



**PeakCare Queensland Inc**  
**Submission to the Australian Governments**  
**Productivity Commission on**  
**The Contribution of the Not for Profit Sector**

## **Background to the Submission**

PeakCare has developed this submission on behalf of its member services that work with children, young people and their families in the child protection sector in Queensland.

We wish to acknowledge the Federal Government for its recognition of the importance of the Non Government sector (NGOs) in assisting government with the delivery of services to the community. However, we do not think it goes far enough in 'recognising' the true situation regarding the relationship between government and the community sector. Not only is government highly dependent on NGOs to deliver its services because of its unique position as a conduit between the community and the government, but more importantly the NGO sector holds the expertise that should *lead* reform and review agendas by government. All too often however government, especially in the Queensland sector, only consults with the NGO sector 'after the fact'. This needs to change.

We thank the Australian Government for the opportunity provided by this submission to comment on the implications of government social, fiscal and budgetary policy on the Non-government sector.

The *Productivity Commission Issues Paper* is comprehensive in outlining the major issues faced by the NFP sector in its relationship to government. However, there are several themes that emerge from the *Issues Paper* that PeakCare would like to additionally address and that relate to the parameters of this submission. The main three are,

- ❖ funding models that espouse 'collaborative' frameworks but are based on power differentials and competitive tendering realities.
- ❖ inequities in staffing and commensurate salaries
- ❖ the cost of compliance measures that Not For Profit (NFP) organizations are expected to meet on behalf of their funding sources

Several internally produced documents have been used to support this submission:

- Ross Wiseman, *The Case for sustaining small NGOs in the Child Protection Sector QLD*, PeakCare, 2009
- Submission to the Public Accounts Committee Inquiry into the *Management of Funding to Non-Government Organisations*, PeakCare, March 2008
- *Review of Service Agreements Concerns of Membership*, PeakCare, July 2007

## 1. Measuring the contribution of the not-for-profit sector

Peakcare supports the change in the conceptual framework for measuring the contribution of the not-for-profit sector from input to output and outcomes, where 'the outcomes map directly to the objectives of the organization or the program it is delivering' (*Issues Paper*, p. 21).

One of the areas where a rethinking of the 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. For instance, one area that members mention is in the requirement for data collection in residential care based on 'beds per night'. Often there are better outcomes for the child or young person such as having time out on a weekend with a grandparent that then impacts negatively on the quantitative data that forms the basis of the service agreement. 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.

It is also noted that in the *Issues Paper* much emphasis is placed on indicator-based measurements in helping to shape government policy and programs. However, when applied to community development projects that are being appropriately and increasingly introduced to bring about fundamental changes at grass root levels, there are limits. Not only are there the 'single attribution' issues when evaluating community developments projects but also policy makers and management use preconceived indicators that do not allow for or capture unintended outcomes that often result. Participatory forms of evaluation such as the 'Most Significant Change technique'<sup>1</sup> are better suited to this type of work and could be considered when developing the means to measure such projects.

### Recommendations:

a. That measurements for assessing the contribution of the not-for-profit sector be streamlined in line with the changes to the conceptual framework as discussed in the *Issues Paper* (p21). These measurements need to be meaningful, flexible and relevant for both the organisation delivering the service as well as the funding body.

b. That more qualitative measurement tools be available and employed where appropriate to the programs being funded such as community development projects. These tools will enhance the richness of the data collected adding to its meaning.

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<sup>1</sup> Davies, R.J., *Order and Diversity: Representing and Assisting Organisational Learning in Non-Government Aid Organisations* (also available via Clear Horizon Consultancy Group, <http://www.clearhorizon.com.au>)

## 2. Ways of enhancing the efficiency and effectiveness of the sector

In March 2008 PeakCare responded to the Queensland Government's Public Accounts Committee Inquiry into the *Management of Funding to Non-Government Organisations*. PeakCare welcomed the Auditor-General of Queensland's review of several Queensland government departments pertaining to the nature of funding of NGOs. It highlighted several aspects of current funding practices that are in need of modification. These included,

- That current government procurement methods tend to be patriarchal and do not 'invest' in the sustainability of the NGO sector.
- That due to a lack of a 'whole of government' response to funding and compliance mechanisms, NGOs had multi-funding arrangements, service agreements, reporting mechanisms and compliance standards to negotiate to meet the different and varied needs of the many departments from whom they received funding. (See Section 3 for more)
- That there is duplication of effort by NGOs operating in multiple regions regardless of whether the NGO is one organization or not.

The *Issues Paper* cites COAG 2006 as acknowledging that 'governments have recognized that inappropriate regulation and regulation which differs across jurisdictions impose unnecessary costs, and have committed to a national regulatory reform agenda that among other things, is intended to reduce the red tape burden of regulation.' However, PeakCare would like to strengthen the appeal for review in this area by adding the following elements to this discussion.

### ***The place of small NGOs***

Small NGOs are more under threat than their larger counterparts in the current political and economic climate. As the *Issues Paper* reports 'some stakeholders observed that government agencies are increasingly preferring to deal with bigger and fewer parties to minimize their transactions costs with the sector' resulting in 'loss of diversity' which in turn 'reduces the sector's capacity for innovation in the delivery of services' (p. 31).

Most non-profit organisations providing services are small to medium sized organizations generally with less than 100 employees. As pointed out by Professor Jenny Onyx from the Centre for Australian Community Organisations and Management, small organisations have [a] particular value that belies their size: 'Because they are small, and 'grounded' they also act as early warning radar screens. Generally, small organisations are the first to identify a new, emerging issue, or unmet need. By the same token they are more likely to be responsive. They are nimble and flexible enough to change direction as required. This is particularly so if, as is usually the case, they have adopted open, participatory democratic forms of governance. They are in a much stronger position to take the voice of their constituency, to identify a crisis and start to do something about it. This is precisely what is required for the mobilisation of social capital.' Floyd and Young (2007)<sup>2</sup> note that the push for professional governance and accountability by governments is also eroding the capacity for flexible and responsive services.

### ***The micromanagement of service agreements***

There has been increasing concern in the wider community services sector in Queensland about service agreement micro-management by government departments. The two areas most notable for this are funding allocation and monitoring. Where historically budgets were one-line statements that enabled services to manage internally their service deliverables, there has been a trend by government departments to prescribe how the service allocates its funding through rigorous reporting mechanisms and scrutiny.

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<sup>2</sup> Floyd, J. & Young, G. (2007) *Situation Analysis Report: Victorian Community Sector Sustainability Project for the Victorian Council of Social Service*, Swinburne University of Technology, Strategic Foresight Program, Melbourne

This trend is further compounded by duplication of reporting requirements when there are multiple funding bodies and as expressed by one community sector member, 'government departments are often partial funders yet dictate to the whole of the agency and expect [disclosure of] sensitive agency information which is not necessarily appropriate for them to have.'

Furthermore, this trend included funders dictating the pay scales for positions. This situation has impacted NGOs adversely when they are significantly behind government in terms of staff pay rates (from \$3000 at lower end up to \$35,000 at upper end of scale) and are unable to attract the appropriate staff. NGO services had previously been trusted to decide their own pay scales as long as service deliverables were met.

It is acknowledged that there have been recent changes to industrial awards (e.g. Social and Community Services et al) that govern the sector, as well as changes in terms of restructuring government departments. Hopefully these changes will help overcome some of the inequities that exist as outlined above. However, at the time of completing this submission, the effect of the changes were not known and so concerns raised have been included to inform reviews related to these changes.

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#### **Recommendations:**

*a. That the national regulatory reform agenda aimed at reducing the red tape burden on NGOs be given governmental priority. This would benefit the government in reducing costs of the duplication of bureaucracy administering multi and competing regulatory standards as well as improve the resource burden on NGOs both financially and with staffing.*

*b. That the reform agenda recognise the role of the small NGO in the wider community sector by providing adequate funding beyond day-to-day exigencies and for longer term growth and sustainability.*

*c. That service agreements are reviewed and streamlined to determine ways to ease the burden of unnecessary duplication and bureaucratic red tape on NGOs.*

### 3. The sector's provision of government-funded services

#### **Competitive tendering**

It is pleasing to see that the *Issues Paper* (p. 13) identifies that the not-for-profit sector is being funded for service provision "in competition with, or to fill the gap in, public sector service provision."

This is in stark contrast to the tender requirements in which government ask for examples of 'collaborative' practice or arrangements supposedly in a bid to demonstrate that services are providing integrated, streamlined and wholistic services to clients. However, services are realistic that mostly all they can demonstrate is *co-operative* structures with other agencies as *true* collaboration needs time (7 years at least)<sup>3</sup> to effectively build and be sustained. With funding timeframes rarely designed to enable longevity of projects such that collaborative arrangements can develop, requirements that specify 'collaboration' are misplaced and do not reflect the realities of life in the community sector.

The trend of 'favouring' competition as opposed to cooperation and collaboration has also had a significant impact on NGOs and their capacity and willingness to work in partnership. As stated previously, research and examples consistently point to the essential nature of partnership and connectedness of NGOs in order to enhance service delivery outcomes. Yet, organizations are pitted against each other in a bid for growth of service or mere viability. Instances of collaborative tendering have occasionally arisen and demonstrated positive outcomes for both government and NGO partners. In these cases, organizations have worked in conjunction with peak bodies and government to decide the most appropriate service delivery models required for each region and to work in partnership to devise the model, the submission to government and endorse the service providers most equipped to provide the required services. Examples of this can be seen through the Youth at Risk Funding in Brisbane and the Gold Coast in 2001. The outcome of this process was programs supported by government, service providers of each region and the key peak bodies participating (which in this instance were PeakCare and the Queensland Youth Housing Coalition).

Regardless of the positive outcomes of the abovementioned process, it has rarely been utilized since and competitive tendering remains the focus. There are several examples of organizations working together in partnership around tender processes and being prepared to keep partnership and collaboration principles alive whilst negotiating common bottom lines and key qualities and finances required to deliver a particular model/standard of service delivery. However, as a result of competitive tendering, these efforts have been thwarted by often just one organization when encouraged by government to undercut the process. The 'undercutting' encouraged because the cooperative service delivery models proposed were deemed too collaborative and did not provide enough competition. The double standard needs to be exposed and addressed. Governmental financial considerations consistently 'undermine' collaborative models of service delivery that could truly deliver best outcomes for the clients.

The outcome instead is that such competitive tendering processes not only lowers service standards, but destroys existing goodwill and leads to ongoing mistrust amongst service providers who need to work together to promote a more connected and streamlined service delivery sector.

Fear based tactics of punitive measures imposed for non compliance, as opposed to a model of partnership/cooperation and resourcing, impede on any capacity of government and NGOs to work in genuine partnerships. The nature of contractor/supplier arrangements lend themselves to a power imbalance between government and NGOs. Rarely are NGOs consulted by government in any significant capacity about issues that impede their capacity to provide quality

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<sup>3</sup> Keast, R. L. and Brown, K. A. and Mandell, M. (2007) *Getting the Right Mix: Unpacking Integration Meanings and Strategies*, International Public Management Journal, 10 (1). Pp. 9-33

services. Nor about government policies or practices that pose specific challenges to the sector. A “them and us” culture has arisen. Government buys and demands specific goods for the financial investment. Little negotiation exists and often they buy goods at a cost far less than they are actually worth. It is uncustomary in a good business sense for the purchaser to demand how much they are prepared to pay for goods. Usually it is the provider who names the price and the purchaser is required to meet that price in order to purchase the goods or services. Focus is largely on quantitative analysis rather than practice standards and qualitative considerations. Therefore, the volume of clients in any given service takes precedence over the quality of service delivery to clients in terms of analysis. This is of significant concern and is a long standing issue that is arguably, according to our membership, becoming more of a concern. Service providers are significantly burdened by complex reporting requirements that don’t necessarily capture the full picture. Another key concern is the inconsistent requirements across different departments/agencies even when measuring very similar service provision.

### ***Changing contractual implications with the entry of business and For Profit organizations***

The *Issues Paper* refers to the changing face of contractual arrangements in the sector with both business (through sponsorship) and For Profit organizations entering the marketplace. However, in the delivery of services to the most vulnerable members of society, it is important that the key players are the government and NGOs.

Whilst business partnerships have entered the mix and offer value added avenues for enhanced funding for such aspects as project work, capital works and service delivery, less high profile deliverables may be of less appeal to business than others. For example, high and complex need clients and the chronically homeless are traditionally more difficult to obtain business support for in comparison to services such as children’s hospitals. It is important in the mix of welfare delivery that government remains responsible for delivering or ensuring the delivery through NGOs of services to citizens including the most marginalized in society.

Ensuring quality partnerships and open processes of communication and collaboration are essential to the capacity of government and the non government sector to provide quality service delivery. It also needs to be stated that the process of gaining business support for NGO projects is a considerably time intensive one with much energy expended at times for no outcomes. Such processes need to be factored into the administrative and management costs of NGOs.

### ***Impact of tax exemptions on NGO sustainability***

At present tax exemptions are an essential survival strategy for Not for Profit organizations. The capacity to offer staff salary packaging, for example, is arguably one of the few draw cards the sector possesses in attracting and retaining staff. However, not all workers are comfortable in these concessions. Complex analysis and complicated administrative and accounting processes surrounding salary packaging often take the benefit from it. The need for organizations to buy in advice and consultants to ensure they are meeting complex and ever changing regulations is also a consideration worthy of note. Organisations offering salary packaging and fringe benefits are still paying wages way below those paid to the same positions by their government counterparts. Whilst offering some incentive to employees 100% committed to working in the non government sector, it is a fairly fruitless carrot in genuinely attracting and retaining staff in a competitive work environment.

The ideal situation would be for wages in the NGO sector to be brought up to industry standards with those of government employees and funding provided to organizations accordingly to meet these costs. If organisations were also funded for the full cost of service delivery and not just subsidies, tax concessions would be unnecessary. With the complex tax concessions removed in favour of fully funded service delivery including professional staff wages this would allow for an equal playing field.

## ***Compliance Implications***

Several aspects related to the impact of compliance requirements by various government departments on agencies need to be addressed. For instance agencies are subject to different (and often contradictory) compliance frameworks from their various funding bodies which places enormous financial burdens on agencies especially smaller ones who do not have the economies of scale to maximize any funding given to cover costs.

In a recent licensing process within the Department of Child Safety in Queensland, an allowance of approximately \$2,000 for the extra costs involved in meeting compliance was given to agencies already funded. However, the majority of NGOs have estimated that at least one full-time staff member (usually at a managerial level) and half an EFT admin staff member was required for a period no less than 9 months and often of several years duration to get the approval tick from the Department. Hence the cost to services has been estimated at \$50,000 on average. The short fall in terms of salary was picked up by the agency resulting in other service delivery components being on hold or reduced as a result. Again the impact on smaller services that often don't have the financial buffer that exists in larger organizations was huge. Furthermore, this small one-off payment did not include those agencies wanting to enter into the arena.

Further examples of double standards also exist in the compliance framework where compliance measures introduced in Queensland's Department of Child Safety to meet recommendations of the Crime and Misconduct Commission Blue Print included compliance requirements for both government and NGO services. Recommendation 6.12 states 'that a quality assurance strategy is developed and implemented for all services (government and non-government) and minimum standards be set for the licensing of non-government services.

To date, the measures have only been developed for the NGO sector and in spite of several approaches by peak bodies to address the inequity, there were no plans in place to do so before the recent amalgamation of Child Safety back into the Department of Communities. Eradicating these inequities that exist between the NGO sector and the government conducting similar activities needs to be addressed.

There are also numerous concerns regarding the accreditation system attached to the licensing process. Other government departments within Queensland had similar licensing processes and gave a choice of certification body to ensure independence. Child Safety chose not to follow this preferred and equitable system which had the effect of duplicating the workload for services most of whom had already undergone QA processes required by their multiple funding sources. Furthermore, the Department made the award of full accreditation an internal mechanism that on several occasions nullified the recommendations of the external body and enabled several instances where inherent power differentials were evident and allowed for subjective decision-making.

The process that was meant to be completed within a 9 month period was for many services protracted to 3 years.

**Recommendations:**

*a. That NGOs be provided with the full costs of service delivery including the costs of hiring professional staff. With the full cost of service provision being funded, the need for tax concessions will diminish allowing for a level playing field across the NGO sector and government.*

*b. That compliance requirements be streamlined to reduce the burden on NGOs both financially and with staffing. There is a need for the 'whole of government' approach to be upheld in regard to both reporting mechanisms and compliance requirements.*

*c. That consideration be given to flexible funding arrangements that include provision of timeframes beyond the traditional three year maximum especially in community development initiatives.*

Longevity of projects is often a determinant of success and with funding lasting only as long as the electoral timetable, there is a need to review and determine better ways of funding that can allow concrete outcomes to be achieved.



## 4. Trends and developments impacting on the sector

### *Staffing and qualification implications*

With the arrival of For Profit NGOs into the community services mix has come concern about lower standards, particularly in light of staffing. Of all the monitored accountabilities imposed on NGOs staffing quality, including qualifications, training, experience, on-going professional development and capacity are barely monitored, if at all. If companies are to make profits from the service delivery of welfare, costs need to be cut somewhere, and anecdotal evidence from our membership and observations thus far suggest that quality is cut at the key cost structure level, which is staffing. Staff members in the sector are already underpaid significantly by comparison to their government employee counterparts. It is of concern that some NGOs may be offering even lower wage structures to unqualified and unskilled staff members. This appears to be a significant step back in the delivery of services to vulnerable Australians. In terms of risk management hiring staff with limited skills, knowledge or theoretical frameworks appears to be a very risky business. As such we agree with McGregor-Lowndes concerns as outlined in the *Issues Paper* (p. 36).

Also stated in the *Issues Paper* (p. 19) is that 'often paid workers earn less than their market value' and that NFP agencies are often viewed as more effective service providers than governments or business. According to DEEWR (*Job Prospects*, 2007), the health and community services workforce grew by 17.2% in the last five years and is predicted to grow by 3% each year from 2008 until 2011. As such, it is the third largest sector workforce in Australia. It describes the workforce as 78% women, 43% part time workers with 37% of workers being employed outside capital cities.

Research findings are relatively consistent when stating the numerous issues facing NGOs in attracting and retaining highly skilled and experienced staff. The Australian Services Union Report (2007) identified the following key issues as barriers to the attraction and retention of staff in the Human and Community Services Industry:

- ❖ 52% of respondents intend leaving the sector within the next 5 years
- ❖ 75% of managers expect staff turnover will be greater than 50% in the next 2 years
- ❖ 25% of managers expect staff turnover between 20-49% in the next 2 years
- ❖ 56% of managers trying to attract Indigenous staff have difficulty
- ❖ 77% of managers believe low wages to be the main barrier to attraction and retention of staff
- ❖ 75% of managers stated that low wages is the main reason staff give for leaving.

The *Child Protection Skills Formation Strategy Report* (Qld, 2008) illustrated a largely inexperienced child protection workforce in which 49% of staff had 2 or less years of experience. Through 8 regional forums conducted for feedback into staffing issues, the following barriers to retaining experienced staff were stated:

- ❖ Low wages and poor employment conditions in relation to social value and the level of responsibility inherent in the work.
- ❖ Significant disparity between NGO staff and their government counterparts.
- ❖ Entry level workers often being required to carry out the most front-line complex and harrowing work.
- ❖ The roles are often stressful and time intensive.
- ❖ The difficult nature of statutory work and a culture of blame (that may be a consequence of media scrutiny).
- ❖ Poor public perception and acknowledgement of child protection and community services work.
- ❖ Poor training preparation for work roles – this was noted with regard to both University and VET qualifications.
- ❖ Lack of career pathways, particularly in small organizations and rural and remote areas.
- ❖ Lack of services for workers such as housing and health services particularly in rural and remote areas.
- ❖ Lack of management and leadership skills within the sector due to high turnover of staff and premature promotions prior to skills being ascertained. Thus affecting their ability to create a sustainable working environment.

Feedback regarding the barriers to attracting and retaining quality workforce members is consistent across numerous research projects. As a quality workforce is the fundamental resource of the NGO sector these matters are of primary importance and as such require significant consideration.

**Recommendations:**

*a. That the significant size of this industry and its contribution to Australian society be recognised and as such qualifications and professional development of this industry workforce be given key consideration. Incentives such as the affordable and flexible delivery of bachelor and post-graduate qualifications, need to be offered to attract quality qualified personnel to enter the sector and commit to on-going professional development to remain vibrant contributors to the Not for Profit industry.*

*b. That wage levels of professionals in the Not for Profit sector be brought in line with their Government counterparts across the country and be incrementally increased to remain so.*

*c. That For Profit providers be arduously assessed in terms of their capacity to delivery quality outcomes whilst also making profits from essential social services.*