

# **The Productivity Commission**

## **Contribution of the Not for Profit Sector**

### **About the Health and Community Services Workforce Council**

Health and Community Services Workforce Council Inc. (Workforce Council) is the lead agency with responsibility for supporting and developing workforce capacity in Community Services and Health industries in Queensland. Workforce Council is an incorporated association with over 900 members from health and community services industries throughout Queensland. Each year, members elect an Industries Reference Group to provide cross-industry advice to Workforce Council Board and projects. The Industries Reference Group is made up of 62 positions representing employers, unions, peak bodies, education and training providers, Indigenous Australians, regional & remote stakeholders, and general members.

Workforce Council manages the Skills Alliance for Community Services & Health, which is the primary industry engagement and advisory strategy funded by the Queensland Department of Education and Training (DET). The role of the Skills Alliance is similar to the previous role of Industry Training Advisory Bodies, including advice to DET on skills and labour shortages, change drivers, workforce development priorities, skilling and training gaps, industry innovation and technological changes impacting on workforce development. The Skills Alliance also provides support for the implementation of national training packages and accredited courses, provides technical advice to RTO audit and registration activities, and applies for declaration of traineeships and apprenticeships in our industries.

Workforce Council also has a long history of managing Skills Formation Strategies – Queensland DET’s skills ecosystems projects – which facilitate collaboration between industry stakeholders on skilling and workforce issues. Workforce Council manages the current Health Skills Formation Strategy and managed three previous Skills Formation Strategies - Aged Care, Child Care and Child Protection. Although funding for these latter Skills Formation Strategies has ceased, Workforce Council continues to support industry collaboration to address skilling and workforce issues in these sectors.

In addition, Workforce Council manages a number of workforce development projects for key sectors such as Home and Community Care, Children’s Services, Disability Services and a range of Community Service sectors including Youth, Child Protection, Seniors, Homelessness, Community Development, Family & Domestic Violence, Diversion Services and Family & Individual Support. These projects support networks of services at the regional level to identify the sector’s workforce development priorities across the region, and broker training and workforce development activities to respond to these needs. In all, we support 53 regional networks to identify local workforce needs and oversee the implementation of strategic responses through these activities.

### ***Contribution of the Not for Profit Sector Issues Paper***

Workforce Council welcomes the Productivity Commission *Contribution of the Not for Profit Sector* issues paper and the opportunity to provide sector advice following consultation with our Industries Reference Group and other key stakeholders. Below is a summary of Workforce Council’s position in relation to specific sections of the paper.

## **Measuring the Contribution**

Workforce Council supports the following ACOSS recommendations:

That the Productivity Commission recognises and understands the breadth and depth, as well as the diversity of contribution made by Not for Profit sector. It is extremely important that the subcategory is taken into account as each behaves and operates in segmented and fractured environments.

It is important:

- That the ABS survey increase its sample size significantly to allow it to produce a breakdown of the 12 ICNPO categories into sub categories and by State and Territory
- That the ABS undertake the survey (with the increased sample size) every 3 years
- That the Federal Government specifically ties funds to the ABS to undertake the above.

Studies at a community level can best capture the contribution of the community based Not for Profit sector. It would be interesting for understanding the contribution of the sector to contrast NfP contribution with the social contribution of industries such as mining that rely on fly in and fly out staffing methods of particular mine sites and contribute very little to the local social fabric.

While it may be useful to capture the economic value – measured purely in revenue, employed and voluntary staff, any dollar value estimate will always under-estimate the overall contribution of the sector. The Productivity Commission would be better advised to resource the development of indicators necessary to advance the social inclusion agenda and which at least provide parity in value for these social inclusion and community cohesion outcomes as is provided for economic contribution or value a as percentage of GDP or export/balance of trade contribution.

## **Relationship with government to enhance efficiency and effectiveness**

Workforce Council believes that the structure of incorporated associations can inhibit the organizations ability to borrow funds for capital investments...such as purchase of a building. Most lending institutions will want collateral and/or directors who will sign off to say that they will accept liability for the debt. In most organizations this is a big ask for the Management Committee members who are all volunteers and may be reluctant to commit to such a liability. NfPs need to have access to Financial Specialists who have knowledge of NfPs and can help prepare a business plan to assist with strategic capital purchases.

Workforce Council supports the ACOSS recommendations:

- That the Productivity Commission work towards a systemic and reciprocal relationship or partnership between Government and the NfP sector
- It must be a living high-level document, signed by representatives of constituent parts of the sector, as there is no single representative body representing the entire NfP sector.

That COAG consult using a consultation protocol which embeds an appropriate amount of lead time and time for response agreed by the NfP sector to ensure that rich and meaningful datum is derived from the progress. This process needs to recognise the value of transparency, dialogue and in truly open and collaborative mechanisms for constructing effective community social inclusion opportunities. This should then be adopted across jurisdictions around program and policy development, implementation and review.

- Improve relationship through better understanding – public servants undertaking voluntary work in the sector plus secondments between government and sector through involvement of peaks
- Funding of NfP to support their advocacy, research, policy development, consultation and representation roles of sector as well as invests in capacity building strategies.
- Funding to include indexation, full cost of service, preferably 3 year funding agreements a core set of cross industry minimum-standards set and adopted across jurisdictions and across and within departments.

### **Service delivery: Regulation**

The ability of smaller organizations to expand is inhibited for many reasons including:

- Tendering processes have become so complex that smaller organizations are often unable to compete unless they can extract or engage the expertise needed to write tender submissions.
- Human resource and workforce skill sets in smaller organisations are often focussed on service delivery or community outcomes and rarely incorporates the specific skills or capability required and the time commitment to organisational advocacy and systemic influence or change.

Workforce Council supports ACROSS in its recommendation that the majority of recommendations of the Senate Inquiry 2008 should be implemented, including

- Independent Commissioner for Not for Profit Sector with a program to pursue a common charter of accounts, reduce red tape, build the capacity for NfP sector, work as a conduit between government and the sector (not at expense of specific departmental relationships). The Commission should cover the entire NfP sector but with different levels of reporting depending on size of turnover, staff etc. This would allow for organisations to be kept within the same system as they evolve and increase their turnover. The Commission must be located completely separately from the Australian Taxation Office.

However there are some caveats on the Senate Inquiry Recommendations:

- That the Productivity Commission reform and streamline regulation/definitions before taxation review and implement definitions recommended by the 2001 Inquiry into Definitions of Charity, including simple clear points on advocacy
- That the Productivity Commission focus on the Social Inclusion agenda championed by Deputy Prime Minister and be connected to the whole of government co-ordination through the inter-departmental taskforce as a central point of reference for the NfP.
- The Workforce Council supports ACROSS's recommendation that a new Minister for the Third Sector is not required in this case to achieve better

outcomes for our clients which could be progressed through the social inclusion whole of government approach rather than a focus on the sector itself.

### **Service Delivery: Models**

The Workforce Council supports the ACOSS submission and believes that service delivery models should not be seen to be more accountable and transparent IF the service is derived through competitive tendering. Research into what delivers effective outcomes needs to inform a critique of the current competitive tendering and purchasing policies. This research needs to specifically investigate the impact of competitive tendering and other purchasing policies on service integration and collaboration, workforce innovation and organisational sustainability and social inclusion outcomes.

The Productivity Commission must recognise the absolute necessity for a diversity of services including for mainstream and specialist services and small and large services. One purchasing policy will not fit all environments and funding large and/or mainstream services at the expenses of specialist and/or small services has become dysfunctional for particular client groups in recent years.

Currently government can shift the risk to NfP without adequately compensating the NfPs to absorb the risk, leading to significant risk avoidance policies at the organisational level. This often inhibits of service model innovation and services to the most vulnerable clients.

Policies that inhibit or limit the capacity of services to change their service models to meet local community needs reduce the significant role that community organisations play in supporting economic as well as social outcomes. Changes in government policy, especially funding policy, priorities and direction, impact significantly on the models of service offered and delivered through the non-government sector. Frequently shifts in the requirements for new service models are not accompanied by an analysis of the new skills that will be required to deliver these new models prior to the commencement of funding. Therefore, many significant policy or direction changes initiated by government stall or are delayed in implementation as the service sector contracted to meet these new outcomes gear up their existing workforce in areas of new skills and abilities and education and training systems struggle to develop effective responses to the new workplace requirements. This would be alleviated to some extent if more transparent and integrated collaborative planning was undertaken whereby the non-government sector was seen as partners in the process of conceptualising, developing and implementing effective enhancement of service models and where the workforce planning and development impacts of these shifts are seen as a priority.

### **Contracting for Services**

The following includes a list or present problems which need to be addressed and are not addressed fully in the Issues Paper.

- Government contracts are prescriptive on process not setting sensible outcome measures.
- Complaints about the many and different data definitions used by different agencies in collection requirements, and the ridiculous red tape burdens imposed by a lack of co-ordination between government agencies within

State/Territories and between State/Territory and the Australian governments.

- There is a lack of consistency across Government departments, even when in same jurisdiction. (For example in a service used by carers which had a mix of funding from DoHA and FaHCSIA - DoHA changed their IT requirements but FaHCSIA kept the previous system which led to considerable inefficiencies and confusion for those NfPs with contracts with both Departments).
- Government agencies do not adopt National Community Service Data standards which they set up – different definitions used between ABS and AIHW, let alone between departments when collecting information increase the burden on services to be collecting multiple data sets that do not integrate and provide an effective picture of either service or community outcomes.
- The costs of compliance or service standards maintenance and audits are rarely funded in any of the industry programs of the Workforce Council and its members.
- Reporting requirements can be overwhelming especially for smaller organisations.....the recording and retrieval of statistical and financial data involving items such as “units of service delivery” can require either sophisticated computer software packages or many hours of manual record keeping. Both of these present financial and human resource issues particularly for smaller organisations.
- Workforce Council has multiple contracts with multiple KPIs. The management thereof diverts funds from service delivery to administration and in many circumstances the delivery of programs is focussed on contract compliance more than it is focussed on addressing the needs of service target groups. This is an issue that has been raised significantly with the Workforce Council by our industry stakeholders as both a service development inhibitor and as a significant reason for the loss of their long term workforce (focus of the work has shifted away from truly addressing the needs of consumers to meeting the administrative of compliance requirements of the funder).

### **Competitive tendering shapes the NfP sector:**

Information Technology (IT) capability drives the tendering process. The bigger NfPs have more capacity to develop more sophisticated IT. In some circumstances even large organisations struggle to maintain the records burden. This severely impedes the sectors capacity to collect and interact electronically. The requirement for high levels of specialist literacy and professionalism around writing tenders impacts significantly on smaller organisations with a potential for them to become smaller from lack of tendering success not related to their effectiveness in their community. There is evidence of the growth of larger organisations at the expense of small as a result of government purchasing policies and programs; large and national or in fact international does not mean more effective or better governed nor does it mean better understanding of the community at the local level. New models which support the maintenance of diversity in service types and models is a must to ensure the ongoing and broad based responses to issues of social inclusion.

A case study could be made of the Job Futures Program to inform better practice in government contracting and competitive tendering so that Australia preserves a diversity of service models, especially on small, local organisations whose focus is on the most vulnerable.

The Workforce Council supports the ACOSS recommendations:

- That the Productivity Commission endorse initiatives to reduce red tape as well as support and learn from the current work underway in many jurisdiction. These initiatives need to be extended across jurisdictions and to a “whole of government(s)” approach.

### **Program Evaluation**

The tendency of current approaches to performance monitoring, further disadvantages individuals who are already marginalised through compliance responses such as risk avoidance and ease with which to meet quantitative reporting measures, in terms of number of clients assisted. Those clients whose requirements need longer time and resource commitments can be overlooked or isolated in accessing support of their needs.

The Workforce Council supports the ACOSS recommendations:

- That the Productivity Commission must measure outcomes not only through throughputs and outputs to understand the complexity and longevity of much of what is being done in the NfP sector.
- The Productivity Commission should aim to develop an agreement on a framework for intangible and long term outcomes to be used across governments.

### **Innovation**

The NfP serves to innovate on behalf of the community through government funding where risk is absorbed by the community. The sector is and always will be leading responses to better serve people with needs not recognised through public and private services or sympathy (those not seen as the “deserving poor”). This leads to issues of who is seen as “deserving” which is often influenced by the political agenda, frequently established through ideology not community need, hence the need for a direct link between service delivery and systemic advocacy based on service and academic models of research. Examples abound in service delivery; however within the supporting delivery infrastructure of vocational education and training (VET) for existing workers and jobseekers, adult and community education as well as niche registered training organisations for particular groups are very rare and marginalised which impacts on innovation both in service delivery and in VET.

The Workforce Council supports the ACOSS recommendations:

- That the Productivity Commission reform of the contracting approaches and program evaluation currently impacting on innovation.
- That the Productivity Commission should encourage government to use existing industry investment funds specifically for innovation and development of capital infrastructure for NfPs.

The Workforce Council commends the Productivity Commission on its work considering the benefits of the contribution of the Not for Profit Sector. We are specifically interested in the impact and contribution that the sector makes to both the social and economic prosperity of Australia. It is our belief that the Health and

Community Services industries underpin the sustainability of this nation and that the NfP sector is central to this sustainability. We look forward to your report equally identifying both of the Social and Economic contributions.

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