

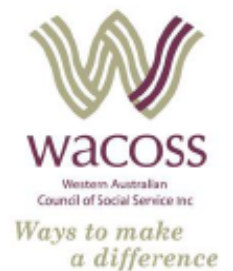


Issues Paper – Excerpt

Companion to the WACOSS Pre-Budget Submission

Investing in Outcomes
Making it Count for the People of WA

**Part One – Issues and Funding Pressures in the Community Services Sector
Sustainability of Community Services**



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*Part One – Issues and Funding Pressures in the Community Services Sector
Sustainability of Community Services*

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October 2010

SUSTAINABILITY OF COMMUNITY SERVICES

Background

During 2010, WACOSS has been working collaboratively with the WA State Government on the implementation of the Economic Audit Committee (EAC) Report recommendations. A part of this work has been to address the significant deficiencies with the current model for funding community services which is unsustainable and does not enable service providers to pay equitable salaries to their staff.

This issue was highlighted to Government in the 2010-11 WACOSS Pre-Budget Submission and the Premier, the Hon Colin Barnett, has subsequently acknowledged that the historical funding shortfall for community sector delivery of State-funded community services is a critical issue that will be addressed in the next State Budget.

At the 2010 WACOSS Conference the Premier discussed reform in the delivery of services and the issue of the wage gap between people working for the government sector and in the community services sector. In his opening speech at the conference he stated;

*“As a government, we will spend more and more money on community services. And while we, like other governments, will continue to spend more, the real challenge will be to spend it better, and that's what this reform and change is going to be about”.
On the wage funding gap, “I don't know if anyone's quite sure how that emerged or what caused it but it's there and it does need to be addressed”.*

The consequent inability to attract and retain employees is a constant threat to the viability of community services. Community service organisations cannot continue to pay their staff what is often 30% less than comparable employees in the public sector, and there is limited capacity to improve the situation within current funding levels. Unless the undervaluation of the sector is corrected, the viability of many community services cannot be assured.

WACOSS is part of a joint public and community sector working group (reporting to the Partnership Forum) tasked with defining and quantifying the value of the shortfall in current contracts for the delivery of community services and recommending options to address the funding concerns that provide a sustainable solution over the long term. The Partnership Forum, a key strategic advisory group in the EAC implementation process, agreed to consider the working group's findings at its October 2010 meeting prior to providing advice to the Premier on a way forward.

Issues

The case to build sector capacity

The case to build the capacity of the not for profit sector is compelling. WACOSS estimates that the community services sector is 30% under-funded. The majority of the funding shortfall relates to funds required to ensure agencies have the capacity to meet fair and just salary rates. This shortfall has led to staff working in the sector being severely undervalued. WACOSS is deeply concerned by the incidence of low pay in the sector in terms of its ability

to attract and retain staff and ensure that sustainable services are available for the community.

WACOSS has conducted extensive research over recent years that is strongly supportive of correcting the inadequacy of wages in the community services sector. This gap is the result of funding for the sector that does not reflect the true cost of delivering services.

The undervaluation of the community services sector also has implications for the gender pay gap, as over 80% of community service employees are female. WA has the largest gender pay gap (27.4%) of any State in Australia, much larger than the national average at 17%. This means that on average for every dollar earned by a WA full time male employee, a full time female employee earns only 72.6 cents. WACOSS notes that though the national gender pay gap has remained relatively constant for the last two decades, fluctuating between 15% and 17%, the gap in WA has widened over the past two decades¹.

WACOSS is calling on the Government to enhance the capacity of community services across metropolitan, rural, regional and remote WA by investing an additional \$218.2 million in 2011-12. This will provide a 30% increase in funding to service providers in the community services sector state-wide as well as an additional index of 20% to recognise the higher costs for service providers operating in rural, regional and remote WA. This increase is necessary to ensure adequate, equitable wages for staff and secure the viability of social services for the Western Australian community. ² It will also enable investment in building the capacity of regional community service networks.

¹ ABS, Average Weekly Earnings, 6302.0, November 2008. Refer to WACOSS Submission to Fair Work Australia, Annual Wage Review 2010

² The costings across the forward estimates are derived using a indexation methodology provided by the Department of Treasury and Finance shown at Appendix 2.

Sector Demographics

Figure 1 below shows demographic data regarding a number of workers representative of the community services sector. The community sector workforce is overwhelmingly comprised of females, with a ratio of almost 5:1. Most workers are aged between 46 and 60 years. Three quarters of the workforce is located in the Perth metropolitan area, with 17% located in regional areas and 8% in remote areas of WA. There is a high turnover of staff in the community services sector with 62% of workers leaving the sector within 5 years. The vast majority of community service workers earn \$50,000 or less a year. Just 11% of the workforce earns \$51,000 or more a year.

Figure 1: Sector Demographics³

DEMOGRAPHICS				
Gender		Length of service in current position		
	Female	83%	Less than 2 years	57%
	Male	17%	3-5 years	24%
			6+ years	20%
Age		Length of service in sector		
	Mean Age Range	46-60	Less than 2 years	32%
	Less than 25	8%	3-5 years	30%
	Over 60	7%	6+ years	38%
Location		Salary		
	Metropolitan	75%	Less than 30K	19%
	Regional	17%	31K-40K	37%
	Remote	8%	41K-50K	33%
			51K+	11%

³ The data in this table only includes the demographics of the surveyed workforces in the Alcohol and Other Drugs, Family and Domestic Violence, Mental Health and Women's Health sectors. *A Sector in crisis. A report on remuneration, retention and recruitment challenges facing the AOD, FDV, MH and WH sectors in Western Australia* (2008).

SECTOR DEMOGRAPHICS⁴

Significant, highly skilled workforce, one third the size of the public sector

Significant investment of taxpayer funds in community sector outcomes

~350 out of 600 not-for-profit community service agencies receive state funding

SIZE OF THE NFP
WORKFORCE

36,000 employees

ANNUAL CONTRIBUTION
TO STATE ECONOMY

\$4.3 billion annually

LEVEL OF
STATE FUNDING

\$450 million annually

⁴ Community Employers WA, Presentation to Economic Audit Committee, 17 April 2009

Figure 2: Social Workers' Wages in the Community Services and Public Sectors, 2008-10⁵

Job title	Public Sector		Not For Profit Sector		Percentage gap	Dollar gap
	PSGA levels	PSGA salaries	SACS Award levels	SACS Award salaries		
	LEVEL 1		LEVEL 4			
Social Worker	2008 3rd Year	\$55,129	4.4	\$42,402	23.1%	\$12,727
Social Worker	2009 3rd Year	\$57,334	4.4	\$42,402	26.0%	\$14,932
Social Worker	2010 3rd Year	\$59,627	4.4	\$43,256	27.5%	\$16,371
			LEVEL 5			
Social Worker	2008 6th Year	\$68,027	Year 3	\$45,475	33.2%	\$22,552
Social Worker	2009 6th Year	\$70,748	Year 3	\$45,475	35.7%	\$25,273
Social Worker	2010 6th Year	\$73,578	Year 3	\$46,406	36.9%	\$27,172

The table above compares the salaries paid to selected social workers in the community services sector with those paid in the WA public service. The two groups of workers perform work that is of equal or comparable value, yet receive vastly different rates of pay. A detailed comparison for all bands at each level each is shown at Appendix 1.

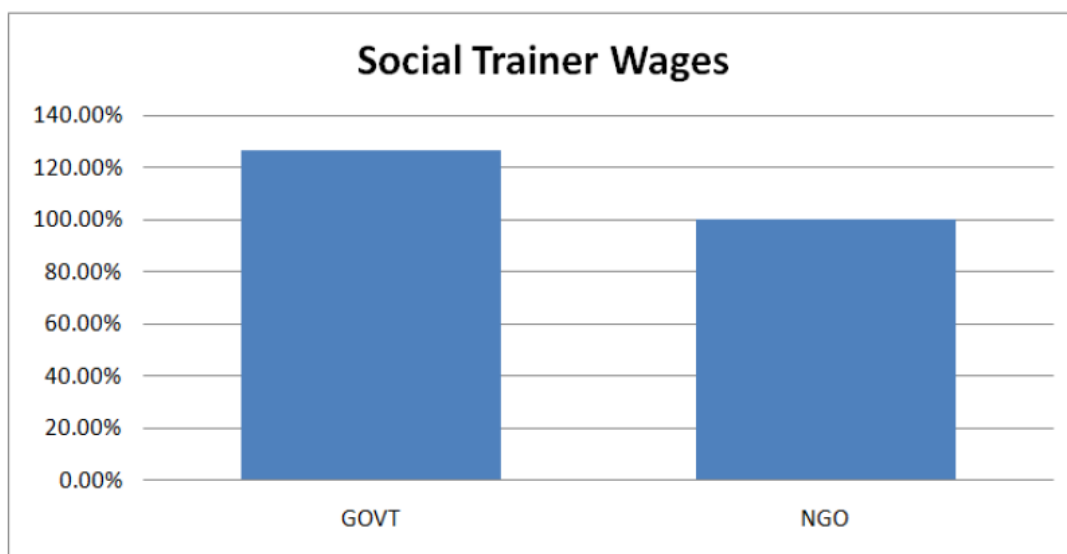
Rising Operational Cost Pressures

Community service providers are faced with a variety of other cost pressures in delivering services. These include the cost of accommodation, fuel and transport, utilities, insurance, regulatory costs (such as police clearance and working with children checks), and security. The fixed nature of many funding arrangements creates difficulties for community agencies to effectively meet the rising costs of delivering services. This is exacerbated in regional WA. Some agencies are faced with the trade-off between raising alternative funding to keep their organisations going and delivering services to needy communities.

⁵ Salaries are derived from Public Service General Agreement 2008 Schedule 3 – Specified Calling Salaries and Social and Community Services (Western Australia) Award clause 14, as updated.

Widening Salary Gap

Figure3: Low Sector Wages⁶



The Impact

Sector's Capacity to Deliver Services

Low salaries in social services are increasingly curbing the community sector's capacity to offer effective services based on a skilled and experienced workforce. In the 2009 ACROSS Community Sector Survey, over 70% of respondents reported that low salaries make attracting and retaining staff more difficult.

The poor pay of the community sector has a direct impact upon social services for clients in need. In 2007-2008, ACROSS found that 278,107 people were turned away by social service agencies, despite their eligibility for services. That is a 17.3% increase on the 237,024 people who were turned away by the same services in 2006-07; or one in 12 people.

Additionally, a majority of agencies have reported tighter targeting of their services than in the past. Low retention rates and challenges in staff development and promotion heighten the stress faced by organisations that are already seeking to provide services with inadequate funding and resources, being faced with high turnover of staff at 23% per annum.

⁶ William Buck Report, Independent Analysis of Wages paid to Support Care Workers: Social Trainer (annualised cost for 7x24 hour shifts)

Keyworker Housing

In regional WA, housing affordability for community sector service organisations is a critical issue which impacts on their ability to recruit and retain staff. In regional WA, purchasing a home remains beyond the reach of many due to high median prices. The supply of rental properties is also limited and the cost is high. The Government needs to provide regional housing solutions to ensure that the sector's capacity to deliver services to regional citizens is not compromised.