XX February 2019

Dear Minister [insert name],

**Re: Equal Remuneration Order (ERO) and Indexation Policy**

We are writing to seek your government’s support of sustainable services provided by Western Australian Community Services organisations. NFPs in Western Australia are under extreme financial pressure as a result of Government policy settings and decision-making.

[Your organisation’s name] seeks your support for;

1. The urgent funding of the Equal Remuneration Order (ERO) and
2. The reinstatement of the Non-Government Human Services Sector Indexation Policy first introduced by the WA Labor Government in 2004 and removed by the last WA Coalition Government.

**ERO background:**

* In 2012, the Fair Work Commission issued an ERO increasing the remuneration paid to staff falling under the Social, Community, Home Care and Disability Services Award (SCHCDS) 2010;
* The ERO provides for ‘above Award’ pay increases for social and community service workers of between 23% and 45% over an eight-year period commencing December 2012 to December 2020;
* In August 2013, the ERO was extended by the WA Industrial Relations Commission, to cover workers under the State system;
* Pay rates in the Award are adjusted twice a year;
* On 1 July following the Fair Work Annual Wage Review
* On 1 December using a formula linked to the final ERO rates

**Historical Government Funding:**

We are aware that some within government believe that the $604M in funding provided by the Government in the 2011 State Budget, was sufficient to fund the ERO. Whilst it was welcomed at the time, there are two important facts to be clear on with regard to the money.

* That funding was essentially used to address historical shortfalls in the salary levels for workers in the sector which had existed for the past 10+ years – not to address the ERO based salary increases over the next 9 years
* The funding comprised 15% for most organisations, and for some (mainly regional and remote), a further 10% increase. As mentioned, the ERO increase alone has been between 23% and 45%, and thus even if there is a view it was to fund the ERO (which we don’t believe it was), it was substantially below the legislated salary increases

Many of the current contracts have been rolled a number of times, with no opportunity to renegotiate service levels or price, and it is these contracts in particular, which are of the most concern to providers.

**Current Position:**

* In a 2018 sector survey, the ERO was highlighted as the single biggest issue impacting the sustainability of community services in WA. We are starting to hear of services being wound back, staff not being replaced on a timely basis and are concerned at the potential for future investment;
* Several other State governments around Australia have specifically allocated funding to cover the additional legislated costs being incurred by service providers to pay the legislated ERO;
* Two independent studies over the last 3 years have evidenced the extent of the impact of the ERO on services, and a third study recently commissioned by the Department of Communities has further highlighted the financial losses being incurred by homeless services;
* Many organisations have restructured, cut costs where possible and in some cases, have stopped providing services where they are no longer financially viable. This is now a critical issue to the future sustainability of services, and your preparedness to assist in providing urgent funding to address the ERO would be greatly appreciated.

**Indexation Policy background**

The Western Australian Government Indexation Policy for the Non-Government Human Services Sector provides for transparency and consistency in the level of indexation to be applied to prices in contracting arrangements. The objectives of the Indexation Policy are to provide;

1. increases to service agreement prices over the life of a service agreement to assist in addressing cost increases
2. transparency and consistency in the level of indexation across community services service agreements
3. administrative simplicity in the application of the Policy, and
4. consistency of the rate of indexation.

* In 2004, the WA Labor Party introduced the Non-Government Human Services Sector Indexation Policy
* The rationale was essentially to enable non-government organisations to keep pace with cost increases in the delivery of agreed services. It provided for continuity of service provision, autonomy, consistency, capacity and enhanced rationality in funding decisions
* The indexation calculation methodology was set at 80% Wage Price Indexation and 20% CPI. The basis for this was that approximately 80% of costs incurred by NFP organisations relate to wages, and thus the indexation more closely reflected actual costs
* The policy was set following a review authorised by the Department of The Premier and Cabinet and undertaken by an external consultant who consulted widely with a range of stakeholders, both across the sector and across government; and
* In 2015, the Liberal Coalition government unilaterally decided to progressively change the WA Labor indexation policy to 100% CPI, with no account for wages growth, notwithstanding the view of the NFP sector that this would have significant negative consequences on services.

[Your organisation’s name] concern with the change to the calculation methodology is that it doesn’t reflect, nor account for the substantive changes to costs incurred by service providers. Whilst we acknowledge we have been in a low wage growth environment in the last few years, our focus is on setting appropriate policies and principles for the sustainability of service delivery into the future.

**Sustainable funding request**

It is imperative that the government provides supplementary funding to enable us to continue supporting service users under our State government funded programmes. We thus request that at a minimum, the final two years of the ERO increases are fully funded.

Additionally, the reinstatement of the Indexation Policy to that agreed over 10 years ago, will assist in more accurately aligning the costs of service provision to the funding received from government. It is also the right thing to do, in supporting low paid workers in the sector who in turn support those most in need in our community.

We appreciate your support in seeking to address these critical matters. **We look forward to hearing of your proposed actions,** and will be pleased to discuss both the ERO and the Indexation Policy with you further if necessary.

Yours sincerely,

CEO Board Chair