

# *Discussion Paper*



**wacoss**

Western Australian  
Council of Social Service Inc

*Ways to make  
a difference*

## **Smart Moves Forward**

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## **Introduction**

This paper draws together a number of discussions that are taking place within the community sector, within government and at both state and national forums, concerning the new environment within which the community services sector is operating. The paper highlights various challenges facing the sector, attempts to explain how the current political and economic environments are impacting on the sector and proposes several strategies for moving forward.

At the heart of the matter is the need for the sector to unify in response to the challenges we are facing to work from a position of power and strength, to strike strong partnerships where appropriate.

Sustainability is central to this discussion. It is the reason that we need to come together and address the issue of sector viability in a planned and strategic way.

The discussion paper proposes that the smart way forward is to explore the issue of sustainability through;

- Redefining the role of the sector in civic participation and democracy rather than as a service deliverer, corporation or arm of government.
- Workforce planning to address critical skill shortages and funding issues
- Developing models for fully costing services being delivered, and
- Communication and marketing strategies to promote the value of the sector to the general community, government and the potential future workforce.

WACOSS is currently preparing position papers to define 'smart ways forward' in addressing each of these issues more fully.

This paper defines our role as a critical industry in Western Australia working with an increasingly complex and daily increasing number of our society's most vulnerable people.

### **Scope of the Sector;**

Non Government Community Sector Organisations (CSOs) in WA undertake an increasingly diverse mix of activities with a widening scope of roles and operations and within an environment of rapidly changing public expectations.

Western Australia has over 600 non-government agencies delivering human services in communities across the state. These agencies have a turnover of more than ½ billion dollars each year, making them vital contributors to the economies within cities and regions. Non-government agencies comprise nearly 2/3 of the total number of agencies delivering human services across WA.

## **The Sector and Government;**

Government interest in the community sector has sharpened over the past ten years and it is timely to ask what outcomes this increased interest is delivering for the beneficiaries of community services. Governments have been moving more service delivery into the sector. ACROSS Community Sector Survey, agencies surveyed, reported that between 2002/2003 and 2003/2004 their income increased by just over 19% with government funding sources accounting for 23.8% of this increase.

Governments are also seeking to redefine their relationship with the sector and explore new forms of partnership and role sharing. Governments are looking to minimise their risk as they shift services to the community sector. Some examples of this include proposals for 'Compacts', attempts to modernise the legal and regulatory framework of charities, facilitating community sector involvement in public service delivery; and encouraging more local regeneration and civil renewal schemes. Added to this, some state governments have adopted what they call 'spatial definitions' of social issues. Take as an example, the variety of 'place management' activities that have sprung up over recent years or 'postcodes of poverty and disadvantage' initiatives. These types of strategies rely on 'joined up' approaches but on the ground they require local, community-led delivery.

At the federal level, conservative politics has led policy shifts that effectively strengthen a handful of large national not-for-profits and an increasing number of for-profit providers of services. These have been getting more resources and attention while other CSOs, especially smaller, local and regional non-government, not-for-profit organisations have been left to struggle.

The Federal Government's agenda in relation to CSOs is the focus of the June 2006 discussion paper titled "NGOs out in the Cold: Howard Government Policy towards NGOs" by Joan Staples, Faculty of Law, University of NSW, Democratic Audit of Australia;

"De funding has shut many voices, but is only a small part of the picture. At the same time as defunding of critical (peak) organisations, forced amalgamations have silenced alternative views, purchaser provider contracts have brought NGOs closer to being an arm of government and confidentiality clauses are explicit restraints upon freedom of expression."

### **Government as a funder of services.**

One of the policies which continues to underwrite this shift is the contracting regime based on funder/purchaser/ provider demarcations and competitive tendering for service provision. This rewards large, corporatised entities and has pitted agency against agency in the fight for resources. With purchaser provider

contracts replacing core funding, CSOs no longer have a funded representative role to government and more and more onerous assessment and reporting demands eat up resources so there is very little capacity to advocate on behalf of members and interests.

The following quote comes from Don Edgar, Promoting the Positive, Centre for Workplace Culture Change, RMIT, July 8<sup>th</sup> 1999;

“Free market competition and contracting policy have been applied to many aspects of government without any clear demonstration of likely efficiency and without consideration of social costs that are less easy to quantify. Similarly, corporate management principles have been applied without much consideration of the quite different processes involved in delivery of human services.”

Another concern with contestability is the likelihood that larger, city based organisations will dominate the market driving out the experience and local knowledge of smaller, more customary service providers. Quality in service delivery is not only a matter of efficiency, but also effectiveness in terms of meeting the particular circumstances and culture of very diverse regions.

Civic entrepreneurship is not the same as corporate entrepreneurship.”

Articles and research are being published arguing the benefits of the free market approach and competition for ‘clients’ of community services organisations. We must not forget that the community sector doesn’t just have ‘clients or customers’ – the sector has ‘people’ with whom it works, people who are cared for, people who are our community, neighbours, families, partners and friends.

### **The Role of the Community Sector**

The non-government community sector has a role far wider than fulfilling government objectives or behaving like a corporation or profit making enterprise – the sector serves a broader social, economic and political role in the community. This role is one of civil renewal and engagement, the development of social capital and creation of strong cohesive communities. Government must recognise that the voices from the community compliment and enhance the representative role of government.

Speaking about the British Government’s May 2006 announcement of the creation of a Minister of the Third Sector, Campbell Robb, Director Public Policy at United Kingdom’s National Council of Volunteer Organisations, and advisor to the UK Treasury, describes the broader role of the sector;

“We have a major role in social and economic regeneration, which moves the debate beyond a narrow focus on service provision and into the need

to promote and support a healthy, vocal and diverse civil society as a means of supporting the democratic, cultural and economic health of our country.”

The contribution and motivation of the community sector is qualitatively different from both the state or the market.

The reality is that the community sector is different, and does matter.

### **What principles inform our work?**

1. **Independence** of the sector must be understood and valued. Public and private sector must recognise and engage in a meaningful way with community organisations. CSOs must decide how to best meet the needs of beneficiaries of services, independent of any government targets or objectives. The sector must be able to exercise its right to campaign and comment on or challenge government policy, irrespective of funding relationships.
2. The benefits of a **diverse** and independent community sector should be recognised by supporting community sector action in all its forms including those parts of the sector that do not wish to engage with government.
3. A **political, legal and funding environment** must be created that enables CSOs to flourish and encourages individual and corporate philanthropy, in all its forms.
4. The role of CSOs in **civil renewal and engagement**, the development of social capital and creation of strong cohesive communities should be valued. Government must recognise that the voices of CSOs compliment and enhance the representative role of government; strong partnerships between government and the sector work to the advantage of both and to the benefit of citizens.
5. Where CSOs chose to deliver public services they must be **resourced in a realistic sustainable and transparent basis** because of the benefit they bring to users. Procurement strategies etc, must add value and not undermine those features that make us the preferred providers in the first place. In government-speak, drives toward efficiencies should not be at the expense of effectiveness, diversity and enhanced choice and voice expressed by users of community services.

It is vital that CSOs set their organisation’s mission and values based on the needs of their local communities not on the policies of any one government – governments come and go – but we will always remain.

## **We must communicate our value**

The CS must recognise its current strengths and promote them. The sector needs to clearly state the value that it brings to the community, to the relationship with government and to the private sector.

The CS needs to identify how it can work together more effectively and position itself for the future. What are the improvements that can be made to how services are being delivered? How can the sector make it easier for people to get support or services from their CSOs? What do CSOs need to do not just to survive but to ensure that they are sustainable and, if they wish to, can grow.

One key challenge in the way forward is for the sector to clarify the **real value** that it adds to service delivery. This starts with defining the true cost of service delivery.

Full cost recovery means securing funding for – or recovering – proportionate overhead costs, as well as the direct costs of projects. Every organisation needs to recover all its costs or it cannot pay its employees, rent office space, offer its products and services or plan for future development and delivery of its services.

Currently, many funders, including governments, do not accept the sector's arguments for full cost recovery services. This inability to recover overhead costs will inevitably lead to a reduction in volume or quality of service delivery by CSOs. It also means that funders get poor value for money because services become neither sustainable nor cost effective.

Full cost recovery of community delivered services must be recognised not because this will benefit CSOs or the public purse – but because if services for people are not properly funded, then they will not meet the needs of those using them.

The community sector must work out the real costs of delivering a service to people and then negotiate a fair price for delivery. This will also allow the sector to decide when to subsidise services or offer lower service levels or when to walk away. Similarly, when short term funding is offered – the rationale for this must be challenged. And when CSOs bid for these contracts – cost in the extra risk that this brings to their organisations.

## **Cannibalise or Collaborate?**

As mentioned earlier in this paper, one of the dangers being faced by the sector is the impact that government contracting policy is having on its diversity. 'Big' is being rewarded as government strategy favours large CSOs or private sector

deliverers over small local agencies. Some of the large CSOs are walking into this trap by 'cannibalising' small agencies. The big guys are partnering or collaborating with each other to win contracts by undercutting small local CSOs. This not only reduces the diversity of the sector but de-powers local communities rather than building their capacity. It's not only governments that need to remember that many problems faced by people are complex and change quickly so that different approaches and local solutions are essential.

Homogenising the sector is not the way forward.

The alternative strategy that should be used is for large CSOs to use their purchasing power, and infrastructure to collaborate with small local CSOs so that they may become partners in service delivery and small agencies are strengthened and can take advantage of the scales of economy offered by large NGOs. This type of collaboration encourages agencies to consider any possible risks of duplication of effort and rather than cannibalise each other, co-operate, share information and resources and jointly campaign on particular issues.

CSOs must become the champions of collaboration and good management and must challenge bad responses from government, private sector and where necessary, within its own ranks.

Governments, and some foundations and trusts, place more emphasis on new projects and innovation at the expense of supporting existing good projects and services. CSOs need to be able to demonstrate the value of services to beneficiaries and to potential funders. Funders need to 'get over' their fixation on the new and innovative and provide strength to existing good practice.

### **Don't put all your eggs in one basket**

This raises another critical issue and one which, by and large, the sector finds very challenging. CSOs must take responsibility for their own funding base and seek diversity in their income streams, to strengthen sustainability.

For this to occur the sector will require;

- information on alternative sources of funding,
- help to access these and
- Sufficient resources to devote timing to finding ways to diversify their funding base.

There is a very important role here for WACOSS and other peaks. They need to make sure that CSOs have the very best available information about where to find funds and how these may be accessed.

## Learning the language

Government doesn't always recognise that CSOs are already committed to addressing these issues. Sometimes the terms being used by either party are not clearly understood. It is important that CSOs and government understand each others' language and are clear about expectations.

For the purpose of this discussion, here are definitions of some key concepts often used (particularly by government) when discussing sustainability of the sector;

- **Transparent** – being easy to understand, open and honest
- **Accountable** – being responsible to someone for actions taken, people have a right to hold you to account; you have a duty to explain and account for your actions.
- **Effective** – of use, valuable and helpful, successful, quality.
- **Efficient** – well organised, not wasteful, competent.

## We are already doing it.....

It is inherent in the nature and culture of CSOs that they chose to work together. They are already doing so in a myriad of ways. Typically CSOs have had one or more partnership and often collaborate in ways not evident to the public or private sector. CSOs have always worked to stretch every dollar for the benefit of people in their communities. They work together when it makes sense, not when it doesn't. They chose to work together rather than be forced down this path.

Here are some examples of how the sector works effectively and efficiently together;

- share office space to save admin costs.
- work with others to maximise the benefits for clients (e.g. using ICT to share client files)
- 'auspice' small CSOs and support their growth
- Small CSOs reengineer into business clusters with greater purchasing and organisational power (e.g. Unitingcare West)
- work with other CSOs to determine which is best placed to undertake specific work (e.g. Lotterywest ICT project, Business Community Partnership)
- refer clients to the appropriate agency for help
- share learning and expertise to improve outcomes for all
- belong to consortiums, peak forums and councils to share ideas and experiences

- share back room costs (ICT/ HR/IR/ accounting/evaluation and monitoring systems)
- compare funding models to find ways to improve them
- look for ways to share skill development opportunities
- form coalitions to raise public awareness of the issues facing our community

In short, the sector collaborates to leverage limited resources most effectively and efficiently, sharing research, contributing to and adapting global leading practice in CSO management, joint initiatives in areas such as management systems development, reporting standards and management education and training.

What we don't do is add up, across the sector, the amounts of time and money that we save by working intelligently together. We don't have the time or the money to do this.

### **So what does all this mean? What does the Community Sector need to do?**

There are at least five key issues that the sector needs to address in order to strengthen its sustainability.

The community sector needs to;

1. be better and bolder at asserting the values and approaches that make it different from the private and public sectors
2. have government and the community recognise and value the sector
3. create a stable and reliable workforce
4. encourage innovation in managing staff and providing services to people
5. be viable in the long term.

These five issues are interconnected and can be discussed in relation to communication, workforce planning and funding.

The CS sector must work together to develop a sector-wide communication strategy with the aim of making the sector more valued by governments, the workforce or potential workforce, and the broader community. When the sector's role in society is more recognised and valued, governments will be more accountable to it – rather than the way things are at the moment. The sector can then argue more effectively for funding that enables it to meet unmet demand, to provide for pay and conditions that are commensurate with level of skill required for the job.

CSOs, in turn, need to ensure and demonstrate that they use resources efficiently and deliver effective, quality services to the beneficiaries of services.

This is a key part of the message that the sector needs to promote to government and the community.

Community sector organisations must make sure that Government and the community are more aware of and understand the sector's critical role in civil society.

Central to the viability and sustainability of the sector is its workforce. In Western Australia the community sector is struggling to find and keep trained staff. The sector needs to prioritise workforce planning as the basis for effective and efficient service delivery.

### **What is workforce planning?**

It's about having the right people with the right skills doing the right job at the right time. It's about forecasting the future labour market needs of a sector.

This includes;

- Identifying staffing problems
- Predicting future changes to the workforce and population age demographics
- Developing workforce skills, and
- Ensuring adequate service delivery in the future.

No comprehensive approach to workforce development in this sector can overlook current low salary levels.

Community sector organisations require a specific range of diverse, specialist skills and working in the sector is demanding and stressful.

ACROD WA recently released workforce planning research that looks at carers in their part of the community sector. This research provides 'hard' evidence that employees in the sector are not compensated adequately for the value of the work that they are performing in the community. The WA Chamber of Commerce and Industry were the researchers commissioned by ACROD WA to complete this study. WA CCI state that growth funding is required in order to recognise the value of the sector's workforce, and to lift their wages to a level commensurate with the duties they are performing.

Lifting the real level of wages in the sector is crucial if the sector is to remain sustainable, particularly if the sector is to be able to attract a new generation of young workers.

Without additional funding, the capacity for non government service providers to improve remuneration beyond legal minimum increases is difficult to achieve without compromising the overall service that is provided.

Fair wages are a necessary condition for sustainability of the sector, and an effective marketing campaign is also crucial to raise awareness of the opportunities in the sector and promote the good things about working in the sector. Education campaigns at schools and to the broader community and advertisements in various media, participation in Careers Expos etc. What is needed is a marketing strategy to lift the profile of the sector with the broader community.

As discussed earlier in this paper, the funding formulas used by government or alternative funding sources should take account all the costs involved in delivering services to people. This requires adequate funding of capital needs, both human and physical, which are crucial to ensuring the sustainability of the sector.

### **Is it just about money? How does the sector attract and keep good staff and managers?**

Investment in training is an essential part of workforce planning as it improves the retention of workers by providing increased competency, recognition and motivation.

The sector already collaborates to identify existing training opportunities that would be of interest to other agencies. Improvements can be found by government making a significant investment in sector training opportunities and responding to specific training needs of agencies through better resourcing, support and coordination.

Recently the Queensland, Tasmanian, and Victorian state governments have recognised the benefits of investing in skills development for the sector. These governments have funded state Councils of Social Service (COSS's) to improve the coordination and delivery of training and professional development opportunities across their states. In these states the COSS's are charged with working across their sectors, and particularly with other peaks in their states to improve skills. This work must be conducted within the context of workforce planning and particularly the skill shortages, recruitment and retention issues that are being faced by the sector.

Western Australia can learn from these states, and in particular, from Queensland where there is a specific emphasis on improving regional skill development opportunities, Aboriginal CSOs and support for smaller agencies to attend training.

Government service funding must recognise that by providing funding to agencies to develop better skills in their employees and cover the cost of providing services to clients while staff attend these opportunities, they are adding significantly to the value of the service to the client as well as maximising their investment in the overall service provisions.

Government needs to have a more flexible and responsive funding regime that enables the delivery of more integrated services to better address the needs of the people supported by the sector. Further to this, government must support the development of such services by reducing administrative duplication, including streamlining reporting requirements.

### **What is the way forward in WA?**

WACOSS is working with other peak organisations and with Chief Executive Officers from across the sector to define the best way forward to ensure sustainability and viability in our sector.

First and foremost, the sector must discuss and agree the way forward.

What does the Community Sector, as an 'industry' want for its future. This discussion doesn't involve government or private sector – it's a strategic conversation that the sector must have between its own representatives. When the position is defined – then this must be formalised into a vision for the future that promotes the value and strengths of the sector. This requires some shared positions and goals and a unified strategy for approaching government and the broader community.

### **A Social Vision for Western Australia**

Central to the way forward is the immediate need for the state government to determine an overall social vision for the State. The Western Australian government has had outstanding success in achieving its economic plan – but there is NO overall social plan. This has left the sector unsure as to the best way forward in relation to its position with government. This has also left good initiatives such as the WA Industry Plan for the Non Government Human Services Industry without a clear mandate from the government and with no 'hook' into the highest levels of planning and resourcing for our state.

WACOSS is lobbying government to develop a plan for the social well-being of our state as a matter of urgency. Such a plan should include benchmarks for social wellbeing and targets for improvement. WACOSS is committed to working with the State to create this vision.

WACOSS is calling for the state government to recognise the role of CSOs as integral to the civic and political life of our state – not merely as service deliverers

– but as partners in raising the voice of democracy in WA. CSOs are much more than corporate enterprises for the delivery of public services to the community.

### **A Cross- Sector Alliance for Sustainability**

WACOSS is drawing together a coalition of CSOs, including the unions and employer representatives such as CCI and WRMC, with Chief Executive Officers from leading CSOs to form a lobby powerful alliance that will focus on the future viability of the sector. This group will develop a strategic plan (2 year) for raising the profile and value of the sector in WA, improving workforce planning, and raising growth funds for the sector. The alliance will be campaigning on several levels to achieve these improvements, including promoting the current efficiency dividends being achieved by CSOs, focussing on quality service delivery and improvement, encouraging increased core funding investment by government and promoting alternative funding avenues for CSOs.

### **What WACOSS is doing in-house**

WACOSS will be introducing a new service to our members using our website to feature ways that agencies can explore diversification in funding. We are also developing and promoting a range of models for fully costing the services that agencies in the sector are delivering.

WACOSS will also be pursuing a review of the state indexation paid to funded services to ensure that it is meeting the real indexation rate. The sector must also work with current state governments to push the Commonwealth to adjust its funding levels to the Composite Wage and Cost index being used by the WA government.

WACOSS will be closely monitoring the emerging agenda in COAG where new opportunities may come from the Human Capital focus. It should be noted that both the COAG and CSDMC skills agendas include a focus on addressing the needs of employers in the sector in relation to recruitment.

### **Conclusion**

The changes that are occurring hold promise for our future. But we have our own role to play in meeting these new challenges. As a sector we need to be better at promoting our role and our value, clearer in defining what we really want our role to be, and work together to put forward practical and real solutions to the problems we face as we support society's most vulnerable people and communities.

End.