casual employees, although the mix varied significantly across activities (table 10.1). Community (or social) services employed 25 per cent of workers, education and research 24 per cent, while hospitals and health made up 17 per cent. In community services NFPs, only 32 per cent of workers were full-time, reflecting a low share of full-time employment relative to other areas of NFP activity and far below the economy-wide full-time employment rate of 71 per cent (ABS 2009f).

Despite considerable interest in workforce issues, detailed data is not currently available on the characteristics of the NFP workforce in areas such as culture, recreation, environmental or international development. A number of initiatives are addressing these shortfalls. Martin and King (2008) of the National Institute of Labour Studies (NILS) conducted a detailed study on workforce characteristics of the residential and community-based aged care workforce in 2007. NILS is currently conducting a similar detailed survey of community services workers for 2010. The ABS is conducting an industry survey of community services to be published in 2010 which will collect broader level data. A major review of the disability sector workforce is also being undertaken by the Community Services and Health Industry Skills Council (CSHISC 2009c). The Commission undertook a major review of the health workforce in 2005 (PC 2005a).

Table 10.1 Composition of not-for-profit organisations employees, 2006-07

	<i>Permanent full-time</i>	<i>Permanent part-time</i>	<i>Casual</i>	<i>Total number</i>
	Per cent	Per cent	Per cent	
Culture and recreation	33.3	17.6	49.1	102 656
Education and research	52.8	30.6	16.6	218 388
Hospitals	37.1	42.4	20.5	55 652
Health	24.7	58.0	17.3	99 665
Community/social services	31.5	39.7	28.8	221 549
Religion	50.2	31.3	18.5	40 744
Business and professional associations, unions	75.7	9.4	14.9	22 485
Other ^a	51.0	28.5	20.5	110 482
Not elsewhere classified	56.1	26.3	17.6	18 298
Average over all sectors	41.4	34.3	24.3	
Total number of workers	368 514	305 332	216 074	889 919

^a Other fields include environment, development, housing, employment, law philanthropic and international.

Source: ABS (2009g).

NFP employees in the community services sector

Around a quarter of NFP employees were employed by the community services sector in 2006-07. The number of NFP employees in community services grew strongly from 156 000 in 1999-00 to 221 500 in 2006-07 during a period of strong economic growth.

The community services workforce is often characterised as being female, part-time and middle aged. The data confirm these propositions. Women represent 87 per cent of employees, working an average of 31 hours per week, with an average age of 41 years — the average age of employees outside the health and community services workforce is 39 years (AIHW 2009c).

NFPs in all segments of the market reported difficulties attracting suitably qualified staff due to resource constraints. The community services sector faces particular workforce challenges. These are illustrated by the declining share of volunteers working in the sector, high turnover and vacancy rates reported in submissions, a high share of part-time and casual workers, and a higher proportion approaching retirement age. NFPs working in community services report the most difficulties in attracting and retaining a suitably qualified workforce. They are also more likely to be heavily reliant on government funding.

Yet many workers are attracted to working in this sector and some are willing to accept a lower wage:

Just as the rationale of the organisation is not to make money, financial self-interest is less important for individual employees than their decision to make a contribution to some conception of social benefit. (Anglicare Australia, sub. 140, p. 7)

This is in part due to the ability of NFPs to offer a rewarding experience as well as flexible work arrangements:

[Other rewards] arise from the intrinsic satisfactions of the work. [Aged care] workers gain greater satisfaction when they spend more of their work time in direct care work, [and] are able to spend the time they feel is necessary with each person they care for ... (Martin and King 2008, p. iv)

Although burnout and salary dissatisfaction are significant issues, research has found that New South Wales Alcohol and Other Drug workers report a high level of satisfaction with their work. Staff report benefits of working in the NFP sector to be: staff autonomy, flexible working hours and commitment to the organisational ethos (Argyle Research 2008).

Skills and training requirements

The past few decades have seen a clear trend to the professionalisation of the community services direct care workforce. In some situations this has led to volunteer labour being replaced with more qualified paid labour. The proportion of welfare and community workers with no post-school qualification fell from 32 per cent in 1996 to 18 per cent in 2006. The proportion with a bachelor degree increased by 13 percentage points during this time (NCVER 2009b).

A relatively high proportion (64 per cent) of community services employees hold a post-school qualification compared with the general workforce (52 per cent) (ABS 2009d; AIHW 2009c). This reflects an increase in vocational and technical qualifications. For example, the number of students undertaking Community Services Training Packages increased from 77 200 in 2004 to 108 200 in 2008 (NCVER 2009a). Certificates are the most common highest qualification level held (36 per cent of workers) (AIHW 2009c). The growth in qualifications is driven by industry demand, reflecting government requirements.

The professionalisation goes beyond the frontline staff. Professionals are being recruited by NFPs to write tender applications for government services and philanthropic trust grants. In addition, increasing reporting requirements attached to government funding have placed further demands on back office staff.

Community services workers have been, and will increasingly be, required to deal with more complex and diverse client needs. Access to higher level Vocational Education and Training (VET) qualifications, recognition of prior learning and improved articulation arrangements between VET and Higher Education will enhance the skills and competencies of workers (CSHISC 2009b).

In December 2009, COAG agreed to establish an independent national regulator for the VET sector which would undertake registration, audit and course accreditation functions (COAG 2009b). This will strengthen the quality of training provided, reduce the risk of students acquiring poor skills, and better match training to what is required by employers.

Difficulties attracting and retaining staff — a workforce crisis?

In 2008, 64 per cent of community service organisations reported difficulty in attracting appropriately qualified staff (ACOSS 2009). The Department of Education, Employment and Workplace Relations (DEEWR) confirmed these findings, reporting skills shortages in all states and territories for social workers in 2008 and skills shortages for welfare workers in New South Wales and Queensland and recruitment difficulties in other states (DEEWR 2009c).

Skill shortages are concentrated within the NFP sector, particularly in rural, regional and remote areas. This is partly due to lower wages NFPs are able to offer, fewer training opportunities and career paths and, in smaller organisations, a lack of human resources knowledge to effectively market the benefits of working in the sector.

There are concerns that the failure to engage appropriately qualified staff can have adverse effects on clients. Submissions to the National Disability Strategy reported that many staff in this sector were poorly trained, lacked sensitivity and offered inadequate or poor quality care that, in some cases, extended to negligence (NPWDACC 2009).

Family Relationship Services Australia reported difficulties attracting staff:

Family support services consistently report critical staff shortages and increased competition for skilled professionals. ... It is not unusual for vacancies to be unfilled for long periods — sometimes as long as 6-9 months. (sub. 132, p. 9)

In 2008, Aged Care employers had considerable difficulty filling vacancies for Personal Carers. Employers had little choice over employees as only 1.3 applicants per position were considered suitable, and 41 per cent of employers reported that recruitment difficulties centred around uncompetitive wages (DEEWR 2008c).

A substantial proportion of NFP employees reported a desire to work longer hours. In the Aged Care sector, 28 per cent of direct care workers in residential care and 42 per cent in community care expressed a desire to work additional hours (Martin and King 2008). Similarly, a survey of Non Government Organisation workers in New South Wales found that 30 per cent of part-time workers worked part-time because that was the only work offered (Cortis et al. 2009). These findings suggest the problem for some NFPs is not so much a shortage of qualified workers as a shortage of funds to fully employ those that are available.

Remuneration

Although staff working for NFPs in the education and health sectors have achieved parity in pay with government positions, community services workers have not. Organisations reliant on government funding often have difficulties passing on higher labour costs. Workers in this sector are less likely to require accreditation, and, unlike workers in the health sector, lack strong professional associations.

These factors contribute to lower wages in the NFP sector compared to the public sector (box 10.5) with many employees reliant on Award conditions:

Across the country, the community sector is heavily award reliant. Without capacity to seek additional funding, CHF [Consumers Health Forum of Australia] considers that changes to contractual arrangements and changes to the award are the only ways of ensuring pay parity for community sector workers. (CHF, sub. DR280, p. 5)

These wage gaps do not take into account FBT concessions available to some NFPs. The pay gap between workers in NFP and government positions may be reduced where NFP employers can offer FBT exemptions as part of ‘salary packaging’.

... tax exemptions are an essential survival strategy for Not for Profit organisations. The capacity to offer staff salary packaging ... is arguably one of the few draw cards the sector possesses in attracting and retaining staff. (Peak Care QLD Inc., sub. 81, p. 6)

A common perception of stakeholders outside the NFP sector is that FBT concessions make up for the comparably lower gross wages on offer:

It is also noted that staff in NFPs have access to tax concessions generally not available to workers in commercial or government settings. As such, their take-home pay is not as low as a comparison of award rates would suggest. (NSW Government, sub. DR315, p. 11)

However, the benefits of FBT exemptions are generally overestimated, especially for those on low salaries. Even when FBT exemptions are considered, wages in the community sector are still considerably lower than equivalent positions in the public sector (table 10.2).

Box 10.5 Pay gaps between not-for-profit and government positions

A number of submissions noted that in the community services sector, gross wage rates were significantly lower in NFPs compared to government agencies and, as a consequence, many employees were moving to government positions.

- In Victoria, due to limited funding, NFPs could only offer wages \$10 000 to \$15 000 below comparable government organisations (Precision Consultancy 2007).
- In 2008 there was an estimated wage disparity of up to \$20 000 between public and community sector workers in the ACT (ACTCOSS 2008).
- Community services workers in WA were found to be paid up to \$22 000 less than similar positions in the public sector in 2007 (WAAMH et al. 2008).
- Family Relationship Services Australia estimated:
... that the average difference in salary between staff employed in direct service delivery in the community sector and those performing similar work in the public sector is between \$15,000 and \$30,000 per annum for each full time equivalent position. (sub. 132, p. 9)
- The Australian Council of Social Services estimated:
... a gap of between 20-30% for similar roles in community as opposed to government sectors. This gap widens to as much as 40–50% for senior policy experts and managers. (sub. 118, p. 32)

Sources: ACOSS (sub. 118); ACTCOSS (2008); FRSA (sub. 132); Precision Consultancy (2007); WAAMH et al. (2008).

Table 10.2 Wage gaps of social workers after salary sacrifice
Western Australia

<i>Public Service levels</i>	<i>Public Service 2009 salaries</i>	<i>Equivalent SACS Award levels</i>	<i>SACS Award 2009 salaries</i>	<i>SACS Award salaries with salary sacrificing</i>	<i>Dollar gap (after salary sacrifice)</i>	<i>Percentage gap (after salary sacrifice)</i>
Level 1	\$		\$	\$	\$	%
1 st Year	51 601	4.2	39 151	43 831	7 700	15.1
2 nd Year	54 319	4.3	40 241	45 160	9 159	16.9
3 rd Year	57 334	4.4	42 402	47 791	9 543	16.6
4 th Year	61 102	5.1	43 393	49 002	12 100	19.8
5 th Year	66 943	5.2	44 484	50 332	16 611	24.8
6 th Year	70 748	5.3	45 475	51 543	19 205	27.1

Source: WACOSS (2009).

Consequently, even where the FBT concession acts to reduce the size of the wage gap for eligible organisations, it is a relatively inefficient and uneven means of compensation.

The substantial wage gaps in the community services sector between NFP and government positions have been recognised by Australian Governments (box 10.6).

Box 10.6 Award modernisation

Queensland Industrial Relations Commission decision

In May 2009 the Queensland Industrial Relations Commission (QIRC) awarded increases in pay of 18–37 per cent from 2009 to 2011 for community services workers (Commissioner Fisher 2009). Both employer and employee groups involved in the case agreed that community service work was undervalued, citing:

- the female characterisation of ‘caring’ work
- the evolution of the work from voluntarism
- government funding models contributing to a downward pressure on wages.

Commissioner Fisher noted 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 ... and finally, that the services can be provided at a cost that is reasonable to the taxpayer. (Commissioner Fisher 2009, p. 31)

Following this decision, the Queensland Government increased funding for community service organisations by \$414 million over 4 years (Queensland Government 2009b). This will be primarily directed to increasing the wages paid by organisations providing direct relief of poverty and disadvantage.

Social, Community, Home Care and Disability Services Industry Award

The AIRC published the ‘modernised’ Social and Community Services Award on 4 December 2009 (AIRC 2009). The Australian Services Union has indicated its intention to lodge an equal remuneration case on the modernised Award, with support from the Australian Government, seeking increases in pay and improved conditions. The implementation of the modern Award has been delayed until 1 July 2011 to take into account the outcome of the pay equity case.

While the increase in wages resulting from a pay equity case would assist in attracting and retaining staff, it could also have adverse impacts on NFPs. For instance, the South Australian Council of Social Service:

... is concerned that if both State and Federal governments are not intending to increase funding to assist organisations to pass on the additional wages and conditions we will see a number of community service organisations having to close as a result of being unable to pay for the increases in wages. (sub. 135, p. 12)

Sources: AIRC (2009); ASU (2009); Commissioner Fisher (2009); Queensland Government (2009b); SACOSS (sub. 135).

With the erosion of the value of the FBT concession (limits are not indexed) and government funding services at lower than full-cost recovery (chapter 11), the difficulties NFPs in the community services sector face in attracting and retaining qualified and professional employees will be exacerbated. Funding arrangements should take into account the need to pay competitive (market) wages. The appropriate reference is equivalent positions in the public and private sectors.

Staff turnover

High levels of staff turnover in the NFP community services sector was reported as a concern by a number of participants. For example, in the aged care sector around a quarter of employees have to be replaced every year (Martin and King 2008). Similarly, a recent survey found annual staff turnover in the community services sector ranged from 17 to 31 per cent (ACOSS 2009). This compared with about 13 per cent for the economy as a whole (ABS 2008a).

Retaining staff is a critical issue for NFPs as continuity of service is an important element in delivering quality services. Further, recruiting and training new staff is expensive.

Low salaries contribute to staff turnover. ACOSS noted:

... 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. (sub. 118, p. 32, emphasis in original)

The short term nature of many funding arrangements also contributes to turnover as staff move to find more secure employment. The Illawarra Forum Inc. found that:

Experienced staff are lost at the time contracts are due to expire leaving the organisation with the need to recruit at short notice ... (sub. 52, p. 49)

Work conditions also affect turnover. For example, NFPs within the New South Wales Alcohol and Other Drug sector have developed formal staff retention policies which include professional development programs, support for external training, flexibility and self-rostering, and staff autonomy (Argyle Research 2008).

The sector has developed a range of resources to assist individual organisations with workforce planning. For example, the Northern Territory Council of Social Service has developed a workforce planning and development toolkit to help NFPs identify the composition of their workforce and help with recruitment and retention of staff. Similarly, National Disability Services has produced a recruitment and retention toolkit.

Portable long-service leave scheme for community services

High staff turnover raises concerns about retaining workers in the sector. Some participants suggested that portable long service leave (LSL) provisions would encourage workers to stay in the sector, and to invest in their skills.

The ACT passed legislation for a portable long service leave scheme in November 2009 to begin from 1 July 2010. The ACT Government noted that the scheme:

... will strengthen the capacity and sustainability of the sector, and will also assist in developing more career options for community sector workers by facilitating movement between organisations and providing more variety in work with greater prospects for promotion. (sub. DR273, p. 3)

Victoria is also in the process of developing a portable LSL scheme for movement within the non-government community services sector (DHS 2009b). Legislation is scheduled to be introduced to the Victorian Parliament in Autumn 2010.

The Australian Services Union argued that such a scheme could reduce movement from the NFP sector to the public or private sector:

The advantage of a Portable Long Service Leave scheme is that where a worker decides to change jobs they might choose to stay within the [social and community services] sector rather than leaving for better wages and conditions in the public or private sector. (sub. DR284, p. 8)

However, some NFPs oppose the creation of such a scheme as this could increase direct costs to employers. BoysTown argued that portable LSL:

... provides no real benefit to the employer in that there is no incentive for an employee to stay with an organisation to benefit from this additional leave. The potential is that portable long service leave may indeed encourage increased turnover for individual organisations placing even more strain on the recruitment and training budgets. (sub. DR251, p. 12)

NFPs that previously used unclaimed LSL funds to supplement operations would need to find alternate funding sources to make up for this lost source of income. At this stage the net effect of portability on NFPs is unclear.

Lack of career paths

NFP community services workers report difficulty accessing career paths. The Smith Family found:

The limited capacity of community organisations to ensure income security and career progression, among other barriers, has undermined the sector's ability to develop a strong and responsive workforce, to the point that incentives for staff recruitment are

often limited to meeting people's personal desires to 'give something back to their community'. (sub. 59, p. 18)

Career pathways, linked to training and experience, are essential to developing and retaining a professional workforce. UnitingCare Children, Young People and Families argued:

Fundamental structural issues including funding arrangements to support improved wages and conditions, career pathways and the recognition and development of specialist skills and experience will need to be tackled head on. (sub. 148, pp. 24–5)

NFPs can face particular difficulties investing in training for their staff due to an expectation from funding bodies and the general public that NFPs minimise costs which are not directed at front line service delivery.

Even where employees undertake training, funding structures are often insufficiently flexible to accommodate employees with higher level qualifications. The National Roundtable of Nonprofit Organisations reported:

Government agencies routinely fund only entry-level positions even in situations where award classification structures recognise the higher work value of higher level skills and experience. (sub. 105, p. 8)

The current absence of career paths linked to training and associated financial recognition can reduce the incentive for employees to invest in their own training. The lack of opportunities for career progression is an important contributing factor to the high levels of staff turnover exhibited in the NFP community services sector.

Issues affecting long-term demand for paid workers

Projected employment growth in 'Other Social Assistance Services' (community services) is strong in the short to medium term, with a projected annual growth rate of 3.7 per cent per annum from 2009 to 2014 (DEEWR 2009a).

Impact of population ageing

The ageing of the baby boomer cohort will significantly increase demand for aged care, disability and community health services over coming decades:

- the number of clients receiving Home and Community Care services grew from 583 200 in 2001-02 to 831 500 in 2007-08 (6 per cent per annum) (DoHA 2009)
- the number of Aged Care places will need to at least double from 223 000 places in 2009 to around 464 000 places in 2030 (3.5 per cent per annum) (NHHRC 2009)

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- the number of older Australians with dementia is projected to increase from around 245 000 in 2009, to 592 000 in 2030 (4.2 per cent per annum) (Access Economics 2009).

Changing models of service delivery — community care

In aged care, government policy and community demand is leading to growth in community based care, which allows people to live in their own home as long as they are able. From 1992 to 2008 the planning ratio for community care packages increased from 5 to 25 per 1000 people over 70. Over the same period the planning ratio for residential aged care fell from 95 to 88 places per 1000 people aged over 70 (AIHW 2007).

This trend is likely to expand the role of NFPs. In 2008, 77 per cent of community based aged care service outlets were not-for-profit (Martin and King 2008).

Despite shifting preferences towards community based care, the number of elderly people requiring residential care is still expected to grow strongly. Substantial additional labour resources will be required for all forms of care. Community care services may be able to make greater use of volunteer labour but will require informal carers to coordinate services.

Supply of informal carers

Informal carers are a large and under-recognised part of the community services workforce. In 2003, there were around 2.6 million carers. Around 239 400 of these were primary carers for people aged over 65 (ABS 2004a). Informal carers are instrumental in providing assistance to people with a disability and the aged in their own homes. Without informal carers, older persons are more likely to be dependent on residential aged care services. It was estimated that the value of services provided by all informal carers exceeded \$27 billion in 2005-06 (AIHW 2008b).

The availability of informal carers is projected to fall as the number of older persons and prevalence of disability increases (NATSEM 2004; PC 2005b). Many carers do not find the caring role satisfying and experience significant financial and social disadvantage (AIHW 2009a). Recent reports, PC (2008c) and HRSC-FCHY (2009), have considered how access to financial and counselling support, training, aids and equipment, and respite for carers can be improved. Without additional support, the expected decline in the availability of informal carers will intensify future workforce shortages in aged care and disability services.

Long-term workforce planning

Workforce shortages and escalating costs may push Australian Governments to examine alternate methods of delivering community services. National Disability Services holds concern about the long-term sustainability of individualised services:

The expected workforce shortage will not be confined to the disability sector; it will be experienced in all human service fields. Demand for workers will be so intense that it is likely to change models of support services. (sub. 85, p. 5)

In response to current impediments and the expected future shortage of workers, some submissions have called for a national workforce strategy:

A comprehensive workforce development strategy is critical to ensuring that the not-for-profit social and community services sector can continue to deliver high-quality and effective services ... (UnitingCare CYPF, sub. 148, p. 22)

The Community and Disability Services Ministerial Advisory Council commissioned the CSHISC to develop a national disability workforce strategy with recommendations to address qualifications, training and to position the disability sector as an ‘industry of choice’ (CDSMC 2009; CSHISC 2009a). If these strategies prove successful, lessons learned could be applied across other sub-sectors. Any appropriate workforce strategy would need to take into account the heavy reliance on volunteers for some sectors and include an analysis of training needs for volunteers and higher education needs of paid employees.

RECOMMENDATION 10.2

In order to ensure that not-for-profits can sustain their workforces, and as wages are a major factor in the successful recruitment and retention of staff, Australian governments purchasing community services need to base funding on relevant market wages for equivalent positions. Costings need to take into account the skill sets required to perform the purchased services and be indexed appropriately to market wage growth within that industry sector.

RECOMMENDATION 10.3

The Australian Government, in consultation with Skills Australia, should commission the Community Services and Health Industry Skills Council to undertake workforce planning for the community services sector having regard to the current and future workforce challenges arising from growing demand and increasing supply constraints.

While this section has focussed on workforce issues in the context of the community services sector, many of the issues raised also apply to NFPs in other sectors such as sports, arts and culture. These include: funding constraints affecting

the ability to pay competitive wages, high staff turnover, the loss of employees to the for-profit and public sectors and lack of career paths.

10.3 Building the leadership capacity of not-for-profits

Participants raised concerns about the limited opportunities for management and board members to undertake training. As volunteers, board members may lack the skills required to conduct their duties. Similarly, management in the NFP sector is often made up of service delivery employees looking for career advancement who may not necessarily have sufficient management skills.

Leadership capacity can determine the success or failure of an NFP. BRI Ferrier (2009), a business reconstruction and insolvency firm, in a recent advisory paper listed a number of sources of organisational failure for NFPs: the big man (a dominating manager being allowed to take risks, or to claim rewards inappropriate to the NFP's mission); the overly-optimistic committee (with burn-out as things cannot be achieved); micro-managers (meeting resistance from staff and volunteers), and the empire (accumulation of funds to expand scale without necessarily achieving the organisation's goals). Most of these causes arise from inexperienced, weak or sympathetic supervisory groups, which points to the important role that boards play in ensuring good decision making in NFPs and exerting appropriate control over both paid and volunteer managers.

Governance in the NFP sector

Most NFP board members volunteer their time and expertise, and many are professionals with a long connection to the organisation or particular cause. Partnerships with business help provide board members to NFPs. A recent survey found that most medium-sized and all large NFPs have at least one corporate representative on their board (CCPA 2008).

Directors sitting on NFP boards can face significant exposure to liability if a personal breach of duty causes personal injury or damage to property. This liability may affect on the willingness of qualified business people to sit on NFP boards. Very large and complex NFPs, which have high risk profiles, may have difficulties attracting directors with the required level of abilities unless adequate compensation is available. For this reason some NFPs have moved to pay their board members. The Government has committed to reviewing directors liability given the potentially negative effects on board recruitment, retention and decision making. This has been encouraged by the Australian Institute of Company Directors, which strongly support the expansion of the business judgement rule (s180(1) Corporations Act (Cwlth), (sub. DR239).

The Charity Commission for England and Wales (2008) mandates that board members should not be paid for their services except in extenuating circumstances. Some of the reasons for advocating against payment of NFP board members are:

- long-term effects of reducing trust in NFPs
- potential for abusing the non-profit distributing constraint by excessive payment
- questions about the appropriateness of tax concessions.

Where NFPs pay board members for their services, beyond covering their basic expenses, they need to consider the benefits of doing so compared to the potential long-term impacts. A transparent disclosure process outlining payment to directors should be required to reduce the risks to the reputation of the NFP sector generally.

Building capacity of managers and directors

Because funding and donations are often directed at front line service delivery, there is a perception that money spent on training is wasteful and makes organisations appear less efficient. However, the Australian Scholarship Foundation argues that:

... improved leadership and management capability is the critical difference in creating effective and efficient NFPs. (sub. 26, p. 3)

Many participants highlighted the important need for government support to invest in leadership and governance training. Carers Australia argued:

... that the Australian Government should provide access to subsidised leadership and governance training opportunities for volunteer Board members. (sub. 129, p. 5)

Some government departments already provide support for capacity building. BoardConnect is an initiative of Arts Queensland and consulting firm Positive Solutions, which provides continuous board development and governance support, specifically for arts organisations (Queensland Government, sub. 156).

Peak bodies (chapter 13) are a useful method of delivering support and training:

The [Victorian Council of Social Service] Training and Development Clearinghouse ... provides a mechanism for [community sector organisations] to access low cost training opportunities. (VCOSS, sub. 164, p. 27)

A survey of NFP board members in Queensland found that greater development and training was needed in business planning, financial management and risk management. There was clear preference for training to be delivered ‘in house’, lasting for no longer than half a day (Nicholson, Newton and Sheldrake 2008). Board members may also benefit from training in the area of program evaluations.