

# WA BAPTIST HOSPITALS AND HOMES TRUST INC.

## BAPTISTCARE

### Response into the Productivity Commission's Research Study 2009

#### Into the Contributions of Australia's Not for Profit Sector

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#### Introduction and Background

Baptistcare (WA Baptist Hospitals and Homes Trust Inc.) is an community benefit, not-for-profit (NFP) organisation with nearly 40 years experience of working in the aged and community care sectors. It was established in 1972 by local Baptist churches who saw a specific need for residential aged care services in the community. From these beginnings has grown a significant organisation which presently offers the community 223 high care and 477 low care places in 12 facilities located in 10 metropolitan and rural locations within Western Australia.

In addition to its residential services for older people, Baptistcare operates community services through its 168 Community Aged Care Packages (CACPs), 209 Veterans' Homes Care (VHC) packages, and at the same time, it services other community aged care clients that are not part of the CACP and VHC programs. Baptistcare also has a range of independent living apartments in communities in Perth and south of the city.

Baptistcare also has a strong profile in the provision of family services, including residential, home and community based choices for people suffering and recovering from mental illnesses and people living with disabilities together with their families. Thus, Baptistcare is a significant community service provider with extensive experience in a range of services carried out in a wide variety of community locations with a diverse geographical spread. Services stretch from Kalbarri in the north to Albany in the State's south. We can speak with solid experience about rural, regional and remote service provision and metro-centricity in service perspectives.

Importantly, Baptistcare's character, service choices and values' base are informed and grounded in its Christian origins which inform its commitment to its Vision, Mission and Values. These speak clearly on its motivations and continuing future engagement in the community in a wide range of services.

#### **1. Assess measures of the contribution of the not for profit sector and how these can be used to improve government policy and programmes and optimise the sector's contribution**

**Definitions of the Not-for-Profit Sector:** There is a wide range of definitions seeking to correctly scope out the not-for-profit (NFP) sector, which is almost equally matched by the number of names that it holds. The not-for-profit sector has been referred to as the Third Sector (Lyons 2001) which includes all organisations and services that do not fall into the definition of commerce and business for profit, and government.

The Third Sector refers to all private organisations that are either non-profit-distributing or which may or may not be democratically governed (Lyons (2007:10). This is based on a tendency to conflate the Third Sector with only those relatively few agencies which provide community services and which may advocate on behalf of disadvantaged people or the environment. The Commonwealth Senate's Standing Committee on Economics explored the term 'Third Sector' in its enquiry into *The Disclosure regimes for charities and not-for-profit organizations* (Senate Report 2008). The Report pointed to the scholarly literature dividing society into four sectors: the Business Sector (First Sector); the Government (Second Sector); Not-for-Profit, non-government, voluntary, intermediary (Third Sector) and Family (Fourth Sector) (Senate Report 2008:11).

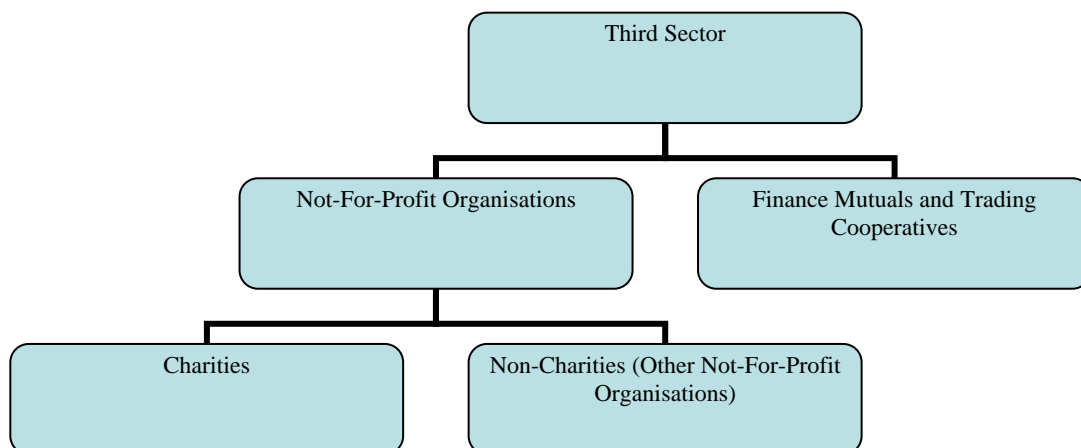
The Third Sector in Australia sits alongside the government and private sectors. Third sector organisations may receive government funding to provide public services, but they are not part of government. Similarly, Third Sector organisations may charge for business services, but are not part of the business sector because their primary aim is not to generate profits for their owners.

Broadly, Third Sector organisations comprise charities, churches and religious organisations; sporting organisations and clubs; advocacy groups; community organisations; cooperatives; trade unions; trade and professional associations; chambers of commerce; welfare organisations; and service providers, which can be divided into three clear classes of organisations – Mutuals, Social Enterprises and Not-For-Profits (Senate Report 2008:11).

A fourth sector has also been named in recent times, that of the private household (Lyons 2008). Such an inclusion does have merit given more recent changes in society and family structures.

However, the diverse range of organisations within the Third (and Fourth) Sector makes it challenging to assess and measure any contribution on an equal basis.

**Figure 1 The Relationship between organisations within the Third Sector (Senate Report 2008:16)**



Baptistcare operates within the category of the Third Sector that has been specifically defined as a charity. It provides services to individuals, families, groups and communities. For us, this also includes the most recently identified additional Sector, the family or private household, not least because this is the work environment in which many of the services funded and provided nowadays within the community. One other defining characteristic of the Third Sector however, which is important to mention here as far as Baptistcare’s own service choices and mode of delivery are defined, is its religious foundation and character and this has shaped the nature of the services provided and its commitment to accountability.

The current measures used to assess the contribution of the NFP sector are as varied as the categories and definitions and reflects the diversity of the sector and highlights the governmental and social/cultural belief that the NFP sector is not important as its economic value is invisible.

**Please note:** Baptistcare’s Submission focuses specifically on the contribution made by NFP organisations, both charities and non-charities that operate in the human services sector as it is from within this category that Baptistcare itself operates. The broadness of the adopted approach by the Commission to review the sector enables a diverse range of views to be submitted and encourages debate and a singularity of identity within a more global framework,

but it faces the danger of then trying to find approach/es or solutions that reduce the variety and seeks to measure, control, constrict or confine the different types of organisations, services and structures and thus reduce the complexity and vibrant diversity that currently exists and makes up Australian civil society.

The definitions of the sector, terminology and categories should be standardised across the country as was recommended by the Senate Inquiry into disclosure regimes for charities and NFP organisations. Many of the recommendations from that Inquiry are laudable and supported by Baptistcare.

Our main concern would be that the drive to standardise the sector and remove the variations that exist in legislation across the various States and Territories, would have an impact on the voluntary nature of boards and management committees. The introduction of a layer of national regulation and transparency inevitably diminishes the capacity of small organisations to flourish; and the bulk of the charities and non-charities in the Third Sector are very small organisations. Introducing additional tiers, with further national compliance, regulation and transparency rules must not be done either from the perspective of 'control' as it will stifle the sector's creative and generative approach to problem-solving or to control the number of organisations as this will reduce the vibrancy and choice within the sector by the Australian public.

One of the casualties of the Sector as organisations have moved into a market-driven, purchaser-provider, funding-compliant environment has been the significant loss of innovation and creativity. Money and funding have become primary motivators and drivers for the organisations and the government has become the primary service purchaser for many charities and NFPs and thus has become the primary stakeholder, customer and regulator. There is not much power left in the system for the NFPs. Discussion about partnerships then becomes very challenging as the power within the partnership is, inevitably, unequal and has to be redefined to try and escape the consequences of the purchasing relationship. With Government always retreating to the position of purchaser and holding the threat of funding withdrawal, like any proactive purchaser, it means that those in receipt of funding are always unrecognised; they become invisible within the economic system, because they do not have the capacity to make decisions within their own right except within very restricted settings of contract compliance. This mirrors the experience of many of the clients within the charitable system as they are moved around by the funding contracts with no control over who and how services are delivered.

The prevailing paradigm used by Government/s policy settings are also integral to the solutions, services and methodology of delivery that make up the Third Sector. For example, child care moved in the 1980s/90s from being a community based, government funded public service operating from a supply framework to being a privatised, market driven, demand led service which in its turn has led, inevitably, to fundamental flaws occurring within the services. The assumption that demand will in turn, lead to higher quality services and privatised operations will deliver on what society expects, because the purchaser knows best and has the power to make choices, does not always work. Customers for childcare also have to take into account affordability, access, and their own understanding of its importance.

This is why ABC Learning Centres as a service model was so flawed and has failed so spectacularly to the detriment of parents, children and communities. The privatisation of early learning and education on a for-profit basis with parents making similar choices about various education models, options and services would never be accepted in our current provision choices. Yet it was contemplated for childcare and driven hard throughout the 1990s and into this century by a specific model of care such that it created the market, fed the market, and eventually saw its inherent weakness come to the fore, leaving parents at the mercy of the market without any recourse to stable supply that met needs. It left the Government having to step in to set the market back up. In other words, a false market has been created by reasons of profit rather than community in an area of service that was not appropriate on the model envisaged. It is therefore, important that the market models themselves are understood and

accepted as determinants of policy settings and controls that may not have strong links into the community and which are not understood to the detriment of the community in the longer term.

The capacity of organisations like Baptistcare to operate at an individual level and globally as a significant service provider with nearly 40 years experience in human services is hugely dependent on its commitment to retain its skill, capacity and practice of working with people locally, one-on-one. We believe that it is this perspective that is one of the sector's defining characteristics that needs to be noted; and it is often at odds with the need to retain a strategic, numerically audited and assessed perspective in making broad policy decisions.

The sector also claims a specific philosophical and values-based paradigm about why it delivers its specific services. This often comes from the religious origins for faith based organisations, but also out of a human rights/social justice perspective for secular agencies. When governments behave in ways that are seen to be at odds with the values and ethics of charitable service provision, it causes significant turmoil within the sector and in the broader community. The recent handling of the Job Network contracts is just such a case study. The rhetoric on social inclusion has been put completely at odds with the withdrawal of funding at a time when social capital and community strengthening was substantially needed in the very neighbourhoods and communities that were dropped without warning or apparent cause. This disconnection between the decision-making and words/actions needs to be understood more clearly by leaders in the sector and in government/s when setting the policy frameworks and in making economic and/or political decisions that are remote from the situations which are directly impacted by the policy makers. Partnerships need a different framework if they are to avoid this continuing lack of understanding by both groups.

There is a lack of any substantial acceptance of the research and work of people in the Third Sector because of the lack of economic value attributed to the sector that contributes to the lack of recognition at a governmental level. It is for such a reason possibly, that significant human service Federal government ministers are not provided with seats in cabinet, for example, the Minister for Ageing.

The NFP human service organisations have a number of significant, defining characteristics that identify them as different from the other sectors. Some are already well known and catalogued: operating from a not-for-profit basis without benefit for the providers; willingness to act in the interests of others in the community rather than from self-interest; distribution of benefits to the community; altruistic motives such as a commitment to human rights; a different set of values which underpin the organisations; community managed and led; and there is a sacralisation of the work. It is odd and interesting therefore, that frequently government contracts seek to mute and diminish these specific characteristics as they are seen as being of high risk to the purchasing body.

The work done within NGOs is built on the fundamental building blocks of caring. The ILO definitions of caring and care work are still being defined, however, the relationship that exists between the one-caring and the one-being-cared-for (caree) is what the work is always built around. It is what human service NFP organisations do in a range of settings for a wide range of people, communities and causes. However, care work is still seen as women's work, as it has been, traditionally, for centuries. Charities and human service NGOs, whether faith-based or secular, are feminised workplaces. Care work, although becoming more and more professionalised over the decades, works with groups of people in our society that are not valued within the economic framework, thus, an interesting juxtaposition of people are engaged in care work; unvalued people, i.e., women, provide services for groups who are unvalued – the sick, the elderly, the unemployed, the disadvantaged, the drug addicts, the abusers and abused, children, the disabled, the refugees and so on.

While many of the services are slowly being opened up to for-profit providers such as child care, aged care, health and unemployment services based on the capacity of the market place to generate a profit (not necessarily because the care can be improved) and which is seen to be more efficient, the tension between the profit drivers in community services and those of value

drivers and community benefit remain unresolved. Some NFPs seek to minimise the tension by operating, virtually, as for profits, using commercial decision making processes, competitive advantages, and maximising their charitable status to enhance their business operations i.e., operate as for-profit businesses in a NFP environment. The issue of regulation, accountability, transparency and measurements arise out of the extremes just described while at the other end of the continuum, there are NFPs that are essentially closed systems, very paternalistic, traditional in their approach to society and do not see the need to be questioned because they are 'doing good' as they claim the highest moral ground; so nothing else matters. This experience lies at the other end of the continuum.

The challenge for the charitable organisations is that they do not see when their environment and decision-making processes change or tip irreversibly from NFP to for-profit behaviour, or are providing restrictive services until they are too far along the road and find they cannot turn back.

However, on a positive note, the NFP organisations offering services are much more likely to be seen as independent of government, not operating as an official government service provider, more trustworthy because of their value base and independence, perceived character and community minded traditions. The motivations of those working in the sector are more likely to be altruistic. Such organisations, with their Vision and Values, acted out by their employees and volunteers in their care work, offer a pathway back into engagement with society at large for those who have been disengaged and excluded. This occurs through the goodwill, insight, local connections and relationships that have been built up by the organisation's membership, emotionally, physically and spiritually.

It is sometimes difficult to assess whether the contribution of NFPs is determined by government policy settings and legislation or by the local environment and demands to which they respond on an ongoing basis. Indirectly, the success and reputation of such NFPs lend themselves into the capacity to be influential within the wider community and with politicians and governments. This is done through the traditional modality of NFPs, that is, through the development of informal relationship 'contracts'. This has always been the way of women's work, in networked systems, both informal and formal, achieving change through a multiplicity of efforts, choices, services, and operating environments that suit those who seek their services.

What is frequently not considered in the framework for measuring the contribution of the NFP sector is the role spirituality and religion holds in the overall system of service both at a personal level and strategically, within small and large communities, politically, socially and culturally. Current language talks about self/personal well being and connectedness to others, but the faith-based origins of many of Australia's charitable organisations like Baptistcare and the choices made by people to work in the sector and those seeking its services, points to this being a significant determinant in what is done, who its done by and how its done. Research undertaken in 2007 (Morris) points to employees choosing to work for NFPs because of their own belief systems were significantly influenced in childhood by family religious values.

The conceptual framework for measuring the contribution is useful but is not comprehensive and should be treated with caution. Critically, the inputs and outcomes highlighted in the Commission's Issues Paper do not reflect the philosophical framework that contributes to the gendered approach, the ethical and spiritual aspects, the use of influence and power beyond a simple advocacy function and the development of relationships from a 'care-work' perspective that contributes to an 'ethic of charity' (Morris 2009). The qualitative measures need further work and the quantitative measures do not account sufficiently for quality of life issues.

Sadly and worryingly, at this point in time, the focus of care is absolutely on compliance and accountability; in high compliance systems, there is a matching level of low trust resulting in poor quality of life indicators for everyone delivering and accessing services.

The desire to come up with meta-analysis and measures misses the character and influence of the NFP sector, which is based on small, relational communities/organisations, belonging, local

and engaged systems. There is a mismatch between what is being used to analyse the inputs and outcomes that is at odds with the reality of delivery and this tension is not being recognised.

**2. Identify unnecessary impediments to the efficient and effective operation of not for profit organisations and measures to improve their contributions**

Measures that are currently used to assess the contribution of the sector are varied and not consistent. The variety occurs for a number of reasons:

<b>Examples of Incompatible and Unnecessary Impediments to Service Delivery</b>	
<b>Issue</b>	<b>Consequences</b>
Government funding from State and Federal Governments	<ul style="list-style-type: none"> <li>• Different rates of CPI calculated each year for different services e.g., WA Department of Health Department of Health and Ageing.</li> <li>• Different timing arrangements for funding stages, disruption in funding and contract cost increases when co-funding occurs e.g., Disability Services which has both State and Federal funding.</li> <li>• Different interpretations between State and Federal Government intentions e.g., the new social housing funding where the WA Government is expecting organisations to build the houses with Government funding, on NGO owned land and then have those houses owned by the State.</li> </ul>
Government funding from different Departments	<ul style="list-style-type: none"> <li>• Different reporting requirements, timing of reports required and level of budgeting details expected</li> </ul>
Different funding amounts from different Departments	<ul style="list-style-type: none"> <li>• Different levels of accountability depending on the size of the grant/contract.</li> <li>• Some small grants e.g., up to \$20,000 require as much effort and reporting as \$1m e.g., grants from the Office of Multicultural Interests and those from the Department of Communities.</li> </ul>
Purchaser/provider contracting arrangements	<ul style="list-style-type: none"> <li>• Significant amount of effort and cost incurred in writing tenders for contracts, diverting staff from regular jobs to focus on tenders</li> <li>• Commitments that are made to achieve contracts which shifts the emphasis from the consumer as the client to the Government Department as the predominant client.</li> </ul>
Individual purchased services e.g. Disability Services Commission WA	<ul style="list-style-type: none"> <li>• Clients purchase services from organisations seeking different services which have to be accounted for individually and separately audited, individually.</li> </ul>
Different legislative structures between States for the establishment of NGOs and charities	<ul style="list-style-type: none"> <li>• In WA this is the Associations Incorporations Act, currently under review (and has been for several years) causing uncertainty and some confusion and possibly planning blight.</li> </ul>
Different legislative structures that impact on the service delivery and structures	<ul style="list-style-type: none"> <li>• Legislation affects the handling of the revenue (and therefore, the size of the organisation) and service variety (e.g., residential aged care and disability services) due to the complexity. Small organisations struggle to manage with volunteer Boards of Management.</li> <li>• Many services such as Child Care services has to match up both State and Federal legislation that are not compatible and there is a priority of compliance. Residential aged care is a similar case, with about 7 different pieces of legislation applying.</li> </ul>

<b>Examples of Incompatible and Unnecessary Impediments to Service Delivery</b>	
<b>Issue</b>	<b>Consequences</b>
Lack of a common chart of accounts.	<ul style="list-style-type: none"> <li>Different Departments require different standards of reporting, e.g., WA Department of Health refused audited statements that were done on an accrual basis and did not allow for depreciation in its HACC (Home and Community Care) Contracts until 2006-2007.</li> </ul>
IFRS was written for For-Profit businesses and then amended to accommodate NFPs.	<ul style="list-style-type: none"> <li>Definitions have come out of an accounting system and not out of the Third Sector's own operating environment and causes difficulties.</li> </ul>
Increased dependence on technology	<ul style="list-style-type: none"> <li>Many contracts now require total on-line reporting accessible by the funding body e.g., Job Network and Veteran's Home Care where client information and contract performance must be reported consistently on-line. Requires significant infrastructure investment and the lack of capital in the NFP sector makes this very difficult.</li> <li>National and State technology infrastructure is not up to the job e.g., no mobile telephone coverage in major parts of the state including within the Perth Metro area, there is poor ASDL access or none at all in many locations and there is a lack of access to regular utilities e.g., electricity and water in remote parts of WA.</li> <li>Very difficult to capture competitive data and manage the software without significant investment.</li> </ul>
Focus by funding bodies on quality of care measures	<ul style="list-style-type: none"> <li>Lack of measures on quality of life, social inclusion as the core measure for human service delivery, skews the service models inappropriately. Time and motion used e.g., HACC services which is incompatible as the predominant, primary service objective.</li> </ul>
Across Government approaches do not exist	<ul style="list-style-type: none"> <li>Lack of coherent, quality of life measures means that services are silo'd to ensure measures are controlled, but creates significant gaps in the system where Departments and NGOs do not/cannot talk to each other because of unnecessary competition and territorial turf wars.</li> </ul>

**Other measures that impede NFP operations include:**

- Lack of access to capital for infrastructure and for replacing or acquiring assets that would improve the organisation's balance sheets. Many smaller NFPs lack the capacity to approach banks or other lending institutions to borrow money, given the instability of government funding, frequently on one to three year contract timeframes and subject to policy amendments. Significant changes are experienced such as with the recent awarding of the Job Network contract, where investment has been substantially destroyed and undermined.
- Equally, employees are unable to feel secure in the employment when contracts frequently are not renewed until the very last minute, often with days / hours left between contracts and handover processes are insufficient and of poor quality in linking new providers with old and handing over information pertaining to a shared client base.
- Salaries are inadequate. The extraordinarily low wages for frontline staff – child care, disability and community services, carers, and direct client contact staff are not sufficiently protected by awards and governments take no responsibility for funding formulas to improve this situation. One example is provided by the Social and Community Services (SACS) Award which is dismally insufficient and leaves NFPs woefully disconnected to any other

sector in its capacity to attract staff and retain them in long term careers. Governments then refuse to accept any responsibility for the connection between the rate they pay for unit costs of services (e.g., HACC services) and lack of staff to provide services and the rates of pay set by the Awards. Government is very disingenuous in its approach.

- Then there is the perspective that no money should be spent on administration and that somehow services appear without infrastructure, management, administration and support systems. This is not helped by the lack of consistent systems offered by Government in its handling of contracts, in which to make accountability transparent and government's refusal to pay appropriately for this part of the service delivery. NFPs frequently have a myriad of funding contracts, awards, funding sources, accountability reporting obligations and so on. Most NFPs are significantly accountable, given their community connections and the wide variety of funding sources, including donations and public support. However, often it is found that the larger the NFP the harder it is to discern their accounts and make sense of them. The description of 'NFP' is also unhelpful as NFPs still need to generate surpluses in order to operate appropriately and within the legal obligations of financial viability. The lack of a better name is a challenge when seeking to broaden community understanding about what is being sought by the sector. It is also not helped by those agencies who are for-profits in their behaviour and decision making processes even though they operate under the guise of NFP constitutions. However, given the very few recognised choices to NFPs which are seeking operating models that ensure viability and long term sustainability, combined with the government's insistence on particular governance models, does not give much leeway to such agencies.
- It is Baptistcare's view that it is possible to operate as a charitable organisation that has a distinctive governance modality that acknowledges its faith base, not-for-profit motivation for income generation for additional services. However, this needs to be seen and accepted as a 'third' model, that is not government's or commercial in nature or practice.

### **3. Consider ways in which the delivery and outcomes of government funded services by not for profit organisations could be improved**

Delivery and outcomes would be improved by:

- A recognition and commitment to the establishment of medium term contracts i.e., 3 – 5 year contracts for service delivery rather than short term 6 months – 1 year – 2 year funding arrangements. In multicultural and indigenous services, the likelihood of starting any reasonable, viable, future sustainable service that will deliver a meaningful outcome for the community is non-existent. Such short term contracts expend money and emotion, with minimal outcomes and significant disillusion and alienation by the targeted community. No serious community work can be done in short time frames. It shows a distinct lack of understanding about the cultural and physical issues that have to be understood and negotiated.
- Recognition that all services require establishment and administrative costs. Organisations require the capacity to build in 15 – 30 % of the contract into service administration. This significant range is necessary because the difficulties in setting up services varies between locations and models. The cost of delivering aged care in the regional, rural areas and retaining staff and infrastructure is different to the cost pressures incurred in the metro area and between States. Setting up a short term contract costs more than a longer term contract because infrastructure is set up for a short time, so leasing, rental, short term arrangements are needed that often carry a penalty.
- Many funding contracts do not allow for appropriate cost of living increases for wages to be past on to employees, particularly when done for up to 2 years. This is frequently overlooked in setting the price of the contract.



- Facilitating the access of funding from non-government sources, to enable tax relief for donors/donating organisations with incremental benefits for the donor if the gift continues over a period of time, beyond a year, encouraging commitment on an ongoing basis.
  - Enabling the payment of study costs for employees (work related) to be considered as FBT exempt if paid by the employee or organisation. This will enable organisations to attract staff and enable the benefits of their acquired skills and expertise to be applied for the organisation and the community.
  - Establish an 'innovation fund' that organisations can access similar to the Research and Development (R&D) grants available to business. In one experience, a new service model was suggested to the Department of Ageing, which turned down requests for funding because it did not fit within the current guidelines. How can new models fit within existing service model guidelines? There does not appear to be any 'innovation' funding available to test new ideas as provided to the commercial sector. And government suffers from a significant risk aversion mentality that is at odds with the flexible, responsive character of most NFPs.
- 4. Examine recent changes in the relationships between government, business and community organisations and whether there is scope to enhance these relationships so as to improve outcomes delivered by the sector**

The relationship between NFPs, business and government is consistently under pressure as a living, dynamic experience for all concerned and engaged in making it work. The sector experiences more or less tension and pressure depending on the political and social climate existing in Australia at any point in time, and given the current political structures with States, Territories and the Commonwealth, it is always in a state of flux. This means that the non-profit sector, with its informal linkages and community connections that operate locally, at a micro level and also globally as evidenced by international NGOs, often sits within the ambiguous space of civil society. It represents competing interests and advocates on significant issues. NFPs claim a shared philosophy and purpose about why services are being delivered to particular groups and individuals and the framework established by government, both legally and financially, represents some understanding of this difference, which is constantly under review.

The informality of the services that is based not only on a transactional service arrangement, contracted and delivered, but also on a relationship 'contract' that includes the caring relationship and individual commitment of the employees and clients. It is a critical and fundamental aspect of the way non-profits operate in human service work. This is combined with the 'influence' capacity generated by the extensive communications and access to vast linkages established by the services and relationships offered and engaged in by the hundreds of thousands of service agencies. This informality of relationships and the commitment to building and holding caring relationships as the core vehicle for service delivery are the building blocks of non-profit human service activity.

Any willingness to enhance the relationship between the three sectors (now including a fourth i.e., the household) must take the gifts and character of this sector into account. However, what makes the life of the non-profit invisible in the wider community of government and commerce, is the lack of recognition of these gifts and a painful, insistence that the only way this sector can operate is through the framework set by government/s and business. In other words, the only governance model, is through that set by business; the only accountability model is that set by government; the only service model is that set by anyone other than the non-profit. No understanding is given to the sector's own characteristics and philosophy which has been shaped indelibly by generations of women working with uneconomic and unvalued groups of people, i.e., the disabled, the mentally ill, the unemployed, the refugees, the sick and imprisoned and so on. It is hugely disrespectful to take what might be seen as an arrogant, non-comprehending stance without due cognisance of this perspective.

Overseas, there is the experience in the UK of partnerships (which will not be explored in this Submission) and there has been some research undertaken in Ireland that has looked at this issue of partnerships and covenants that may be useful. There is an argument that suggests the lack of cohesion, interpreted as such because of the sector's variety, flexibility and because there is no single representative voice or body, points to questions being asked as to whether it is even a sector.

There has been several attempts in Ireland to make sense of the community and voluntary sector. These include the White Paper on a Framework for Supporting Voluntary Activity (2000); the Partnership Agreement, *Towards 2016* (2006); the recommendation of the National Economic and Social Council (NESC) which would all be worth exploring. Work is being done to try and make sense of the sector and formalise its relationship with government.

However, in Ireland, government has not been seen as consistent in its approach and there are inherent contradictions in the way government advocates for participative democracy, of active citizenship on the one hand, while there is an increasing concern at the growth of the sector that gives active citizenship its opportunity for expression on the other, an experience that is frequently discussed in Australia in the relationship between Governments and NFPs. In Ireland, they are looking at codes of practice, rules of engagement, development of an 'accord', and other such strategies. There is a recognition that the sector needs to be able to lead itself and manage its own character, future and vision of its self and not have this set by other sectors. Some of these insights are useful for the Australian experience.

It seems that the trends for government/s in purchasing services has been to display a wide range of purchasing arrangements and funding formulae. In addition, the trend has been to move towards fewer funded services with a preference for the larger non-profit operators rather than engaging with smaller and medium sized agencies. This has been combined with opening up the services to more and more for-profit competition. This is demonstrated in employment services, residential and community aged care and childcare services. The issue is not about competition, but of setting a business standard of competition within an environment where indicators, other than competition, operate predominantly and these are not put into contracts in a way that recognises the processes or 'ethic of care' indicators used by NFPs. The remaining services that currently are not open to the commercial sector are those statutory services such as Child Protection, and those that are unable to make a profit sufficient to be of economic interest, such as working on domestic violence, drug and alcohol services and working with prisoners.

This means that the costing of the 'relationship value' is not recognised in the contractual arrangement, as was evident in the recent employment services Job Network contract changes, that disregarded the relationships and other support systems that come within any contract arrangement held by the non-profit organisation. A commitment to transformation in other people's lives is not a recognised contracted outcome. This is not held or recognised by for-profits as they do not form part of the transactional, contracted arrangement.

In addition, the perception, based on economic values, is that non-profits are poorly managed and inefficient. This only has validity from a restricted, economic perspective that has not recognised the care/relationship contract component.

The business/commercial argument is frequently posed by the larger nonprofits who have adopted commercial practices. Economies of scale are seen as arising from centralised managed services with outsourced backroom arrangements. No commentary exists, no recognition of the relationships that sit within each of these services that combine to make each contract work at the micro, individual level.

Resistance to partnerships and integrated services generally arises from a lack of funding for supporting administrative systems for contracts that might then lead to a loss of independence. Local communities want local solutions with access to larger influence when necessary. This is

an increasing requirement from any provider and government purchaser in a post-rational, post-structural environment.

The request by both government/s and non-profits for partnerships is, however, undermined by the purchasing/contracting relationship, which can undermine the belief and trust of clients in the non-profit's motives particularly when the marketplace is populated by for-profits also. The transfer of risk to the non-profit is often seen as unhelpful and at worse, deliberately shifting the risks to organisations that would then have to use their own good will and reputation to manage when this should never be included in the contract.

The contracting arrangement can and does impact on agency capacity to speak out. This was significantly evident during the period when agencies were being advised on the success or otherwise of the Job Network contract and were bullied into silence through the tender submission agreement that if they spoke out before the embargo was lifted, they would jeopardise any future funding. The length of time taken by the Department to set up the new arrangements before making any announcement is what makes this unreasonable and enables an interpretation of bullying to be proposed.

#### **5. Examine the impact of the taxation system on the ability of not for profit organisations to raise funds and the extent to which the tax treatment of the sector affects competitive neutrality.**

The range of tax concessions provided to the NFP organisations, and particularly those that are applicable to Baptistcare are very important to the financial wellbeing of the organisation. These include: GST concessions, income tax exemptions, FBT exemption (\$30,000), FBT rebate and deductible gift recipient status are critical to the capacity of this organisation to operate. Baptistcare, like many other organisations is required to operate in a competitive marketplace, but does not receive competitive funding arrangements and is unable to raise capital as easily as other organisations. The caps and limitations placed on funding arrangements by government contracts, combined with issues around wages and lack of capacity to increase wages because of non-matching funding increases and difficulties in securing alternative funding sources means that the taxation system is an essential component of the viability and long term sustainability of any charity.

Recent government support for commercial organisations in financial difficulties has not been matched by similar support being evidenced for NGOs. Corporate charity by Government is not 'recognised' as such. Many charities and NFPs have been forced into extraordinarily difficult situations through the re-allocation of service contracts, including the Job Network contract and many will continue to struggle with the difficulties in the residential and community aged care system to the point where in some cases, parts of the industry are teetering on the edge of collapse. The control of funding, subsidies, entry flow of residents and exits by governments gives organisations little room to manoeuvre and thus, the tax concessions are a minimal safety net for organisations, and this does not provide for a sustainable system into the future. The funding is controlled, the client/service flow is controlled, the exits are controlled. Alternative funding sources are minimal, Australia does not have a significant philanthropic profile either and profit generating strategies are under constant review. It does not leave the charity and NGO with many places to go to find alternative funding. Tax concessions are critical therefore, in such an environment.

Unless the charitable sector is seen differently and acknowledged as such, the description and character ascribed to the charitable sector will continue to pervade social and economic consciousness in an unhelpful manner.

As mentioned previously, government should support the notion that funding must acknowledge and cover the cost of managing and administering service delivery.

Finally, the professionalisation of services to meet social expectations comes at a cost. The

attribution of a vocational commitment can no longer be seen as a way of purchasing cheap or free labour and services. There should be an understanding that the 'charitable dividend' can only be achieved with a recognition of contribution made by both the organisations and the government's funding policy settings, such that they can enhance the work of the charities to the point where they can continue to be effective and efficient deliverers of services, as expected by the Australian public.

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