



SUBMISSION TO PRODUCTIVITY COMMISSION

Dec 2009

Submission to the Productivity Commission on the contribution of the not for profit sector draft research report

The YWCA welcomes the opportunity to provide feedback on the Productivity Commission's draft research report on the contribution of the not for profit (NFP) sector.

YWCA Australia

The YWCA is a global network of women advancing social justice and creating opportunities and services for the development of women and their families.

YWCA Australia is the national association for YWCAs in Australia. Through our member associations, we offer a range of programs aimed at developing women's leadership, supporting women and girls, their families and communities through the provision of programs at critical times in their lives, and promoting gender equality.

YWCAs currently provide services to more than a quarter of a million people each year throughout rural, regional and metropolitan Australia and employ hundreds of staff. Our programs include advocacy with government and other relevant stakeholders, mentoring schemes, youth and young women's programs, education and training, accommodation, childcare, Encore (a post-breast cancer gentle exercise program) and family violence programs.

As a not-for-profit organisation with a focus on addressing the needs of women and girls, a gender analysis informs our work.

Overview

YWCA Australia notes the submission on the draft report by the Australian Council of Social Service (ACOSS) (of which we are a member) and commends the ACOSS submission to the Commission.

YWCA Australia would also like to make further comment about:

- Streamlining regulation and the proposed National Registrar for Community and Charitable Purpose Organisations.
- Recruiting and retaining staff.
- Measuring the NFP sector.
- Funding and the length of funding cycles.

- Tax arrangements affecting NFPs.
- The timing of any reforms.

Streamlining regulation and the proposed National Registrar

YWCA Australia supports sound ethical and business practices in the NFP sector, increasing our transparency to government and private sector funders and the community, and strengthening the professionalisation of the sector.

In our view streamlined regulation will increase our ability to deliver productive outcomes for the individuals and communities we work with. We are interested in the recommendation to support a National Registrar for Community and Charitable Purpose Organisations, and support further exploration of where such a function should be situated.

In our view, a National Registrar for Community and Charitable Purpose Organisations needs to work specifically to strengthen regulatory expertise in the unique features of the NFP sector, but should also ensure that regulation of the sector is complementary and comparable with the for-profit sector. This is particularly important to NFP agencies that are seeking support for their work in the corporate sector. If the regulatory systems for NFPs are too different from the for-profit sector we reduce our ability to provide comparative accountability.

Retention and recruitment of staff

The Productivity Commission rightly recognises in its Overview section that recruitment and retention of staff is a challenge for the human services sector, particularly for NFP providers (see p.XXXV). YWCA agrees with the Commission's assessment that poor wages are associated with historical wages, a predominantly female labour force and the reliance on public funding. The low wages in the sector, which employs a significant number of women, reflect society's perceived lack of recognition of caring labour and may continue to hinder the NFP sector's capacity to recruit and retain professional staff.

YWCA notes that the question of the gender pay gap is currently being considered in a range of arenas, including through the release of the report of the House of Representatives Standing Committee on Employment and Workplace Relations' *Inquiry into pay equity and associated issues related to increasing female participation in the workforce*, the planned Australian Services Union test case on pay equity for community sector workers before Fair Work Australia, and the introduction of paid parental leave on 1 January 2011.

YWCA supports pay equity for women and, as a service provider committed to high service standard provision, understands the implications for the sector if pay equity strategies are not met with a corresponding increase in funding.

YWCA welcomes draft recommendation 10.2 that Government funded services delivered through NFPs should be fully funded, based on independent costing assessments that are comprehensive in accounting for all costs including wages at market rates. We especially note that this should include fully funding 'fee for service' deliverables.

It would also be appropriate to consider the implications on program delivery for those programs which are funded via Corporate and Trust and Foundation funding.

Should this funding not be subsidised by those current funders, the impact on the ability of the NFP to deliver programs and positive outcomes would be compromised.

Measuring the not for profit sector

We note the recommendations from the Productivity Commission to develop frameworks and performance measures to better understand the outcomes and impacts of the sector.

Many YWCA programs in Australia focus on early intervention and prevention work, working with people before they reach crisis points in their lives. In our view it is vital that any frameworks for measurement evaluate the impact of early and preventative interventions.

We support strong evaluation and measurement frameworks for two reasons:

1. As agencies committed to creating positive outcomes for women, their families and communities we want to know that we are achieving our objectives across broad-based population groups.
2. As agencies committed to building community support for our programs we need to be able to “tell our story”, to demonstrate to individuals and organisations that support our work that their investments will create long-term economic and social benefits. It is useful for us to be able to point to broad-based population outcomes that resonate with the community – for example, that our programs are keeping more kids at school, or that our programs are reducing the incidence of family and domestic violence.

Improving the effectiveness of direct government funding

Full funding

YWCA Australia strongly supports the Productivity Commission recommendations 'that Australian governments should fully fund those services and activities that they would otherwise fund directly' and that 'grants should respect the independence of funded organisations.'

YWCA Australia also notes the additional points made in the ACOSS submission, in particular drawing attention to the recommendations that governments should:

- Recognise the importance of the advocacy, research, policy development, and representation undertaken by the sector as well as service delivery.
- Invest in capacity building including IT systems and program evaluation.

Much of the draft report concentrates on government-funded services. YWCA Australia notes that a broader challenge remains for NFP agencies who receive funding from a diversity of sources, including those such as the YWCA who derive funds from social enterprise, corporate funding, fee for services, and individual and philanthropic giving.

Funding cycles

While it is vital that government fully fund the cost of services, in our view funding cycles also need to be lengthened to maximise productivity and create better outcomes for the people and communities we work with.

In our view, even 3 year funding cycles can be inefficient for many programs - roughly speaking, one year is spent setting up the program or service including recruiting and training staff, one year is spent running the program and one year is spent trying to secure the next round of funding. In our view some programs need to be funded for 5-10 years to maximise outcomes, efficiency and value for money, with longer funding cycles for place-based strategies in areas of severe disadvantage. We agree that all funding cycles and contracts must include annual indexation.

Tax arrangements affecting not for profits

We support some expansion of the definition of 'charity' to make it clear that advocating on behalf of those the charity seeks to assist, or lobbying for changes in law and policy that have direct effects on a charity's dominant purpose, are included in the definition. In our view, it is also vital that the commercial arms of not for profits that create revenue that is put back directly into charitable activities should also be covered by the definition.

In line with the ACOSS submission, it is our view that the Deductible Gift Recipient (**DGR**) status of Public Benevolent Institutions (**PBIs**) should not be extended across the proposed broader definition of charities. PBI status allows potential donors, including ancillary funds, to provide support to those most in need in our communities by identifying and directing their donations to organisations that are working at the coalface of poverty and disadvantage. In our view, extending tax concessions accruing to PBIs to a broader group will direct financial support away from the most disadvantaged in our communities.

We note that the Commission has not made draft recommendations about Fringe Benefits Tax (**FBT**) which will be subject to more detailed examination as part of the Australian Future Tax System Review. However, we would like to put forward our view that the FBT exemption is extremely important for the ability of NFPs to attract and retain staff.

Timing

We also make the point that the timing of any reforms is very important. The introduction of reforms must be carefully coordinated and managed to ensure that the regulatory burden on NFPs is not made more even complex, or finances stretched, during changeover periods. Of particular issue is the impact of any reform regarding the pay and conditions for staff. If the reforms dealing with this are not coordinated, there will be significant financial impact on any organisation looking to overcome the gaps.

Further information

YWCA Australia would be pleased to discuss with the Commission any of the matters raised in this response and we look forward to the release of the final report.