

ASU Submission

Australian Government Department of Social Services

A stronger, more diverse and independent community sector

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The ASU

The Australian Services Union ('ASU') is one of Australia's largest unions, representing approximately 135,000 members.

ASU members work in a wide variety of industries and occupations in both the private and public sector. Relevantly, the ASU is the largest union of workers in the social, community and disability services sectors. Our members predominantly work in non-government, and not-for-profit organisations that support people experiencing or at the risk of experiencing crisis, disadvantage, social dislocation, or marginalisation.

We played a leading role in the Fair Work Commission's review of the *Social, Community, Home Care* and *Disability Services Award 2010* ('SCHADS Award'). More than half of all ASU members are women.

Executive Summary

The social and community services sector includes disability services, child protection, youth and family services, domestic violence and sexual assault support services, specialist women's, CALD, Aboriginal and migrant services, counselling services (financial, sexual assault, domestic violence, trauma), housing and homelessness services. This sector is growing and is vital to supporting vulnerable and disadvantaged members of our community.

A highly skilled, qualified, professional, and sustainable workforce is essential to delivering high quality services. Government must address funding issues, through implementation of a 'floor price' to ensure workers in the social and community sector are paid at appropriate classifications and in accordance with Award provisions. A floor price would encourage workers in the social and community services sector to develop a career and to support workforce development, sector stability and a better trained and qualified workforce.

Uncertainty about funding arrangements forces social and community services providers to put staff on rolling fixed short-term contracts and means skilled workers leave for secure employment in other sectors. Government can easily address funding issues by increasing the length of funding cycles to promote secure working arrangements. These should be at least 6 years in length and come with a binding obligation to offer staff permanent, secure employment.

The demand for social and community services is growing at an accelerated rate due to the cost-of-living crisis. Services cannot respond to the rising demand from the most disadvantaged and vulnerable people in Australian society because funding does not increase as demand increases. Funding arrangements must be indexed at least annually to account for increased labour costs and increased demand for services.

Recommendations

Recommendation 1: Government must introduce 6-year funding cycles to support improved outcomes for clients through improved opportunities for organisations to attract and retain the best staff and that provide social and community service providers with an opportunity to engage in the development of more comprehensive services to meet the multiple needs of clients.

Recommendation 2: Funding provided to service providers must be subject to the condition that they engage staff as permanent, secure employees with limited exceptions for long-term leave coverage and genuine special time-limited projects.

Recommendation 3: All grants, tenders & commissioning of services in the community services sector, should be underpinned by a minimum 'floor price' that ensures tenders account for professional wages and modern award minimum conditions.

Recommendation 4: Funding for all community services sector grants, should include funding specifically for portable accrued entitlements, regardless of the nature of their engagement.

Recommendation 5: Government procurement policy should be used to promote secure work arrangements in community sector tendering processes.

Recommendation 6: Government must address funding issues to ensure that funding arrangements for social and community service providers are indexed annually to account for increased labour costs and increases in demand for services.

Introduction

The Issues Paper correctly identifies the need for government to provide grants that reflect the real cost of delivering quality services and the need to provide longer grant agreement terms.¹

Recent Government reforms have focused on short term funding and opening the sector to greater market forces to the detriment of quality service provision. The competitive tendering model incentivises providers to tender for funding using artificially low estimates at the cost of high-quality service provision.

Many providers will not ask for the funding they desperately need to provide high quality services. To make good the difference between the tendered cost and the actual cost, providers will go into debt, reduce the quality of services, or depress the conditions and wages of their workers, who are predominately female.

The majority of social and community services workers are female and are employed under the SCHADS Award. Wages are not market-based like the private sector which is tied to WPI and other economic indicators. The Award sets minimum rates only, with most social and community sector employers unable to pay more than the basic Award wage. It is therefore critical that Government funds the increased cost of Award wage increases and other Award conditions, NES entitlements, and the superannuation guarantee, as well as funding to ensure work can be performed safely (e.g. adequate staffing, supervision, breaks for employees etc).

Low rates of pay and poor employment conditions have far-reaching consequences, affecting staff recruitment, retention, and the overall wellbeing of the workforce. Increased funding is urgently needed to improve wages and conditions for this highly feminised workforce who are more likely to experience a reduced salary and significant superannuation discrepancy relative to their male counterparts. Increased funding will also help close the gap between non-government social and community service workers and those working in public sector jobs of similar work value.

¹ Australian Government, Department of Social Services, A stronger, more diverse and independent community sector Issues Paper

This was acknowledged in Senator Jenny McAllister's speech *Restoring Respect for the Community Sector*² to ASU Members in March 2022. Senator McAllister acknowledged previous Government has "underfunded services, undermined organisations, and underpaid workers".³

Senator McAllister outlined how a Labor government would work with the community sector to develop:

- Better funding arrangements including:
 - o funding for proper and transparent indexation.
 - o funding minimum award pay and conditions (with poor IR practices a relevant consideration in funding decisions).
- Longer, more stable funding cycles including:
 - o moving towards stable funding cycles that provide quality services to communities.
 - o where appropriate 6-year contracts.
 - o longer term contracts that provide funding certainty to ensure secure employment practices, including full time and permanent employment.
- Recognising the significance of government funding:
 - o funding should reflect the actual costs of service delivery.
 - o funding for fair and reasonable wages and conditions.
 - the community sector has the capacity to impact on the gender pay gap.⁴

The full speech is attached as an Annexure to our submission.

6-year funding cycles linked to permanent, secure jobs

Issues Paper Question 3. Providing longer grant agreement terms

The short duration of funding cycles in the social and community services sector leads to a very high incidence of fixed term employment and other types of insecure work. In addition, short-term funding can mean that essential services that have been made available to a particular community are withdrawn once project funding ceases. This is not ideal given the lengths social and community services go to in establishing trust, building relationships and meeting new community expectations.

Short term contracts require organisations to have a short-term vision. The goal of government funded programs and services should be the capacity to work to timelines that allow real change to be both measured and achieved.

The short-term nature of funding contracts acts as a disincentive to workers seeking greater job security. In addition, employers have less incentive to provide training to workers who are more temporary, thereby adding to worker disincentive to stay in the industry.

Longer funding lengths would help mitigate these issues along with firmer expectations imposed on community services providers to ensure that jobs are permanent, ongoing, safe, secure and adhere to industrial standards. Government should honour its pre-election promise to move towards longer, more stable funding cycles best delivered through 6-year contracts.⁵

² Senator Jenny McAllister, Speech to ASU members, Blaxland - Restoring Respect for the Community Sector https://www.jennymcallister.com.au/speech to asu members blaxland restoring respect for the community sector

³ Ibid.

⁴ Ibid.

⁵ Ibid.

Unfortunately, insecure employment is a well-established business model for many social and community services employers. Longer term funding contracts will not be enough to change employment practices at every employer. Government funding must come with enforceable requirements to offer employment on a permanent basis and to convert existing fixed-term employees to permanent.

Recently the Victorian State Government introduced a Fair Jobs Code for the Community Services Sector. The initiative promotes secure employment and job security, promotes fair labour standards, encourages compliance with employment, industrial relations and workplace health and safety obligations. Under the Code, suppliers and businesses bidding for government contracts will require a Fair Jobs Code Pre-Assessment Certificate to show a history of compliance with employment, industrial relations and workplace health and safety laws. This initiative needs to be established in all States across Australia.

Recommendation 1: Government must introduce 6-year funding cycles to support improved outcomes for clients through improved opportunities for organisations to attract and retain the best staff and that provide social and community service providers with an opportunity to engage in the development of more comprehensive services to meet the multiple needs of clients.

Recommendation 2: Funding provided to service providers must be subject to the condition that they engage staff as permanent, secure employees with limited exceptions for long-term leave coverage and genuine special time-limited projects.

The Government's current procurement and commissioning approach for community services

Issues Paper Question 2. Providing grants that reflect the real cost of delivering quality services Most not-for-profit organisations in the social and community services sector rely entirely or almost entirely upon government for their income. This income is paid in regular grant cycles, with funds expended entirely for the employment of staff and the delivery of programs to the community which are deemed by government to be essential for the safety and wellbeing of individuals, families, and communities. The social and community services sector which deliver these government programs are overwhelmingly feminised, with more than 80% of the workforce being women. Labour costs are fixed as the industry is an Award reliant industry with less than 20% of workers covered by enterprise agreements (and most of those agreements mirror Award wages). Other features of this workforce include. 8910111213

- It has the highest growth rate in the Australian workforce.
- Approximately 80% of the workforce is female.

code#:~:text=The%20CS%20Code%20is%20a,employees%20and%20their%20representatives%3B%20and

⁶ Victorian Government, About the Victorian Fair Jobs Code for the Community Services Sector [online] https://www.dffh.vic.gov.au/fair-jobs-

⁷Victorian Government, The new Victorian Fair Jobs Code – promoting fairer jobs and recognising good employers [Online] https://localjobsfirst.vic.gov.au/news/news-items/the-new-victorian-fair-jobs-code-promoting-fairer-jobs-and-recognising-good-employers

⁸ Evidence to the Equal pay case 2012 (Australian Services Union)

⁹ Department of Human Services, 2017-18 Budget papers

¹⁰ Australian Government Workplace Gender Equality Agency, September 2016

¹¹ Workforce Issues in the NSW Community Services Sector, University of NSW (2017)

 $^{^{12}}$ Australian Institute of Health and Welfare Working paper: Information relating to the community services workforce Canherra

¹³ ABS Job Outlook: https://joboutlook.gov.au/occupation?search=alpha&code=4231

- Around 40% of the social and community services workforce is in part-time or precarious employment, without entitlements.
- A very high majority of the social and community services workforces are Award dependent.
- A very high majority of the workforce is employed in the not-for-profit sector and is entirely or almost entirely dependent upon government for its funding.
- While the immediate 'employer' for most of the workforce is most likely to be a not-for-profit organisation, the effective employer is whichever level of government funds the organisation.

Despite the successful ASU campaign for Equal Pay in 2012, and a high proportion of employees having tertiary qualifications, the social and community services sector continues to be mostly women working in jobs that are Award-dependent, with low incomes, and few opportunities for upskilling or career development. Careers are interrupted by caring responsibilities and short-term government funding contracts that see the largely female workforce having multiple employers across their working life, even though they generally remain in the sector. This has meant that upon retirement, women who have worked an entire lifetime in the social and community services sector are more likely to have no savings, no access to long service leave, very little superannuation, while also being less likely to own their own homes or have secure and affordable rental accommodation. It is noteworthy and not a coincidence that the fastest growing group of homeless people in Australia, notwithstanding COVID, is women over 55 years of age.¹⁴

Yet the social and community services sector, in which (most often) women workers are so undervalued, are indispensable for their economic contribution, particularly in regional areas. As we have said, they also have a growing public value in implementing government programs and delivering government services, extending far beyond the public funding that they receive. Despite a confounding failure to invest in the community sector workforce, the potential benefits to the economy and employment growth of this sector are enormous. ¹⁵

<u>Solution to this problem: Government procurement & commissioning policy can support recruitment, retention and career opportunities</u>

The largest component in all community services sector funding grants is always labour costs. For most not-for-profit organisations, this is around 70% - 80% of the total value of the tender. Since the 1990's, funding at all levels of government has been based upon 'competitive tendering'. This has resulted in organisations competing against each other to win government funding. As organisations race to have the lowest cost in this tender race, inevitably, they have tried to cut everything they can out of the labour costs, because this is the costliest part of their tender. Governments argue that competitive tendering encourages 'efficiency', and the 'best' will win tenders, leading to improvement in service quality by providing users with 'choice' about the services they access. The ugly reality is that competitive tendering has led to a downward pressure on community sector funding, particularly on labour costs. There has been an increase in women in the sector being employed as an 'on-demand' workforce, on insecure and fixed-term employment contracts. Competitive tendering has directly led to:

- A significant proportion of women being engaged on a part-time, fixed term contract or casual basis
- There is very almost non-existent access to paid overtime.
- There is a high turnover of employees due to short grants and contracts.
- Short term funding grants and contracts result in very limited access to long service leave

¹⁴ Not So Super, for women. Superannuation and women's retirement outcomes. David Hetherington and Warwick Smith. Per Capita (2017) and (unpublished data) from HESTA Superannuation

¹⁵ https://www.pc.gov.au/research/ongoing/report-on-government-services

- Low wages mean limited accumulation of superannuation benefits.
- There are very high levels of unpaid work.
- Little or no training, or employees undertaking unpaid training in the employees' own time.
- Little or no professional (clinical) supervision.
- Little or no non-work support (training leave, Paid Parental Leave, Family and Domestic Violence Leave etc).
- Little or no end-of-employment support (redundancy, outplacement etc).

In response to this deteriorating funding situation arising from competitive tendering, we propose that all government tenders should be based upon a *floor price* below which no tender can be lodged. This would mean that all tenders would be required to include funding provision for basic standards, immediately ending the 'race to the bottom' on wages and conditions for women employed in the sector. As we continue to struggle through an economy in recovery from Covid and natural disasters, this new floor price will act to provide organisations and their women employees, who are themselves helping vulnerable people and communities to survive and rebuild, with job security, income protection when they are ill, injured or their employment is ended. A floor price in government funding in the social and community services sector *will immediately provide the security needed to encourage women workers to enter and remain in the workforce and develop a career in these growing sectors. It will also provide incentives to upskill, develop leadership aspirations and skills.*

A floor price below which no organisation can tender will encourage organisations in the sector to collaborate and share resources, working together rather than against each other in an endless competitive spiral downwards, particularly in regional areas, where social and community services are now a major source of employment and income generation in areas devastated by ongoing natural disasters. The floor price model we propose is based upon six elements:

Wages for all workers, cannot be lower than Federal Award (SCHADS Award) rates including:

- Annual wage increases.
- Correct classification stream and level
- Allowances
- Penalties and loadings

Provision will be made in the price for accrual of portable leave entitlements including:

- Workers' compensation
- Annual leave including 5 weeks annual leave for shift workers.
- Personal leave
- Long service leave
- Paid Parental Leave
- Paid family and domestic violence leave

Adequate overhead costs for all workers, regardless of the nature of their employment, including:

- Provisions for adequate supervision ratio depending on nature of service
- Professional (clinical) supervision
- Provisions for onboarding of staff induction, buddy shifts
- Provisions for regular team meetings
- Provisions for ongoing professional development and training including covering the cost and time of attaining any qualification requirement of the program

 Provisions for Workplace Health and Safety Representatives to be trained and perform their work in accordance with legislation.

End of contract considerations for all workers, who do not receive a casual loading, including:

- Redundancy and notice requirements in case of contract not renewed.
- Outplacement services

Continuity of service provisions including:

 Price should be modelled on maximising permanent employment (Fulltime and Part time) rather than casual or fixed term contracts or rolling contracts as a means to retain committed and experienced workers.

Providers required to comply with industrial law, including:

- Requirement to consent to arbitration in contract.
- Capacity for dispute to be raised with the relevant funding body if industrial entitlements are not followed.

None of these are remarkable requirements for a government procurement process that prioritises the economic wellbeing of women. The model could be introduced at the commencement of the next funding round across all departments that commission social and community services and would have almost immediate impact on recruitment and retention of women workers across the sector.

Recommendation 3: All grants, tenders & commissioning of services in the community services sector, should be underpinned by a minimum 'floor price' that ensures tenders account for professional wages and modern award minimum conditions.

Recommendation 4: Funding for all community services sector grants, should include funding specifically for portable accrued entitlements, regardless of the nature of their engagement.

Recommendation 5: Government procurement policy should be used to promote secure work arrangements in community sector tendering processes.

Indexation of funding

It is essential that governments address funding issues to ensure that indexation is paid to social and community service employers (including funding for wages, staff training, occupational health, and safety (OH&S) obligations and relief staff) to support the sector and ensure quality service provision.

The majority of social and community services staff are employed under the SCHADS Award. Wages are not market-based like the private sector which is tied to WPI and other economic indicators. The Award sets minimum rates only, with most community sector employers unable to pay more than the basic Award wage.

It is therefore critical that Government funds the increased cost of wages and superannuation. Indexation must include an amount equal to the Annual Wage Increase for employees covered by the

2012 Equal Remuneration Order ('ERO')¹⁶. Social and community service employers need sustainable funding models that allow them to plan for the long term. Predictable and stable funding is crucial for effective service planning and delivery.

Funding arrangement must provide for increased costs of running a service each year and that indexation of funding contracts should accurately reflect these cost increases. Failure to increase indexation and ERO payments will result in services and/or jobs being cut.

Recommendation 6: Government must address funding issues to ensure that funding arrangements for social and community service providers are indexed annually to account for increased labour costs and increases in demand for services.

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¹⁶ In 2012, the Fair Work Commission made an Equal Remuneration Order covering Social and Community Services Employees in recognition of the gender-based undervaluation of their work. This order applies to every worker in the social and community sector, including NDIS workers such as disability support workers, support coordinators, local area coordinators, and back-of-house/administrative staff. The Equal Remuneration Order applies a loading to the SCHDS Award Pay rates for SACS Employees. A summary of the ERO rates of pay can be found at Note 2 to Clause 15 of the SCHDS Award.

Annexure

'Speech to ASU members, Blaxland - Restoring Respect for the Community Sector

1.19pm | March 17, 2022

SENATOR JENNY MCALLISTER
SHADOW ASSISTANT MINISTER FOR COMMUNITIES
AND THE PREVENTION OF FAMILY VIOLENCE
LABOR SENATOR FOR NEW SOUTH WALES

RESTORING RESPECT FOR THE COMMUNITY SECTOR

SPEECH TO AUSTRALIAN SERVICES UNION MEMBERS BLAXLAND TUESDAY, 15 MARCH 2022

I wanted to start by thanking the community sector workers here today.

This government may not appreciate the importance and value of your work, but I know that ordinary Australians do.

The past three years have placed an extraordinary burden on our community, and you have all stepped up to provide an extraordinary level of support.

From providing shelter and assistance to those who lost their homes in the 2019 bushfires, help to the sick, isolated and vulnerable during the pandemic, and now dealing with the devastation of the floods.

The work that you and your organisations have done has been nothing short of amazing. And it is all the more impressive given that it came after years where the Coalition Government seemingly did everything in its power to destroy capability in the sector. The Abbott/Turnbull/Morrison government has underfunded services, undermined organisations, and underpaid workers.

After all of that, the Australian community was lucky to have dedicated and capable community sector workers left to help us through the last few years.

It is clear, however, that we cannot afford another term of the neglect, hostility and disdain this government has shown the community sector.

An Albanese Labor government will reset the relationship with the community sector.

Meaningful consultation

An important first step is actually speaking with the sector.

The community sector has been cut out of government processes. Successive ministers have appeared disinterested in consulting meaningfully with the sector, its workforce, or those who rely on it.

Throughout our time in opposition, Labor convened the Community Sector Partnership met for to bring together leaders from the community sector including service delivery organisations, researchers, workers and their representatives, and service users. Together we have discussed priorities for policy reform and set a new agenda for working together to deliver positive social change.

In government we will work with the community sector to develop new arrangements, institutions ongoing processes for authentic and regular collaboration to inform and advise on the best approaches to tackling systemic, new and emerging community issues. This will include working with the community sector on timely public policy development as well as designing and delivering services. Labor will also work with the sector on improving funding models and strengthening sectoral governance.

Labor will create feedback and engagement processes with the sector that foster openness and transparency. This includes sharing relevant data with the sector openly and willingly in order to improve service delivery. We won't use participation in advisory working groups as a mechanism to gag community organisations from engaging in legitimate policy discussions.

Consultation doesn't mean consensus. Although we agree about a great many things, I can't promise that we'll always agree about everything, but we will hear each other. I believe that those informed and respectful conversations will make better and more effective policy.

A better funding process

It is clear that the Liberals' approach to funding community sector organisations is not working.

While Labor remains committed to honouring existing contracts with community organisations, we are going to take a different approach to funding the sector going forward.

Critical to this is working out what is going wrong. One of our priorities if we obtain government will be an assessment of all of the Department of Social Services' funding models.

This is a first step in moving towards a grants program that is capable of identifying and properly funding some of the best that the sector has to offer. What would that look like?

Best practice will ultimately depend on the nature of the particular service we are partnering with the community sector to provide, but it should at least reflect a number of important principles:

We should seek to support diversity amongst small, medium and large not-for-profits to ensure a
vibrant sector. This will include increasing funding for local community organisations capable of
marshalling the resources of local communities.

- The delivery of community services is largely not a commercial undertaking. In most circumstances it will not be appropriate for funding arrangements to be commercial in confidence.
- Advocacy should be recognised as a key component of the work of the community sector, and funding agreements should not include barriers to advocacy such as gag clauses.
- For-profit providers should not receive funding for essential frontline services such as homelessness, domestic violence and emergency relief.
- There should be appropriate incentives for programs with a strong evidence base.
- Where appropriate, funding should include proper and transparent indexation, so community organisations do not see the real value of their grant drop away during the term of the grant.
- Funded organisations must respect minimum award pay and conditions. Poor IR practices should be a relevant consideration in funding decisions.

Longer, more stable funding cycles

Best practice should also include a move to longer term funding for ongoing services. Frequent retendering of grants programs is unproductive. That is a criticism shared by community organisations, community workers and their representatives, service users, us, the productivity commission – basically everyone except the present government.

A Labor government will move towards longer, more stable funding cycles that reflect its commitment to providing quality services that deliver lasting benefits for communities. In many instances, services may be best delivered through 6-year contracts but there are some instances where longer or shorter time frames are appropriate.

This transition involves more than just longer contract terms – it requires investment to develop capability within the sector and within government.

Longer contract terms represent an investment of trust in an organisation. Organisations need to develop the internal systems capable of honouring that investment.

The shift also requires active contract management. At its worst, frequent retendering serves as a substitute for proper contract management by an overstretched and under resourced Department. We need to address this dynamic by ensuring the Department of Social Services has a proper partnership with the delivery organisation and a strong understanding of the way the services are delivered.

Our public servants are more than up to the task. Empowering the Department to do this, though, requires us to work against 9 years of efficiency dividends, wage freezes, and neglect.

It is a challenge worth undertaking. The benefits of more secure funding extend to an organisation's workers and end users. Changes to service providers are very disruptive to clients.

Labor also expects that longer contract terms should give organisations the funding certainty they need to adopt more secure employment practices, including full time and permanent employment where appropriate.

Recognising the significance of government funding

Finally, government must recognise and accept the central role it plays in the finances of many community sector organisations.

In some parts of the community sector, government is the only real purchaser of services. The amount government pays for those services is of systemic importance.

The funding provided to an organisation should reflect the efficient costs of providing the services it is contracted to deliver. This is not a licence for organisations to spend freely and expect the government to cover their costs. After all, a dollar that is wasted is a dollar that could have been spent helping vulnerable people and families. Labor recognises, however, that we should not be asking community sector workers to subsidise the provision of services.

Community sector workers deserve to be paid a fair wage. Labor considers that a competitive dynamic driven exclusively by competition on Labor costs is ultimately unhelpful to the people the service seeks to serves, not to mention the workers who provide that service. It is a dynamic that can be avoided by ensuring tenders and grant programs are sufficiently and appropriately funded to provide for adequate and safe staffing levels, and fair and reasonable wages and conditions (including leave, such as Paid Domestic Violence Leave).

This is critical for the sector and intersects more broadly with questions of pay equity. The community sector is a female dominated sector. Almost a decade ago, many of the people in this room won a hard-fought battle to have the value of this work recognised through the Equal Remuneration Order. We know that many older women retire into poverty. Without proper pay and conditions today's generation of community sector workers may become tomorrow generation of community sector clients. We can't consider our funding decisions in isolation – community sector funding has the capacity to have a real impact on the gender pay gap.

Where to from here

It took years of chronic underinvestment by the government to bring the sector to where it is today. I'm not going to pretend that we can undo the damage overnight, but I am confident that together we can undo it.

The principles I've discussed today – fairer funding, better tender processes, meaningful consultation – are different ways of achieving the same outcome. They are all part of the development of a genuine partnership between government and the community sector. It is a partnership that the community deserves.¹⁷

¹⁷ Senator Jenny McAllister, Speech to ASU members, Blaxland - Restoring Respect for the Community Sector https://www.jennymcallister.com.au/speech to asu members blaxland restoring respect for the community sector