



# SUBMISSION TO THE PRODUCTIVITY COMMISSION STUDY

CONTRIBUTION OF THE NOT FOR PROFIT SECTOR

DRAFT RESEARCH REPORT OCTOBER 2009

BY

THE AUSTRALIAN RESEARCH ALLIANCE FOR CHILDREN AND YOUTH

## **About ARACY**

*The Australian Research Alliance for Children and Youth (ARACY) is a national non-profit organisation working to create better futures for all Australia's children and young people. Despite Australia being a wealthy, developed country, many aspects of the health and wellbeing of our young people have been declining. ARACY was formed to reverse these trends, by preventing and addressing the major problems affecting our children and young people.*

*ARACY tackles these complex issues through building collaborations with policy makers, practitioners working in the field and researchers from a broad range of disciplines. We share knowledge and foster evidence-based solutions.*

*For further information about ARACy see [www.aracy.org.au](http://www.aracy.org.au). For further information about this submission please contact Ms Jennifer Pidgeon, Collaboration Manager, by email: [jennifer.pidgeon@aracy.org.au](mailto:jennifer.pidgeon@aracy.org.au) or by phone on (08) 9476 7801.*

## GENERAL COMMENTS

The Productivity Commission is to be congratulated for its Draft Research Report. It is a comprehensive document that details many of the issues important to sustaining and promoting the not for profit sector as a vital part of the Australian community.

This submission by ARACY in response to the Draft Research Report seeks to respond to some of the draft recommendations, and give some emphasis to areas that it is believed would justify further attention.

ARACY is not qualified to comment on all of the discussion and recommendations within the draft. Particular attention is provided here to those sections that go to strengthening the knowledge and evidence base for and about the sector.

Attached with this submission is a copy of a report recently published by ARACY, written by KPMG, *Measuring the outcomes of community organisations*. That paper reviews a range of sources of relevance to the work of the Commission and is part of a broader project currently underway by ARACY.

ARACY considers that there are significant systemic barriers to the adoption of a culture by the not for profit sector that is committed to building a stronger evidence base for measuring impact. . They are influenced by such factors as:

- The size and resources of an organisation, with smaller not for profits often relying on a volunteer base and few or no paid employees
- Organisational knowledge, capacity and focus
- Complexity of the problems an organisation is addressing and the organisations ability to establish performance criteria around that problem.

ARACY believes that the main reason for comparatively low levels of impact measurement stems from the lack of a commonly agreed framework for measuring contribution. This is exacerbated by the fact that there are often low levels of funding for evaluation, lack of information systems to support coordinated collection and collation of data, and often low levels of organizational capacity.

These systemic challenges warrant the implementation of a sustained organisational change strategy to improve the capacity of the third sector to measure impact. However, the draft recommendations do not work toward strengthening organisational arrangements that might help build the momentum for systemic and cultural change across the board (i.e within NFPs funded by government as well as non-government sources).

ARACY believes that more focus needs to be placed on culture and organisational change within not for profit agencies, for example through the building of staff skills and knowledge in utilizing impact frameworks, implementation of enabling IT systems, and incorporation of impact measurement within daily workflow. This requires a system change plan, and details

of how strategies such as the Centre for Community Service Effectiveness (Recommendation 5.4), Cooperative Research Centre for social innovation (Recommendation 9.1), and the regulatory body (recommendation 6.4) fit within this broader systems change plan needs to be articulated.

This set of draft recommendations, if implemented, risks dispersing much needed resources and functions across an array of jurisdictions, to the benefit of some parts of the not for profit sector but not at all for others.

Furthermore, there may be efficiencies to be gained through consolidating institutional regulatory, complaints handling, evaluative, information sharing and capacity building functions within a national statutory body, ideally working toward a referral by State and Territory jurisdictions of relevant powers, and an agreement for cost sharing. This would essentially wrap many of the suggested strategies into one main agency. Such a body might usefully have a brief for the needs of the entire not for profit sector, possibly with some specific functions related to those that are directly publicly funded, but not exclusively for the needs of that cohort alone.

One of the motivators for ARACY in support for evidence based approaches to policy program and activities in the community, is that generally children and young people have a diminished capacity to advocate on their own behalf. It is also important that as with other interests in the community that are disadvantaged, a healthy civil society with independent and strong advocacy is available.

Strong institutional arrangements for the not for profit sector may, in the long run, help act as a protection for the important civil society function of the sector. If those arrangements also have a brief for fostering an evidence-based approach, this will assist provide a check and criteria for which civil society functions may be assessed.

## SPECIFIC COMMENTS RELATING TO DRAFT RECOMMENDATIONS

### **DRAFT RECOMMENDATION 5.1 MEASURING THE CONTRIBUTION OF THE SECTOR IN THE FUTURE.**

It is suggested that this recommendation be expanded to include reference to the following:

*That the Information Development Plan incorporate provision for data to be both relevant and accessible in accordance with the needs of not for profit organisations.*

It is essential that access to data is either free or at low cost, and publically available. This is particularly important given the large number of relatively small not for profit organisations. An important aspect of the relevance of data will be its availability at a local community/geo-spatial level. Much not for profit sector activity occurs within communities and needs for information, particularly among small and medium sized not for profit occur at this level. Survey based information alone may be insufficient and other sources, including data linkage and information collected by not for profits themselves should be investigated for inclusion, including by sharing at a local level.

It is also proposed that the IDP include strategies for the implementation of information technology training, data acquisition, including access and sharing of data across public and not for profit sector sources, definitions and pro formas to facilitate this and resrouces dedicated for pilot work to make such systems meaningful and accessing for the needs of the sector as a whole.

ARACY believes that ultimately, standard service and impact data from not for profits should be integrated with data from government agencies (enabled through the Commonwealth Data Integration program, for example), and made available geo-spatially. This would allow for not only assessment of inputs, outputs, but also the strategic outcomes and enduring impacts and changes achieved.

### **DRAFT RECOMMENDATIONS 5.2 AND 5.3 IMPROVING COMPARABILITY AND USEFULNESS OF INFORMATION COLLECTED**

These are important recommendations. ARACY is supportive of the proposed common framework (Figure 3.2, p. 3.13). The Commission might like to consider incorporating within this recommendation a view of the benefits for adoption of such a framework by philanthropic entities for gifting and businesses engaged in corporate social responsibility activities engaging with not for profits. The framework proposed by the Commission might benefit from the inclusion of strategic change indicators of the kind developed by its Steering Committee for the Review of Government Service Provision *Overcoming Indigenous Disadvantage: Key Indicators 2007*. Such indicators will bring the framework to a level where organisations can identify indicators towards which they are contributing and working. Doing so would be a significant task and would be broader than that for the Centre

for Community Service Effectiveness, which is limited to the role of government funded entities.

Furthermore, ARACY believes that the development of targets, for example for child and youth wellbeing (as detailed in the ARACY conference declaration – ) will greatly assist in progressing combined action toward outcome improvement.

#### **DRAFT RECOMMENDATIONS 5.4 IMPROVING EVIDENCE BASED PRACTICE THROUGH BETTER EVALUATION**

ARACY supports the proposal for the formation of a Centre for Community Service Effectiveness. The recommendation proposes that this Centre be limited in its role to issues associated with government funded not for profit organisations. ARACY notes that the activities of many not for profit organisations that engage with children and young people are not funded (or not funded much) by government. This includes not for profit organisations in areas of sport, arts, environmental, cultural and recreational areas, among others. The data from the 2008 ABS satellite account shows that:

- Cultural, sporting and recreational organisations receive 16% of all income into survey not for profit organisations and 8.6% of all the income across these organisations comes from governments. Religious organisations received 5% of all community organisational income, and a similarly small proportion of their income comes from governments.
- Health, education and research and social service organisations together receive 44.6% of all income that goes into all community organisations and the proportion of their income coming from government's ranges from a half to two thirds.
- Thus religious, cultural, sporting and recreational COs are more numerous and comparatively small, expend proportionately more on non-employee costs and rely very little on government funding compared with education, research, social service or health COs.

These features point to a broadly dichotomous not for profit sector.

However the Draft Report seems to contain little of relevance to these organisations, giving a seemingly disproportionate focus to government funded entities. Clearly these more independent, smaller not for profit organisations contribute much to the community, particularly in terms of service, connection, influence and existence outcomes (as defined by the Commission in its framework).

The Commission notes the dramatic fall in median hours of volunteering that has occurred in Australia, down from 72 hours in 2000 to 56 hours in 2006 (p4.19). No doubt that decline is the result of many different social, labour force and other factors. It is unclear how this trend may affect, for example, smaller not for profit organisations greatly dependent on volunteer effort. The public interest may be served by a commitment of public monies toward understanding the impact of not for profits beyond those that are directly funded by public monies.

ARACY encourages the Commission to consider recommendations that may go to ensuring the developmental needs of independent, smaller, voluntary not for profit organisations are attended to through public support for consideration of their developmental and informational needs. ARACY suggests that doing so is in the public interest, even though many of these organisations do not directly call on public sector funding.

As discussed in the introduction to this submission, ARACY believes there is merit in the Commission considering recommending the consolidation of institutional arrangements. A national entity might usefully have responsibility for developing and implement strategies for systemic and cultural change across the sector that is focused on promoting an evidence based approach.

#### **DRAFT RECOMMENDATION 6.4 CONSOLIDATING COMMONWEALTH REGULATION AND IMPROVING TRANSPARENCY**

ARACY is supportive of this recommendation. However the proposed entity for 'one-stop shop' for regulation is proposed to also have functions for governance education and complaints handling. It is suggested that some consideration be given to:

- combining this regulatory entity with the proposed Centre for Community Service Effectiveness, or
- creating a link between these developmental and evaluative functions of the regulatory body with that the proposed Centre, or
- having these developmental functions be part of the role of the proposed Centre.

#### **DRAFT RECOMMENDATIONS 9.1 AND 9.2 PROMOTING SOCIAL INNOVATION**

ARACY is strongly supportive of these recommendations. There is a great need for an improved research effort, and knowledge-into-action activities, around a range of social issues. The capacity for not for profit organisations to contribute to evidence-based solutions is limited, in part by a modest ability to fund research and evaluative activities.

Draft Recommendation 9.2 encourages State and Territory Government programs to provide guidance and training on evaluations. There may be some cost-effectiveness achieved by such functions occurring in the context of the proposed Centre for Community Service Effectiveness