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## 5 Improving the knowledge base for the sector

### Key points

- The knowledge base for measuring the contribution of the sector should provide:
  - supporting data and qualitative information necessary to conduct measurement and evaluation at the sector level and at the more disaggregated levels
  - guidance on appropriate measurement and evaluation methodology
  - a mechanism for promoting understanding and sharing of information.
- While advances have been made in improving the sector's knowledge base with the Australian Bureau of Statistics publication of the sector satellite accounts and increasing the number of evaluations undertaken by not-for-profit organisations (NFPs), more could usefully be done.
- Data available for undertaking measurement and evaluation is of variable quality and typically not available on a regular or timely basis. A coherent data strategy should be implemented to identify cost-effective solutions to deficiencies in data quality.
- Producing evaluation results which are meaningful, comparable and cost-effective is challenging. Adoption of a common measurement and reporting framework would facilitate data and information collection and assist in assembling evaluations of the contributions of NFPs on a coherent basis for comparison.
  - Australian governments should endorse a common measurement and evaluation framework, based on impact mapping concepts. This framework should form the basis of reporting requirements imposed on NFPs involved in delivering government funded services.
- Despite some reforms, government reporting requirements are costly and the scope for learning is limited by the general failure to pass back the lessons of evaluation or provide benchmarks on costs and cost-effectiveness. Governments should:
  - embody the principle of 'report once, use often' in reporting requirements
  - return information generated through performance evaluations to service providers to enable appropriate learning and provide value for their reporting.
- Support for evaluation in the sector is lacking, and sharing of findings is limited. A central clearing house for evaluations of government funded community services should be established to address these issues. It should provide 'best practice' guidance and supporting information, and quality assessments of evaluations. More importantly, support for meta-analysis of evaluations would assist in developing an evidence-base to inform program design and resource allocation decisions.

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Enhanced knowledge of the sector can improve decision-making by NFP organisations (NFPs); provide greater transparency for their stakeholders; and strengthen the evidence-base on which government policies affecting the sector are developed and evaluated.

In assessing the knowledge required for measurement or evaluation, it is important to establish the purpose for which it is undertaken.

- ‘Macro’ measurement looks at the sector overall (or at significant groups within it). It focuses on the scale and scope of sector activities and seeks to identify any underlying trends so as to better understand NFP behaviour (Lyons, sub. 169). It may also explore the links between NFPs and broad economic and social developments, such as social capital or volunteering.
- ‘Micro’ evaluation focuses on the performance of individual organisations or programs. Its purpose is to assess how well outcomes are achieved. It can also be used to identify any associated broader community impacts (or ‘spillovers’) of NFP activity.

These will typically require different information.

- ‘Macro’ data consists primarily of input and output measures at the level of activity, or organisational type. Aggregated measures of outcomes and impacts are difficult to compile because few individual measures are comparable (due to different measurement methodologies and/or units of measurement). Macro data at the outcome level, and changes in measures of wellbeing, can provide useful information on overall trends. Appropriately disaggregated, macro data also provides valuable context on the environment in which an organisation operates.
- ‘Micro’ data ideally includes the same input and output variables as macro data, but at the individual organisation level. It also includes measures of outcomes, and in some cases impacts, arising from specific activities, programs or a collection of programs undertaken by NFPs. These latter measures can only be provided by evaluation of the relevant activities or programs.

This chapter reports on the challenges in measuring and evaluating the contribution of NFPs — at both the ‘macro’ and ‘micro’ level — and proposes a way forward. A particular focus is the evaluation requirements placed on organisations involved in the provision of government funded services and how these can be improved to enhance the efficiency and effectiveness of service delivery.

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## 5.1 Populating the framework for ‘macro’ measurement

### What data are available?

A range of data sources is available to populate a framework for measuring the sector’s overall contribution (chapter 4). These are generally available from government statistical and research bodies — principally the Australian Bureau of Statistics (ABS) and the Australian Institute of Health and Welfare (AIHW) — although several have been produced by organisations within the sector.

The most comprehensive data are available at the *input* level. The ABS satellite account provides data according to an internationally agreed standard (International Classification of Non-Profit Organisation (ICNPO)). However, it is not presented in sufficient detail to allow for extensive comparisons across organisation types within the sector. For example, no detail is available on the important and rapidly growing but diverse group of ‘environment, development, housing, employment, law, philanthropic and intermediate’. And, while useful in providing trends in key areas of community services, the expenditure and income data provided by the AIHW does not separately identify NFPs, although it does separate out government and non-government providers. Further, changes in data collection methodology also make analysis of time trends difficult.

*Output* data is most useful at a program or organisational level. Output data at a macro level is only likely to be available for NFPs that deliver services through the market, although ‘proxy’ output measures are available for some categories of NFPs (for example, attendance at church or club membership).

*Outcome*, but particularly *impact*, measures tend to be available only at a high level of abstraction as attribution becomes increasingly difficult (for example, determining whether changes in government policy are the result of NFP activities). At impact, and sometimes outcome level, data reflect not just the specific contribution of NFPs, but also that of other organisations and a range of other economic and social influences. Econometric techniques can be used to disentangle the various contributions, but require sufficient longitudinal data to test behavioural models of the relationship between NFP activities, outcomes and ultimate impacts.

Table 5.1 categorises some indicators by level of contribution and by organisational purpose.

**Table 5.1 ‘Populating’ the measurement framework: macro data**

Some possible data sources for measuring contribution by level and purpose

<i>Level of contribution</i>			
<i>Purpose</i>	<i>Input</i>	<i>Output</i>	<i>Impact</i>
Services to clients	<ul style="list-style-type: none"> <li>Government funding <b>a,e,f</b></li> <li>Donations <b>a,e,f,g,h</b></li> <li>Other income and sources of support <b>a,e,f,g,h</b></li> <li>Volunteers – by activity <b>a,b,d</b></li> <li>Employment by NFPs <b>a</b></li> </ul>	<ul style="list-style-type: none"> <li>Value-added by NFP organisations – by activity <b>a</b></li> <li>Participation in church/religious activities <b>c</b></li> <li>Participation in community/special interest group <b>c</b></li> </ul>	<ul style="list-style-type: none"> <li>Data on family breakdowns</li> <li>Data on suicides</li> <li>Longitudinal studies on the long-term unemployed</li> <li>Unemployment rates</li> <li>Life expectancy at birth</li> <li>Crime rates</li> </ul>
Services to members	<ul style="list-style-type: none"> <li>As above</li> <li>Employment by clubs/associations</li> <li>Income of clubs/associations</li> </ul>	<ul style="list-style-type: none"> <li>Participation in community/special interest group <b>c</b></li> <li>Members of clubs/associations</li> <li>Type/s of social activity in last three months — church or religious activities <b>d</b></li> <li>Type/s of social activity in last three months — recreational or cultural group activities <b>d</b></li> </ul>	<ul style="list-style-type: none"> <li>Funding provided by member serving clubs to the community</li> <li>Social capital indicators</li> </ul>
Community connections	<ul style="list-style-type: none"> <li>As above</li> </ul>	<ul style="list-style-type: none"> <li>Participation in church/religious activities <b>c</b></li> <li>Participation in community/special interest group <b>c</b></li> </ul>	<ul style="list-style-type: none"> <li>Volunteering rates</li> <li>Attendance at sporting and cultural events</li> <li>Participation in community events</li> <li>Crime rates</li> <li>Social capital indicators</li> </ul>

Community endowments	<ul style="list-style-type: none"> <li>• Volunteers for environmental groups/National Trust</li> <li>• Membership of local community groups</li> <li>• Funds raised by environmental groups/National Trust</li> <li>• Funding provided by the Australia Council for arts/cultural purposes</li> </ul>	<ul style="list-style-type: none"> <li>• Participation in church/religious activities<sup>c</sup></li> <li>• Participation in community/special interest group<sup>c</sup></li> <li>• Historic properties under the care of the National Trust</li> <li>• Native vegetation areas conserved by environmental groups</li> </ul>	<ul style="list-style-type: none"> <li>• Number of environmental areas or historic heritage places which are listed as 'endangered'</li> <li>• State of the Environment report<sup>i</sup></li> </ul>	<ul style="list-style-type: none"> <li>• 'Liveability' indices</li> <li>• Property prices in areas where conservation efforts have been made</li> </ul>
Exerting influence	<ul style="list-style-type: none"> <li>• Employment by and volunteering for civic and advocacy groups<sup>a,b,c</sup></li> <li>• Spending on advertising, marketing and promotion – by NFP activity</li> <li>• Participation in political organisations<sup>c</sup></li> <li>• Participation in business associations, professional associations and trade unions</li> </ul>	<ul style="list-style-type: none"> <li>• Value-added by civic and advocacy groups <sup>a,b,c</sup></li> <li>• Research publications</li> </ul>	<ul style="list-style-type: none"> <li>• Changes in government policy in relation to target group</li> </ul>	<ul style="list-style-type: none"> <li>• As for 'Services to clients'</li> </ul>

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<sup>a</sup> ABS (2009c). <sup>b</sup> ABS (2007a). <sup>c</sup> ABS (2006a). <sup>d</sup> ABS (2007a). <sup>e</sup> ACOSS (2009). <sup>f</sup> AIHW (2007) (available for non-government organisations). <sup>g</sup> FACs 2005; Lyons and Passey (2006). <sup>h</sup> Centre for Corporate Public Affairs (2008). <sup>i</sup> Beeton et al. (2006).

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### *There are gaps in data availability*

While greater effort has recently been devoted to providing data on the sector (chapter 4), significant gaps remain — a point noted by study participants. For example, National Disability Services commented that:

Data collected by the ABS and AIHW provides significant information on government funded outputs but could be improved. Increasing the frequency of ABS releases— notably Not-for Profit Organisations, Australia, and the Non-Profit Institutions Satellite Account—would assist in building a better picture of the sector ... Other evidence on the disability sector, for example, on the disability workforce, is poor—there currently exists no accurate data on the size and structure of the disability service workforce. (sub. 85, pp. 2–3)

Oppenheimer argued that data on volunteering activities were lacking:

For too long, volunteering has been overlooked in regular economic statistics. This invisibility undermines the importance and impact of volunteer work as contributing to the welfare and productivity of Australia, and the enormous social and civic contributions of volunteering. The result is a ‘blind spot’ when it comes to developing government policy. (sub. 4, p. 1)

The situation is not unique to Australia. Salamon and Dewees (2001, p. 1) assessed the quality of data available on the NFP sector in the United States against eight evaluative criteria. They found that, while significant improvements in data availability had occurred, information still fell ‘... far short of a comprehensive, timely, and fully reliable understanding of the [sector’s] basic parameters’. Applying the same criteria to data on the sector in Australia indicates similar variability in quality (table 5.2).

- *Timeliness* — the ABS satellite accounts have been produced only twice, although they build on the earlier estimates of Lyons and Hocking (2000). More general survey data on volunteering were produced by the ABS in 1996, 2000 and 2006. Data on financial support for NFPs tend to be produced on an intermittent basis. For example, the most recent ABS surveys of business giving were published in 1999 and 2002.
- *Accuracy and reliability* — little is known about the number of NFPs (principally because of the large number of unincorporated organisations). There are difficulties associated with assigning values to nonmarket output and to volunteer time, as well as issues related to recognition by survey respondents of what constitutes volunteering. There are also some concerns about the quality of survey data arising from the lack of a common accounting standard for identifying different types of inputs and their cost.

**Table 5.2 Quality of data sources**

	<i>Organisation numbers</i>	<i>Activity estimates</i>	<i>Employment</i>	<i>Volunteers</i>	<i>Expenditure</i>
<b>Criteria</b>					
Accuracy/reliability	Low	Medium	High	Medium	High
Timeliness	Low	Low	Low	Medium	Low
Not-for-profit ID <sup>a</sup>	High	High	High	High	High
Cross-sector comparability <sup>b</sup>	Low	Medium	High	Low	High
Geographic detail	Medium	Low	Low	Low	Low
Unit of Analysis <sup>c</sup>	Low	High	High	High	High
Comprehensiveness	Medium	High	High	High	High
Accessibility	High	High	High	High	High

<sup>a</sup> Extent to which the data allows separate identification of NFP entities. <sup>b</sup> Comparability to data relating to government and for-profit entities. <sup>c</sup> Extent to which data is classified according to an appropriate unit of measurement. Classification at the organisation level may disguise the contribution of various ‘establishments’ or operating units within the organisation. According to Salamon and Dewees (2001, p. 3) ‘As the nonprofit sector has grown more complex, this organisation vs. establishment dimension has become increasingly important for it as well. Many organizations have a single corporate charter ... but are really complex conglomerates encompassing disparate offices and often multiple activities. Data systems that allocate all resources, activities, and facilities to a single organizational entity can therefore cause significant distortions of the actual reality on the ground even if all the data are technically accurate.’

Source: Adapted from Salamon and Dewees (2001).

- *Comprehensiveness* — the ABS satellite account is comprehensive in terms of economic activity as although the data captures only ‘economically significant’ organisations, these constitute the bulk of economic activity within the sector. Volunteers surveys attempt to capture all volunteering activity (not just that associated with economically significant organisations).
- *Geographic distribution* — little is available for NFP activities, although some data on the number of organisations registered for taxation and incorporation purposes are available on a state and territory basis.

### **Data improvements can be made**

The diverse range of activities within the sector, together with the ‘informal’ nature of many NFPs, complicates the task of producing comprehensive and timely input data. Moreover, the ‘nonmarket’ characteristics of many sector activities significantly complicate the task of producing robust and complete output estimates.

Notwithstanding these difficulties, participants identified a number of ways in which the collection and dissemination of data on the sector could be improved.

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### *More frequent publication of the satellite account*

More frequent publication of the NFP sector's satellite account would enable analysis of trends in the sector's economic activities and its contribution to broader economic activity — a point noted by some study participants (for example, ACOSS, sub. 118; National Disability Services, sub. 85).

The appropriate frequency of publication depends on the likely benefits to users of obtaining information on a more timely basis relative to data collection and collation costs (including those on the NFPs providing data). Lyons (sub. 169) and ACOSS (sub. 118) suggested that publication on a three yearly basis would meet user needs.

### *Extending satellite account coverage*

In addition to publishing the satellite account on a more regular basis, some have argued that its usefulness would be enhanced if it provided more comprehensive coverage of the sector's activities (for example, Flack, sub. 29).

The satellite account only includes data on those organisations which have registered for taxation purposes with the Australian Tax Office (ATO). As discussed, while this does not have a significant effect on measures of economic activity, it excludes the vast majority of organisations (chapter 4). To a large extent, the economic contribution of any smaller organisations currently not within scope is captured by volunteering data:

It is not necessary to try and collect data from all nonprofits nor even to enumerate all of these. A focus on nonprofits large enough to employ staff or the slightly larger set of 'economically significant nonprofits' is sufficient. The addition of data on volunteering for nonprofit organisations enables an estimate to be made for the whole nonprofit sector. (Lyons, sub. 169, p. 11)

There are considerable hurdles to deriving meaningful activity estimates for unincorporated NFPs. Small area surveys may not be representative — in which case scaling up is inappropriate — and they are expensive to undertake. This is particularly so if NFPs are unincorporated because they have no need for, nor interest in, sector specific regulation, and do not seek to be identified.

### *Improved data comparability*

A number of participants identified a need for enhanced data comparability (box 5.1). Data standards are also important for evaluation especially when it requires combining data sets across jurisdictions or across systems within a

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jurisdiction. Some strategies, notably the development of a data dictionary in community services by AIHW and various data standards, have already been initiated to achieve this. For example, the Collections Council of Australia Ltd noted:

In 2008 representatives from the collections field worked with the Australian Bureau of Statistics on a project designed to generate comparable statistics for cultural heritage organisations. The ABS National Centre for Culture and Recreation Statistics has worked with the Cultural Ministers' Council Statistics Working Group and other key stakeholders on the gaps in the available data for the cultural sector. The resulting information paper was circulated to relevant organisations in April 2009, and should lead to the collection of comparable statistical data across collecting domains and organisations. (sub. 120, pp. 14–15)

Study participants (for example, ACOSS sub. 118; Lyons, sub. 169) suggested several ways in which data comparability could be improved, including:

- publication of detailed satellite account data according to the Australian and New Zealand Standard Industrial Classification (ANZSIC) — currently the satellite account only provides data on an ANZSIC classification for gross value added by some broad industry classifications
- publication of satellite account data according to all ICNPO sub-groups, to facilitate international comparisons
- separate identification of NFPs in existing input datasets (for example, those provided by the AIHW or in ABS studies of industries in which NFPs are prominent (such as performing arts, community services, or employment and training services)).

These changes would make comparisons between NFPs and other organisations, as well as international comparisons, more straightforward. In combination with more frequent publication of the satellite account (discussed above), they would also enable meaningful trend data to be collected. However, these benefits would have to be weighed against increased data collection costs, since more comprehensive surveys would be required to separately identify the economic activity of NFPs in detail and with any degree of confidence.

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## Box 5.1 Participant's views on the need to improve data quality

Lyons:

The items of data (eg employment, sources of revenue) collected by the ABS and included in the satellite account ... with minor modifications, are satisfactory. What is lacking at present is the degree of detail and the frequency to enable comparisons to be drawn.

... While it is important for international comparisons to disaggregate the nonprofit sector by ICNPO (as is partly done at present), it is vital that the sector is also disaggregated by Australian and New Zealand Standard Industry Classification (ANZSIC) as well. Only in this way will the contribution of nonprofits to various industries be assessable. These sort of comparisons between for-profit and nonprofit involvement in different industries are perhaps more important than international comparisons. The aggregation of data into forms suitable for Australian and International comparisons will not be difficult. (sub. 169, p. 10)

Australian Council of Social Services (ACOSS):

To try to measure the inputs, number and scope of organisations it would be necessary to better understand the number of organisations in some detail beyond the Activities listed by the National Satellite Accounts into their sub category parts and by State and Territory. We understand the ABS is not current resourced to do this and we would recommend that:

ABS increase its sample size significantly to allow it to produce a breakdown of the

- Nine or 12 (preferably 12) ICNPO categories into sub categories and by State and Territory.
- That the ABS undertake the Not for Profit Organisations Survey (with the increased sample size) every 3 years and also release the data in the Australian and New Zealand Standard Industrial Classification (ANZSIC) Class.
- That the Federal Government specifically tie funds to the ABS to undertake the above.
- That the Community Services Industry Survey be undertaken at five year intervals. (sub. 118, p. 24)

Illawarra Forum Inc.:

Access to rigorous and credible statistical data, particularly at the local level relevant to struggles over hardship, humiliation, inequality, belonging, representation and redistribution is lacking. We recommend increased funding and staffing of institutions such as the Australian Bureau of Statistics that produce reliable statistics and for locally-based community organisations to produce statistical representations of their contributions. (sub. 52, p. 55)

Tasmanian Government:

Experience in Tasmania has demonstrated that definitional issues relating to the diverse nature of the community sector have a significant impact on the ability for researchers to establish meaningful and comparable data on sector activity. For example, in workforce areas where sub sector specialisation occurs and workforce strategy is usually confined to a particular range of not for profit organisations. In these situations, data collected by organisations such as the Australian Bureau of Statistics and the Australian Institute of Health and Welfare are usually not comparable with industry specific data, which may be collected, for example, by the Community Services and Health Industry Skills Council relating to mental health or disability services. (sub. 170, p. 3)

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### *Greater data disaggregation*

Participants also argued for greater disaggregation to provide more relevant trend data, including on client characteristics (and those of other key stakeholders) and to support analysis of program and organisation impacts. As noted above, isolating the impacts of NFPs requires data on underlying economic and social trends (such as in employment, housing, health and education). According to the Commission on the Measurement of Economic Performance and Social Progress (see chapter 3) impact data are available from a number of sources:

The choice of relevant functionings and capabilities for any quality of life measure is a value judgment, rather than a technical exercise. But while the precise list of features affecting quality of life inevitably rests on value judgments, there is a consensus that quality of life depends on people's health and education, their everyday activities (which include the right to a decent job and housing), their participation in the political process, the social and natural environment in which they live, and the factors shaping their personal and economic security. Measuring all these features requires both objective and subjective data. The challenge in all these fields is to improve upon what has already been achieved, to identify gaps in available information, and to invest statistical capacity in areas (such as time-use) where available indicators remain deficient. (CMEPSP 2009, p. 15).

However, participants noted that impact data are rarely available at a sufficiently disaggregated level (for example, at the local community level).

The Queensland Government (sub. 156) suggested the need for more data on disadvantage, community capacity (such as measures of community trust and resilience), and client characteristics, broken down by geographic region.

There are a number of datasets which provide information relevant to measuring impact, at various levels of disaggregation (chapter 4).

- The ABS 'Measures of Australia's Progress' contains a variety of wellbeing indicators (such as measures of economic hardship, education, social cohesion and environmental degradation) on a two-yearly basis. The data are published every two years and are available on a national and state/territory basis.
- 'Overcoming Indigenous Disadvantage' (SCRGSP 2009) provides indicators of wellbeing for Indigenous Australians. These are broken down by state and territory.
- 'Community Indicators Victoria', a collaborative venture between the Victorian Government and the University of Melbourne, provides wellbeing indicators by regional and local government areas (CIV 2009). Its website also provides access to 'meta' analyses of wellbeing data.

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Indeed, some participants argued that the issue was not a lack of wellbeing indicators, but a need to consolidate those available and make them accessible to users. According to the Local Community Services Association:

Enough work has been done on population indicators (such as Community Indicators Victoria) to achieve an agreed national set of indicators and means of gathering and disseminating data for them. Indicators should be published as trend lines over time to present a proper understanding of how particular communities are faring. (sub. 144, p. 9)

### **A coherent data strategy is needed**

As the preceding discussion indicates, a number of potential improvements can be made to data quality. For example, at the input and output data level, larger samples may be required to allow better disaggregation to understand the drivers of observed aggregate trends. Longitudinal data may be obtained through specially designed surveys or through extraction of the relevant data from administrative data sets. The appropriateness of these will depend, in part, on the associated implementation costs. These costs are not only borne by government agencies responsible for data collection and collation, but also by those within the sector who provide the data. In addition, the effectiveness of any new measures will depend on the success of current initiatives to improve data quality. Any initiatives for improving data quality should be developed in consultation with key stakeholders, including those within the sector who use and provide the data, in order to identify any data deficiencies or overlaps.

For these reasons, the Commission considers that an Information Development Plan (IDP) should be produced for the sector.

The purpose of an IDP is to provide a coherent strategy for future statistical data development and research relevant to the sector. An IDP identifies ways to improve the scope and coverage of current data sources. The IDP must also identify areas where data standards are needed, who should be responsible for their development, and how they should be implemented. This is particularly important for administrative data sets where there tends to be more than one custodian. Through consultation with stakeholders, the IDP identifies gaps in the data, and other deficiencies, and recommends appropriate responses. It also identifies the extent to which existing data and information sources can be put to better use. Finally, the IDP must set out how information on the sector's contribution is reported. What gets reported, the reporting format and medium, and its frequency depends on what information is valuable to the NFP sector stakeholders.

*The Australian Government should initiate an Information Development Plan for the not-for-profit sector. Given its central role in providing data on the sector, and its legislated responsibility for statistical coordination, the Australian Bureau of Statistics should be given responsibility for formulating the Information Development Plan.*

*Among the issues the Information Development Plan should address are:*

- *the appropriate frequency for publication of the satellite account on the sector*
- *the scope to develop administrative and other longitudinal data sets to support the analysis of net impacts of sector activities*
- *the collation of the information from these and other data sources to provide a more detailed assessment of the contribution of the not-for-profit sector over time*
- *the feasibility of obtaining accurate estimates of the number of unincorporated not-for-profit organisations in a cost-effective manner.*

## **5.2 Improving approaches to evaluation**

### **What challenges are faced?**

As evidenced by the range of examples provided to this study, there has been an increasing willingness for NFPs, particularly those which deliver services to clients, to embrace evaluation:

The translation of research and evidence into practice is a key aspect of spreading knowledge across the NFP sector in a useful way that improves the quality and effectiveness of service delivery and ultimately the quality of life of clients and communities. (The Benevolent Society, sub. 100, p. 9)

This is despite significant challenges faced in evaluating NFP activities. Some of these challenges are uniquely related to the characteristics of NFPs and the activities they undertake. Others arise from contractual requirements for NFPs involved in the delivery of government funded services.

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### *Contributions can be difficult to measure*

Many of the sector's contributions are intangible and difficult to quantify, a point acknowledged by several study participants. For example, Anglicare Australia contended that:

The underlying problem is with the term 'measurement'. It implies 'hard' data and quantitative precision. A better term might be 'assessment'. In other words, a comprehensive approach to assessing the sector's contribution would take account of the appropriateness of both quantitative and qualitative evidence, especially where one is readily available but not self-evidently suitable. (sub. 140, p. 8)

Similarly, The Smith Family (sub. 59, p. 13) noted the challenge '... around efficiently capturing the value of non-profit outcomes, which in many instances are intangible and elude traditional measurement methodologies'. Hence, it is important that approaches to evaluation are able to account for such contributions and, if quantification is not possible, to identify and assess them in a qualitative sense (chapter 3).

### *Producing comparable results can be difficult*

Another challenge is the difficulty in producing comparable evaluation results. The single 'bottom' line of corporations provides a comparable performance measure which NFPs do not have (Flynn and Hodgkinson 2001; Fundraising Institute Australia, sub. 76; The Smith Family, sub. 59).

Since a core function of evaluation is to benchmark an organisation's performance, it works best when results are comparable. The use of non-standardised approaches can limit the comparability of evaluation results and diminish the benefits of measurement exercises.

### *Measurement can be expensive*

A number of participants (for example, Mission Australia, sub. 56; Network of Alcohol & Drug Agencies, sub. 66) observed that measurement and evaluation can be expensive, and usually has to be funded by diverting resources from core activities. Often the only way to measure improvement in entrenched social problems is by costly and difficult longitudinal studies. In some cases, the measurement techniques employed may require expertise to be brought in from outside the organisation.

Moreover, while governments increasingly expect publicly-funded programs to be properly evaluated, it is rare for service delivery contracts to explicitly fund that evaluation (chapter 11). And, as discussed below, multiple and inconsistent,

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reporting requirements can add to compliance burdens. As an addition to overheads, these costs can be disproportionately high for smaller organisations. For efficiency reasons, therefore, it is important that the cost of evaluation (and the approach taken) be proportionate to the benefits accruing from the measurement activity.

*... and can require specialist skills*

A number of participants noted the difficulty of evaluating the performance of NFPs that have been confronted with increasingly complex social and economic problems. The Smith Family argued that:

... increased complexity will require non-profits to enhance their capacity to generate, understand and utilise data from a range of sources, and ensure their efforts are evidence-based and appropriate. Strengthening their capacity for research and evaluation, particularly longitudinal in nature, will be vital. (sub. 59, p. 44)

*Improperly applied, evaluation can lead to poor outcomes*

Using measurement frameworks to guide activities can also lead to unintended changes in organisational priorities and activities. When performance is assessed through explicit performance indicators, incentives are created to shift attention towards activities that can be easily measured and away from activities that are more difficult to quantify, even if the latter are potentially more valuable (box 5.2).

These problems can be exacerbated by short time horizons. According to The Smith Family:

With the short time frames and funding streams that typically limit non-profit interventions, more sophisticated evaluation tools such as randomized control trials and longitudinal studies are beyond the reach of most non-profits. The result is that outcomes are frequently assessed too early and without deference to the scale of behavioural change that might be taking place more gradually. (sub. 59, p. 13)

The Health and Community Services Workforce Council (sub. 95, p. 6) argued that focussing on the short term measurement of performance means that ‘Those clients whose requirements need longer time and resource commitments can be overlooked or isolated in accessing support of their needs.’

The potential for measurement, improperly applied, to lead to poorer outcomes emphasises the importance for evaluation to be carried out:

- *rigorously* — so that any potentially shortfalls in the analysis can be identified (such as a lack of information on outcomes or insufficient data to conduct a proper longitudinal study)

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- *transparently* — so the assumptions underlying the analysis can be questioned, the results independently assessed, and any ‘unintended’ results identified.

### **Box 5.2 How evaluation can lead to unintended outcomes**

#### **Catholic Social Services Australia:**

A stronger focus on measurement will inevitably shift attention away from what matters most towards what is easiest to measure. Policy makers tend to underestimate the difficulty of evaluating impact and place too much confidence in proxy measures of performance (usually outputs or outcomes). (sub. 117, p. 4)

#### **Western Australian Government:**

... a majority of national research into the contribution of the NFP sector focuses heavily on service delivery contributions, with less focus on the sector’s role in advocacy and connecting with and enhancing the community. Similarly, evaluation of the sector tends to focus specifically on funded work, with little evaluation of the wider or more indirect contributions of the sector. (sub. 157, p. 2)

#### **United Way of America:**

There is concern that a focus on producing good outcome numbers may encourage some agencies to focus on participants or target groups most likely to show positive change. If followed, this practice of “creaming” (selecting certain participants because they are more prone to success) could leave the most challenging participants, who may be those most in need of help, without service. (1996, p. 23)

#### **Australian Council of Social Service:**

... the current approaches to performance monitoring can further disadvantage individuals who are already marginalised. This occurs as the impetus on agencies to meet quantitative reporting measures, in terms of number of clients assisted, causes high needs clients to be overlooked in favour of clients with less complex needs in an effort to ensure performance measures are met.

As one of our members stated: *‘It is easier to count the numbers of people assisted rather than measure the change required for a movement in from point a to point b.’* This also stems from a failure to understand the multiplicity of problems facing many clients and that a holistic approach and structural changes are often required. There is a need to focus on measuring outcomes and impact rather than throughputs and outputs and to understand the complexity and longevity of what needs to be done. (Emphasis in original) (sub. 118, p. 39)

#### **Flynn and Hodgkinson:**

... the current focus on measuring service delivery of nonprofit organizations sometimes distracts from the other key roles and functions of the sector, such as providing avenues for affiliation; bringing about social change, advocacy, research and experimentation; empowering citizens; engaging in arts and culture; and promoting and strengthening democracy and religious participation. (2001, p. 5)

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### *Evaluation requirements can be costly and ineffective*

A number of study participants argued for improvements to current arrangements under which NFPs, who receive funding from governments, are required to provide information and evaluate their performance (box 5.3). Among the deficiencies identified were:

- requirements to provide performance data multiple times, in different formats
- requests for inappropriate data to be provided
- a lack of a feedback loop under which data provided to government is returned to NFPs to enable learning and benchmarking
- insufficient funding in service agreements to enable data collection and evaluation to be properly carried out.

These problems are well-known. The AIHW found that:

Due to the current program-centred approach to funding community services, each program requires clients to provide, and service providers to record and report, the same or very similar data variables for each program. That is, the same variables, about the same individual, may be gathered, recorded and reported multiple times. (2005, p. 6)

Some possible remedies have been identified. These include reducing the number of times NFPs are required to report information and ensuring that data requirements are consistent with a common, appropriate reporting framework. According to Ryan, Newton and McGregor-Lowndes:

Understandably, different departments need to collect information which is specific to the nature of services being provided; nevertheless there is room for greater alignment. A whole of government data dictionary for grants and submissions should be developed with the assistance of NPOs [nonprofit organisations] for both financial information and client data collection. This would foster creating data once and using it many times which is itself more efficient and also assists to diminish the view that the information collected is of little value. Such information should either be of apparent value to the organisation itself or aggregated and analysed by the collecting authority and communicated back to the NPO sector in a useful way.

Departments need to be held to account for showing the information collected is in fact of some public benefit. This would provide a bright line between information which should be collected and that which is merely burdensome red tape. It would also close the communication gap which the sector believes is missing with little knowledge of why such information is being collected. (2008, p. 21)

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### **Box 5.3 Participants' views on reporting requirements**

#### **Australian Council of Social Service:**

The definitions used for data collection and reporting on programs are inconsistent and waste valuable resources and time. One agency serving family and children in a highly disadvantaged area of Queensland has 32 service agreements across Federal and State government agencies, is required to establish and operate 8 separate data systems, and generate 121 financial reports and 125 performance reports each year. Community services and welfare agencies report the information flow is largely a one-way street to government with little analysis or feedback to allow for benchmarking and service delivery improvements. (sub. 118, p. 3)

#### **South Australia Council of Social Services (SACOSS):**

... non-profit sector agencies have advised of what has been described as the data black hole. Agencies consistently complain of onerous, time and resource consuming reporting and data collection obligations that are provided to the government never to be seen again. Agencies argue that the data obtained from these arduous obligations is often inconsistent with the goals of the organisation and the services provided and the data collected does not adequately measure the impacts of the service. (sub. 135, p. 9)

#### **PeakCare Queensland Inc.:**

One of the areas where a rethinking of measurement design in Queensland is needed is in service agreements within the child protection sector. There are many examples where the data collected for service agreements, to which continued funding is linked, does not reflect the best outcomes for the child or young person ... Greater relevance and flexibility needs to be built into the design of service agreements so that the best outcomes for the 'clients' form the basis of the service agreements rather than inappropriate quantitative data. (sub. 81, p. 2)

#### **Queensland Public Interest Law Clearing House Incorporated (QPILCH):**

The Federal Attorney-General's Department should report back to CLCs [community legal centres] on the data provided to it - How does it use the data? Does it help in the identification of legal need? Does it give the department a picture of what CLCs are doing or not doing? How does it pick up data from centres like QPILCH which have a service delivery model which does not fit neatly into the parameters of the CLSIS? Only that information that can realistically and meaningfully be used should be collected. (sub. 96, p. 4)

#### **Network of Alcohol & Drug Agencies (NADA):**

... is aware of many cases of compliance burden with the increase of funded activities for similar or exactly the same service delivery by services that already have pre existing funding agreements with state government funders. Each separate activity (even where it is exactly the same service as the existing service delivery) carries with it a set of performance indicators, quality specification and data collections. This is particularly burdensome in the context of services that provide complex human services for people with multiple and complex needs (drug and alcohol clients) that require services under multiple programs. (sub. 66, p. 3)

#### **Illawarra Forum Inc.:**

Whether deliberately or not, the measures, which are usually imposed on organisations as part of their contracts, can dictate the processes that are used and distort the character of what they claim to measure. (sub. 52, p. 8)

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Government agencies have acknowledged the problems and initiated some improvements (box 5.4). UnitingCare Children, Young People and Families commended:

... reforms being implemented by the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) - to simplify reporting, compliance and data collection requirements in the Family Relationships Services Program (FRSP) - to the Commission. The reforms are the product of robust and respectful dialogue and collaboration has led to good practice principles for data collection in which the Department will:

- Ask for information once and use it multiple times;
- Use a risk management approach to the collection of compliance data; and
- Collect no data that is not used and analysed. (sub. 148, p. 5)

Australian and state and territory governments have also developed a National Community Services Strategic Plan, in collaboration with the ABS and the AIHW. The purpose of the plan is to improve the quality of data available on the community services sector, including through the development of nationally consistent data definitions, and increasing the availability of data to users in the sector (AIHW 2005).

## **A way forward**

The previous section discussed the challenges that NFPs face in producing evaluation results that are meaningful, comparable and cost-effective. In the Commission's view, the adoption of a common measurement and evaluation framework within the sector, such as that set out in chapter 3, will improve the rigour and consistency of evaluation results. It will also provide a structure within which government reporting requirements can be streamlined and made more effective.

A generally accepted framework based on impact mapping will assist in developing a common evaluation 'language'. This is a necessary first step towards developing a common reporting framework for NFPs and improving the comparability of performance measurement results. In turn, this will not only increase the scope for benchmarking performance but also facilitate learning and transfer of knowledge about the process of evaluation.

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## Box 5.4 Government approaches to streamlining reporting requirements

### Queensland Government:

The Department of Communities has streamlined performance reporting requirements for funded services in key program areas including youth, seniors, homelessness, domestic violence and family support. Historically, each program used different performance measures resulting in more than 700 measures across the department.

This approach did not provide clarity or ease of reporting for many services, particularly those funded across multiple program areas. Data returns were useful to inform the performance of individual services, but consistent information was not available for aggregation or analysis on a statewide, cross-program basis.

A set of 15 generic output measures based on the National Classification of Community Services (NCCS) has been developed in consultation with the community services sector for use across all the community services and youth development program areas. These may be supplemented by a small number of initiative-specific measures. Most services will report on less than 10 measures, where previously some services were reporting on more than twenty.

Using the NCCS allows the streamlining of output measures by focusing on primary funded activities and provides a mechanism for a consistent and comparable baseline data set. For the first time, the department will have consistent data essential for policy review, planning, continuous improvement and investment/reinvestment processes. (sub. 156, pp. 5–6)

### Western Australian Government:

A major concern often expressed by NFP organisations is the regulatory and reporting burden – particularly when operations involve a number of different funding sources or operating across jurisdictions ... the Western Australian Government is reviewing its processes and taking steps to address these concerns ... However, at the same time, it should be recognised that the new national reporting frameworks may result, in some situations, in additional reporting requirements as new performance indicators are developed and there is a stronger commitment to measuring outcomes. (sub. 157, p. 6)

### New South Wales Government:

DADHC [Department of Ageing, Disability and Home Care] has developed a Service Provider Portal, which is a secure web based application that provides access to a range of information for service providers and opens new channels of communication between service providers and DADHC. The objectives of the Service Provider Portal are to improve the information flow between service providers and DADHC, establish e-business processes and streamline reporting and accountability processes. (sub. 166, attach A, p. 7)

### Tasmanian Government:

Community sector reform in Tasmania includes the development of an integrated finance and performance framework. The intention is to more strongly link financial remuneration with the achievement of consumer outcomes. An important aspect of this reform is to develop a standardised outcomes framework that allows for reporting of output and outcome performance of organisations and a better capacity to aggregate this information to sub sector and industry level. (sub. 170, p. 5)

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A common framework enables data gaps to be readily identified, as well as areas in which data comparability can be improved. This point was acknowledged by a number of participants. For example, the Fundraising Institute of Australia argued that it:

... does not believe that previous studies on the nonprofit sector in Australia, such as those undertaken by the Australian Bureau of Statistics and the Giving Australia report, can provide truly meaningful data. Without established and standardised tools for measuring the contribution of the sector, it is difficult to compare the outputs and contributions of individual organisations, and thus of the sector as a whole. (sub. 76, p. 4)

Similarly, the need for a common evaluation framework was acknowledged by government agencies (for example, Queensland Government, sub. 156; Western Australian Government, sub. 157).

Given the range of purposes for which evaluation is undertaken, the common framework needs to be broadly applicable. It should be capable of providing feedback for organisational purposes or for meeting evaluation requirements of governments or other funders. To ensure that results are meaningful, and relevant for the diverse range of activities and organisations within the sector, it should also embody the following principles:

- proportionality — the measurement techniques employed should be proportionate to the value of the activity or program being assessed
- transparency — measurement exercises should be capable of independent verification
- robustness — conclusions should be robust to changes in underlying assumptions
- flexibility — acknowledgement that net benefits may not always be amenable to quantification (in these circumstances, qualitative evidence may be the only feasible option)
- relevance — the framework should be capable of encompassing measurement approaches which are relevant to different aspects of the sector's activities.

RECOMMENDATION 5.2

***Australian governments should adopt a common framework for measuring the contribution of the not-for-profit sector. Having regard to the diversity of the sector's activities and structures, measurement using this framework should embody the principles of proportionality, transparency, robustness, flexibility, and relevance.***

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Notwithstanding the improvements which have been made to government reporting requirements (box 5.4), submissions to this study and information received through consultations make it clear that more can be done.

To minimise the current compliance burden on those organisations required to report performance results to government, and to ensure that the information collected is relevant for assessing the performance of NFPs, governments should commit to a number of ‘best practice’ principles in data reporting and evaluation. Among those principles should be a commitment to ‘report once, use often’. This would not only reduce the reporting burden on NFPs but, since the data is only reported once, effectiveness would be enhanced as government agencies which require the data will have an incentive to ensure that it is appropriate for measuring performance. Underpinning reporting requirements with the endorsed measurement framework discussed above will also help to ensure that the information sought from NFPs is appropriate.

The Standard Chart of Accounts (chapter 6) is a recent initiative to streamline the reporting of financial data as does the AIHW Data Dictionary for Community services. Consistent with the principle of ‘report once, use often’ these data standards should form the basis of any reporting requirements. Finally, to ensure that appropriate learning and benchmarking occurs in the sector, and also to enhance confidence in reporting arrangements, governments should ensure that data gathered through performance reporting is returned to the sector.

RECOMMENDATION 5.3

*To minimise compliance costs and maximise the value of data collected, Australian governments should agree to implement a reform agenda for reporting and evaluation requirements for organisations involved in the delivery of government funded services. This should:*

- *commit to basing reporting and evaluation requirements in service delivery contracts on a common measurement framework (appropriately adapted to the specific circumstances of service delivery)*
- *require expenditure (input) measures to be based on the Standard Chart of Accounts*
- *develop data standards for the relevant non-expenditure items*
- *ensure that information generated through performance evaluations are returned to service providers to enable appropriate learning to take place and allow organisations to benchmark their performance*
- *employ, where practicable, the principle of ‘report once, use often’.*

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## Supportive institutional arrangements

A number of participants argued that the capacity of NFPs to undertake evaluation needed improvement. For example, The Smith Family noted:

The existence of a dedicated Research & Evaluation capacity within non-profits is less widespread than it should be, and the sector as a whole relies too heavily on external consultants and partnerships with academia to make sense of the work they do. (sub. 59, p. 25)

Adoption of recommendations 5.2 and 5.3 should partly address these concerns. Embracing a common framework, and reducing ‘red tape’ associated with reporting requirements, will make it easier for NFPs to conduct evaluations and, over time, should improve their capabilities.

In addition, supporting arrangements are required to encourage evaluation and the sharing of the resulting knowledge. As noted by Banks, good institutional arrangements are essential for promoting the development of meaningful and cost-effective evaluation:

For evidence and evaluation to contribute materially to the selection of policies, it must be supported by institutional frameworks that embed the use of evidence and encourage, disseminate and defend good evaluation ... The institutional framework should also ensure that the resources allocated to evaluation are commensurate with the potential benefits. (2009, p. 7)

Low-cost access to information on ‘best practice’ techniques and supporting information needed for evaluation is clearly a necessary first step to encouraging the widespread adoption of good evaluation practices. Indeed, the benefits of knowledge sharing are well known. International agencies, such as the OECD’s Development Assistance Committee, the World Bank and the International Monetary Fund (with extensive evaluations programs of their own), have joined evaluation ‘clubs’ to pool knowledge, fund better evaluation and disseminate results and lessons learned (O’Brien and Bogaards 2009).

Some of this work is already underway within the sector. For example, the Smith Family noted some international initiatives to improve analysis of the sector’s impacts:

Through the Cochrane Collaboration (a global network of dedicated volunteer research centres), evidence on best practice and improved outcomes has been collected through systematic reviews of the effects of healthcare interventions. More recently, we have seen the establishment of the Campbell Collaboration using the same model of volunteer research networks to carry out systematic reviews of the effects of social interventions in education, crime and justice, and social welfare. (sub. 59, p. 13)

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Other examples of information sharing initiatives to support evaluation are shown in box 5.5. While valuable information sources, these initiatives tend to be relatively narrowly focused. Hence, in the Commission's view, there is a role for a central body to promote knowledge sharing, and information about approaches to evaluation, more generally within the sector.

Some participants shared this view. For example, Communities@Work called for:

The establishment of a **central agency to coordinate research** across the sector ... by identifying common research needs, avoiding duplication of the research effort, facilitating research partnerships and acting as a conduit for information on research outcomes and studies across the sector. (Emphasis in original) (sub. 150, p. 7)

In addition to providing guidance on evaluation and relevant supporting information, there is value in the central body providing an assessment of the quality of the evaluations made available to it. Feedback could be provided to the NFP submitting the evaluation and a summary of the lessons learned incorporated in best practice guides. This would enable deficiencies in current approaches to be identified, as well as acknowledging innovative approaches which could be adopted for use by other NFPs. It is also valuable for meta-analysis to be undertaken once a number of evaluations are submitted to draw out common lessons. These may need to be undertaken by analysts with expertise in the specific community service area, but should be initiated and supported by the central body.

There are precedents for such a role. The Closing the Gap Clearinghouse will undertake systematic reviews of Indigenous policy evaluations, as well as providing a portal to support others undertaking research. And, the task of the Office of Evaluation and Audit, within the Department of Finance and Deregulation is to evaluate Indigenous programs for the Australian Government. Some of these evaluations, and the lessons learned, are made publicly available.

Several submissions (for example, ACOSS, sub. DR256) have suggested that this body be part of the proposed Registrar for Community and Charitable Purpose Organisations along the lines of the UK Charities Commission. However, it is important that the body charged with improving evaluation of NFP activities should be independent of government. There are several reasons for this:

- since the organisation would be at 'arms length' from governments, it would be able to comment on the role of NFPs in delivering government funded services free of any perceived conflict of interest
- an independent agency would also be unconstrained in commenting on perceived deficiencies in government-imposed performance reporting requirements

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## **Box 5.5 Initiatives to support evaluation**

### **The National Child Protection Clearinghouse (NCPC)**

The NCPC is funded by the Australian Government's Department of Families, Housing, Community Services and Indigenous Affairs. Hosted by the Australian Institute of Family Studies (AIFS), its goal is to inform policy, practice and research into child abuse prevention. The NCPC collects, produces and distributes information and resources, conducts research, and offers specialist advice on the latest developments in child abuse prevention, child protection and associated violence (AIFS 2009).

### **Closing the Gap Clearinghouse**

In April 2007, the COAG agreed to jointly fund a clearinghouse to provide 'reliable evidence and information about best practice and success factors' in Indigenous policy (COAG 2007). According to the National Indigenous Reform Agreement:

The Closing the Gap Clearinghouse will provide a single national repository of reliable evidence (including best practice and success factors) on a broad range of topics related to improving Indigenous outcomes ... [It] will:

- conduct systematic reviews of the research and evaluation evidence;
- improve the coordination of research and identify priorities for future research and evaluation;
- provide public online access to a centralised repository of quality information; and
- provide policy makers and program managers with an evidence base for achieving the Closing the Gap targets. (COAG 2008b, p. 33)

### **Canadian Outcomes Research Institute (CORI)**

Established in 2001, CORI is a Canadian NFP whose purpose is to improve the effectiveness of NFPs delivering human services '... by providing education, research, training, and services regarding outcomes and evidence-based practice' (CORI 2009). CORI hosts a web-based program evaluation software package. Users enter information about clients (there around 210 000 clients records in the database). Data can then be summarised and outcomes measured against performance indicators. According to CORI, a key feature of the evaluation software is:

... its ability to monitor evidence or indicators of success toward achieving planned outcome objectives. Such information from multiple agencies will to be stored within one common database to allow multi-agency data analyses and best practice reporting. (2009)

### **What Works Clearinghouse (WWC)**

The WWC is an online database established in 2002 by the US Department of Education to provide access to, and assessment of, evidence on the effectiveness of education policy interventions. WWC does not directly assess programs, but provides a summary and assessment of existing research (for example, in relation to improving literacy among high school students).

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- an organisation which sits outside government would have greater freedom to enter into partnerships with business, academic researchers or NFPs to continue to promote innovative approaches to measurement and evaluation.

As concerns within the sector have been directed at government requirements for performance evaluation and reporting, the initial focus should be on evaluations conducted by NFPs responsible for delivering government funded services. However, other NFPs should also have access to any guidance material and should be able to request assessment of their evaluations for their own purposes.

Initial funding should be provided by the Australian Government. Tenders could be called for an organisation with the requisite capability and experience in evaluation (for example, a university research centre). Over time, funding should also be sought from state and territory governments, business and within the sector.

#### RECOMMENDATION 5.4

*The Australian Government should provide funding for the establishment of a Centre for Community Service Effectiveness to promote ‘best practice’ approaches to evaluation, with an initial focus on the evaluation of government funded community services. Over time, funding should also be sought from state/territory governments, business and from within the sector. Among its roles, the Centre should provide:*

- *a publicly available portal for lodging and accessing evaluations and related information provided by not-for-profit organisations and government agencies*
- *guidance for undertaking impact evaluations*
- *support for ‘meta’ analyses of evaluation results to be undertaken and made publicly available.*