



THE UNIVERSITY OF  
**WESTERN  
AUSTRALIA**

Western Australia's  
**2022 Sustainable  
Funding Survey**  
Report



Survey Undertaken by:  
Western Australian Council of Social Service

Analysis and Report Prepared by:  
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### Statement of Interests:

**Professor David Gilchrist** is Director of the Centre for Public Value at the University of Western Australia. He has received funding from governments, peak bodies and individual organisations for various research projects and consulting support predominantly related to the Not-for-profit human services industry, Not-for-profit financial and performance reporting, sustainability and outcomes reporting, and policy and practice related to those areas. He has been a director and chair of a number of human services and policy organisations over past years and is currently chair of two policy-focused Not-for-profits operating nationally in the education sector.

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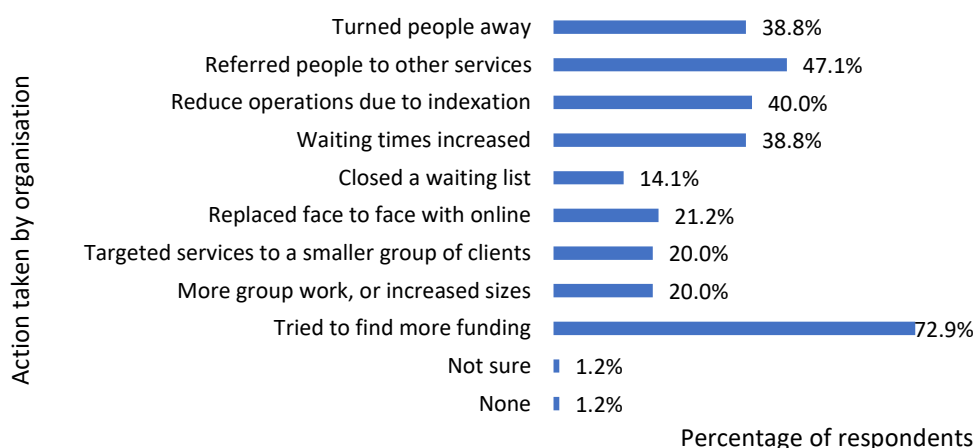


## Key Findings

This report sets out the findings for the Western Australian Council of Social Services’ (WACOSS) Sustainable Funding Survey.

48% of WACOSS’ social service organisation members responded to the survey held in October and November 2022. The key findings from survey responses include:

1. Inadequate funding over successive years has driven the social services sector into unsustainability.
2. Short-, medium- and longer-term sustainability of social services is under threat in Western Australia due to a lack of appropriate commissioning approaches and inadequate indexation of contracts.
3. Funding inadequacy was reported across ALL government funded contract service areas, with providers of Child Sexual Abuse Therapeutic Services reporting the biggest funding gap.
4. 53% of respondents could not meet service demand in 2022.
5. 78% of respondents reported staff burnout.
6. 40% of respondents reported that they had reduced their operations in order to survive in 2022 **thereby reducing services in a time of increased demand.**
7. In 2022, services were reduced using the following strategies (respondents could select all that applied):



8. 73% of respondents said they intend to reduce their services and 65% foreshadowed they will reduce their employee hours in 2023.



## Summary of Recommendations

A full discussion of the recommendations is provided at the end of this report. We provide a brief overview of recommendations here:

### Recommendation 1:

The industry peak bodies and the West Australian Government collaborate to develop and implement an appropriate indexation calculation model to ensure that the true cost of services delivery is reflected in contract values for the life of the contract.

### Recommendation 2:

We recommend that the state government commission a review of regional social service gaps, demand and unmet need which is to be used to underpin the design and implementation of a regional service network model.

### Recommendation 3:

We recommend that the state government address workforce retention challenges by:

- a. providing top-up funding to support the sustainability of service providers prior to the next re-contracting process;
- b. budgeting for Fair Work deliberations on gender wage equity across the human services industry;
- c. Fast-track the implementation of the State Commissioning Strategy



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## Introduction

The social services sector in Western Australia has been under significant financial pressure for some years. This issue has been widely noted and recognised.<sup>1</sup> However, the data sets available to underpin our understanding of what is happening in this crucial area are poor due to a lack of investment. In turn, this lack of data and analysis negatively impacts policy makers' understanding likely reducing policy quality as a result.

Because of the pressure being faced by the sector and the notable negative impacts on vulnerable people and communities, the Western Australian Council of Social Service (WACOSS) undertook a survey of member organisations at its own cost with a view to understanding the extent of the problems being faced and the impacts on sustainability to date and prospectively.

Overall, 87 organisations from across Western Australia responded to the survey which examined funding adequacy, the extent to which demand is being met, the administrative impacts of contractual arrangements and the decisions being taken by member organisations as a result, including impacting staffing and investment for service improvement and expansion. This report has been developed out of an analysis of the responses provided by those 87 organisations.

In examining the data, consideration was had to the indicators of risk to service sustainability which have been identified in earlier work.<sup>2</sup> Importantly, when considering the issue of sustainability, the survival of member organisations is not the focus but, rather, the ability of the sector to continue to provide the right quantity of services at the right quality and at the right timing. As such, it is important to remember that this report is not about organisations providing services but about the impacts of inadequate funding policy on vulnerable people and communities.

Finally, the survey collected both quantitative and qualitative data. Throughout this report we have included comments directly from respondents in order to allow readers to appreciate the position that organisations are in.

In effect, the survey responses confirm that service sustainability is not only under threat but that service providers are having to react defensively in order to ensure those services that they do provide are of appropriate quality and are sustainable (defensive decision making). This means that the respondents have reported that they are reducing services as a result of under-funding. This in turn impacts ongoing service sustainability as staffing and financial sustainability reduce further—a never-ending spiral of responses to under-funding reducing capacity and service delivery.

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*"[We are] not able to support as many people as we used to."*

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<sup>1</sup> See: Gilchrist, D. J. & Emery, T., (2020), Western Australia's Not-for-profit Landscape 2020: The Second Report on WA Charities, a report of the UWA Not-for-profits Research Team, Perth, Australia. Available at: <https://www.uwa.edu.au/schools/Research/Centre-for-Public-Value/Publications>. See also: Gilchrist, D. J., 2021, "Green Paper 6: Cost Differentials, Cost Pressures & Labour Competition Impacting Disability Service Provision in Western Australia", A Report of Not-for-profits UWA, Perth, Australia. Available at: <https://www.uwa.edu.au/schools/Research/Centre-for-Public-Value/Publications>

<sup>2</sup> See: Gilchrist, D. J., 2020, "Green Paper 3: Proxies for Risk – A First Line of Defence", A Report of Not-for-profits UWA, Perth, Australia. Available at: <https://www.uwa.edu.au/schools/Research/Centre-for-Public-Value/Publications>

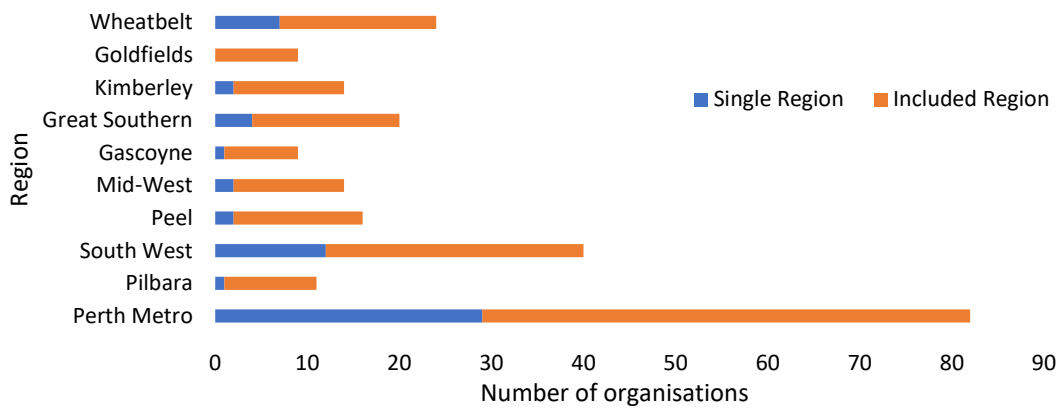


## The Respondents

WACOSS developed and issued a survey to its members in October and November 2022. Respondents from 90 organisations commenced the survey while a total of 87 organisations completed all answers. We have analysed and reported on the response provided by those 87 organisations. The appendix provides a more detailed overview of the respondent organisations.

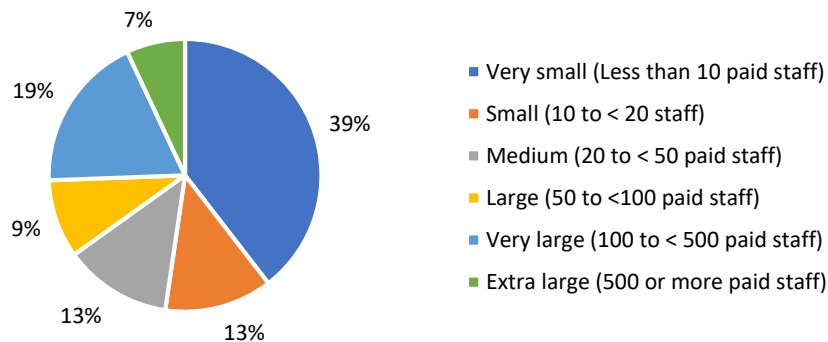
In terms of location of respondent organisations, respondents were asked if they operated in any of the major land divisions of the state. Figure 1 below shows the extent to which these respondent organisations operated in one or more regions (i.e. single region or included region):

Figure 1. Regional spread of organisations



We also determined the size of organisations by reference to their reported paid staff numbers. Figure 2 provides the breakdown of respondents by size:

Figure 2. Spread of organisation size

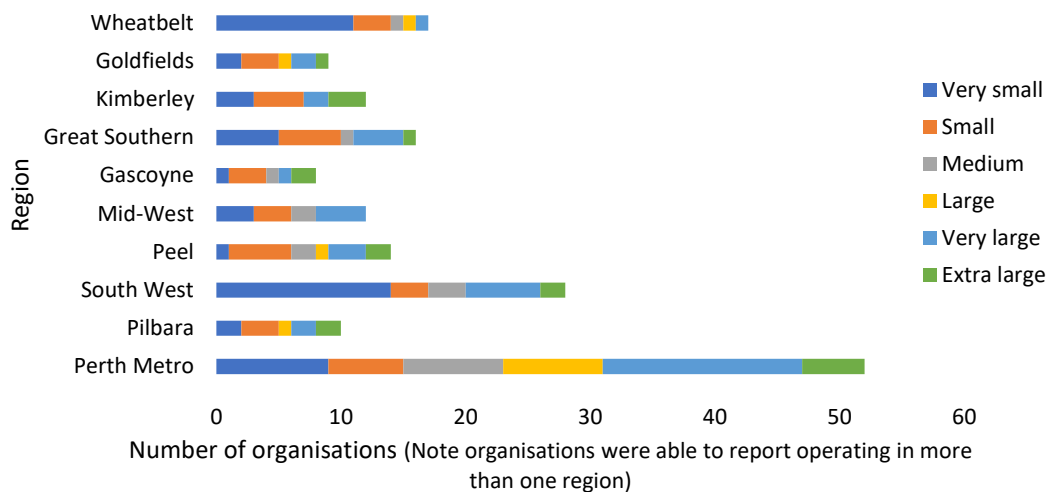


We believe it is important to understand the distribution of respondents by size across regions in order to provide a more nuanced understanding of sustainability risk and figure 3 provides a graphical representation of the location and size of respondents:





Figure 3. Regional spread and organisation size



Notwithstanding the respondent member organisations were self-selecting, we believe that the results are extrapolable across the full membership body as the respondents represent 48% of all member social service organisations.<sup>3</sup> As such, we consider the findings reported herein to be of significant value to building our ongoing understanding of the sustainability of social services in Western Australia.

### Funding Inadequacy

Fundamentally, the sustainability risk faced by social service organisations and their clients is a result of the extent to which the capacity of organisations to deliver services at the right time, in the right numbers and of the right quality on a reliable basis is impacted by funding provided by government agencies when purchasing social services. Funding deficiencies can impact the ongoing service provision by reducing capacity in the short-, medium- and long-terms as it impacts the extent to which the service provider can remain solvent in the immediate term and invest to continue to provide services as time goes on.

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*“...if we are not able to receive a further increase in funding...our community is going to miss out on when they will most need it.”*

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In this section we consider the extent that contracted funding (often referred to as pricing) is sufficient to the needs of social service organisations to ensure sustainability in service delivery. Respondents were asked a series of questions relating to financial sustainability and were required to respond using a 5-point Likert scale where 1 was selected if the funding level was entirely adequate and 5 being selected if funding was entirely inadequate.

<sup>3</sup> See: WACOSS 2022 Annual Report for organisation member numbers. Available at: <https://www.wacoss.org.au/wp-content/uploads/2022/10/Annual-Report-2021-2022.pdf>



## Knock-on Effects of Inadequate Funding – Spiralling Toward Unsustainability

As previously described, in this report sustainability relates to the ongoing ability of the sector to deliver services of the right type, in the right numbers and quality at the right time. Poor funding does not just impact solvency in the short-term. It also impacts the ongoing ability of social service organisations to deploy staff, invest for efficiency and meet expansion in demand for services. For instance, sustainability can only be maintained if the following elements are able to be met:

- Ensuring solvency: paying bills when due – adequate funding is needed to meet cost increases
- Improving job quality: successfully competing for staff by offering appropriate remuneration, certainty of work and competitive working conditions, including with regard to the work being performed
- Maintaining service delivery output: modern funding contracts often provide for funding to be paid in arrears and after service delivery. If services cannot be delivered, funding is reduced, and so overheads may go unrecovered
- Maintaining service delivery capacity: investment in training, organisational change and IT infrastructure, amongst other things, is fundamental to maintaining service delivery capacity over the medium- and longer-terms.

Essentially, inadequate funding drives social service organisations into a spiral toward unsustainability—real funding reductions cause service delivery reductions which cause resources capacity reductions (e.g. staff find alternative employment) and so service delivery output reduces further. In the medium- to longer-term, these reductions also impact capacity as infrastructure such as IT and staff capacity are not invested in.

We know from other studies that Western Australia is particularly prone to job quality competition with the mining industry and uncertainty of ongoing employment in the social services sector increasing the pressure for labour and decreasing social service output capacity.<sup>4</sup>

## Average Overall Response to Questions of Funding Adequacy by Region

Figure 4 **Error! Reference source not found.** shows the average overall response by region of operations, for both single region organisations and those that operate across multiple regions. It can be seen that the two regions reporting the highest risk of inadequate funding are the Pilbara and the Kimberley. Single-region operators in the South West and Perth also reported higher risk than the organisations that service multiple regions.

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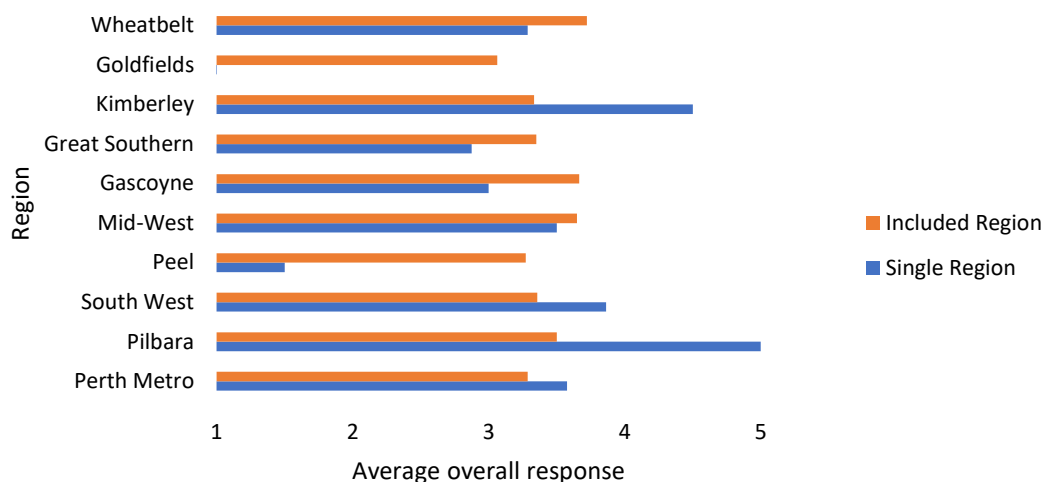
*“Our costs across the board have increased, but our funding has remained the same.”*

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<sup>4</sup> See: Gilchrist, D. J., 2021, “Green Paper 6: Cost Differentials, Cost Pressures & Labour Competition Impacting Disability Service Provision in Western Australia”, A Report of Not-for-profits UWA, Perth, Australia. Available at: <https://www.uwa.edu.au/schools/Research/Centre-for-Public-Value/Publications>



Figure 4. Average organisations’ response to the extent that state government contracts cover cost (funding adequacy) (scale 1-5, 1 completely, 5 not at all). Cumulative bar graph by single region or multiple region operations



Organisations operating solely within the Peel region reported the least inadequate contractual compensation for purchased services though the responses of those organisations operating there and elsewhere were still poor. Although regions such as the Wheatbelt, Mid-West and Gascoyne reported lower responses by single-region organisations than organisations across regions, the mean average responses were still above 3.

Interestingly, the Goldfields did not have any single-region organisations. The overall response by organisations operating in this region was also greater than 3 by organisations that operate in multiple locations.

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*“...we have limited capacity to diversify and establish new, innovative programs which address the changing needs of our community...”*

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This dataset does not provide detail relating to contractual funding levels nor the differences in funding to costs of organisations. Respondents show clearly that payment by state government for the provision of services in communities has been insufficient in both metro and regional areas across all of Western Australia. There is not a single department, service area nor region which is consistently meeting the appropriate expenditure costs of service providers in meeting the needs of the community.

### Funding and Specific Programs

The responses also related to specific programs and figure 5 demonstrates the extent to which respondents felt that funding was adequate to maintaining sustainability. It is instructive to note that the best score overall was 2.5 where 1 was entirely adequate and 5 entirely inadequate. As such, no organisation reported better than 2.5 with respect to the extent to which funding was adequate to their needs.



It can be seen that the area reporting to be least inadequately funded for contracted services are the Community Resource Centres. On the other hand, distressingly, Child Sexual Abuse and Therapeutic Services reported the worst outcomes with respect to funding inadequacy.

Figure 5. Average organisations' response to the extent that state government contract covers cost (scale 1-5, 1 completely, 5 not at all). Cumulative bar graph by Perth Metro and Regional

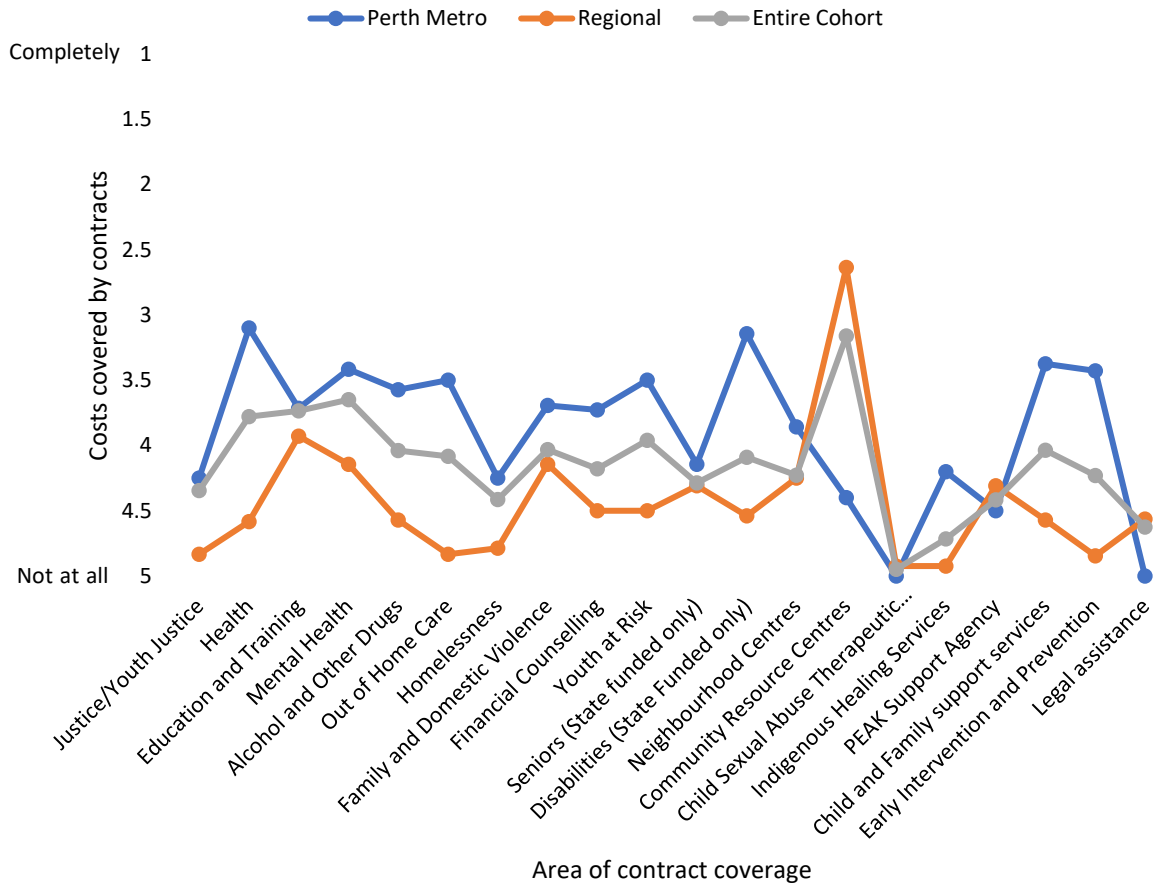


Figure Error! Reference source not found.5Error! Reference source not found. also shows us comparisons of Perth metro, Regional, and the entire cohort reports. This allows us to better understand how organisations in different regions of Western Australia experienced appropriate or inappropriate funding. Overall, insufficient funding is reported more often and more severely by regional organisations than by those organisations based in Perth metro. Although there are greater numbers of responses by regional organisations, both the amount and proportion of responses indicate that funding for regional organisations do not sufficiently account for the costs for service

*“Wages do not keep up with rental costs in regional services.”*

provision.



Of course, levels of demand and cost structures differ across regions and so the difference in reported funding inadequacy is not a surprise though the extent to which regional organisations reported more concern in these areas is very worrying. Indeed, the highest differences occurred in the following programs: Out of home Care, Disabilities, and Health. Regional organisations only report lower responses in the areas of Community Resource Centre, PEAK support agency, and Legal Assistance.

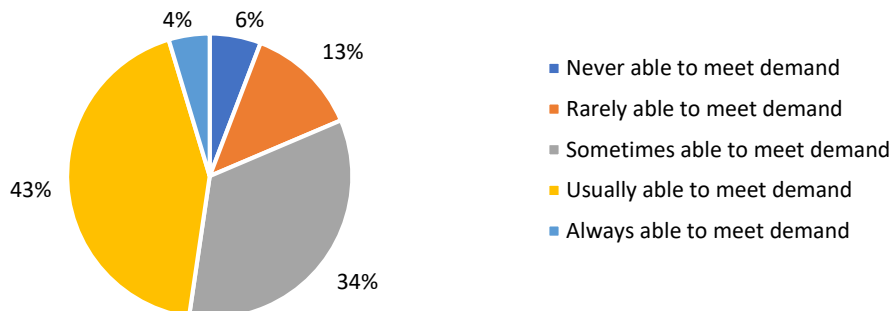
## Organisational Capacity to Meet Demand

Recognising the underlying definition of sustainability, we are working with, various factors may impact an organisation’s capacity to meet demand for services in their community. An increase in demand, an increase in costs, or a reduction of resources are among the variables which can hinder an organisation’s ability here.

*“...because of higher demand...a reduction of service provision, change of operation, or having to stop programs that have high staff costs and refer to other organisations.”*

In order to assess the extent to which organisations were able to meet demand in 2022, the survey contained a series of questions relating to this area. **Error! Reference source not found.** Figure 6 shows that 19% of respondents were never (6%) or rarely (13%) able to meet demand in 2022 while a further third of respondents (34%) were only able to sometimes meet demand. Which leaves less than half of respondents reporting themselves as usually (43%) or always (4%) able. That is, 53% of respondents were unable to meet demand in the past year while only 4% reported that they were always able to meet demand.

Figure 6. Organisations’ responses to which statement reflections the ability of your service to meet community demand, so far in 2022?



Regionally, organisations that reported always meeting demand were single-region operators in the Wheatbelt, Mid-West and South.

*“Our stretched budget is now at breaking point, meaning we cannot develop new projects or programs to assist.”*



## State Government Agencies and Contracts

Data was also collected relating to the agencies contracting with the social services sector together with the number of contracts made. Evidence was also collected relating to contract extensions and period of contract since 1<sup>st</sup> July 2016.

We have already reported that sustainability is an ongoing challenge impacted by financial and human resources concerns amongst other things. The number and period of contracts is an important indicator of administrative burden and funding certainty impacting job quality and defensive decision making in turn. The shorter the contract period (i.e. how long it runs), the less certainty faced by organisations, the more defensive their decision making and the higher the negative impact on service sustainability. Typically, short-term defensive decisions also impact longer term sustainability negatively and so immediate problems have the effect of building in future challenges. Additionally, job quality is impacted by contract periods and renewals as individual staff need to ensure they can earn an income—lack of certainty drives staff to undertake different options, often outside of the sector and often reducing the experience base of service delivery staff remaining.<sup>5</sup>

### Contract Period

The more contract renewals in a period, the greater the administrative burden for social service organisations and the government. The fewer renewals/extensions, the more certainty and less administrative overhead. In terms of responses made, the period of contracts and extensions varied from as little as 3 months to 5 years. The most common length was 5 years, with 25 responses. There were 24 organisations that noted extensions of 12 months and 4 organisations reported annual rollover of the initial contract. Reports of extensions of 18 months to 3 years were also common with 20 organisations within this range, mostly for 2-year extensions. Seven organisations reported at least one contract being extended by less than 12 months.

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*“Uncertainty of funding and constant applications and paperwork has more impact on service than indexation.”*

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### Number of Contracts

The number of contracts held also adds to the administrative burden of the social services sector and the government. Contractual renewals take time. So too does the administrative requirement to manage and report individual contracts. However, the drive to provide greater choice and control to service recipients also means that a greater number of contracts is required in order to meet that need. It also means that funding adequacy needs to recognise and compensate for the costs of managing multiple contracts.

The majority of respondents (76%) have 1-5 contracts with the state government to provide services to the community. Figure 7 shows the spread of contracts from 1-5 to over 30 contracts.

<sup>5</sup> For a fuller discussion pertaining to the impact of contracting iterations please see: Knight, P. A., and D. J. Gilchrist, (2015), 2014 Evaluation of the Sustainable Funding and Contracting with the Not for Profit Sector Initiatives and Associated Procurement Reforms, Government of Western Australia. Available here: [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=4201838](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4201838)



Figure 7. Number of contracts purchasing services by State Government

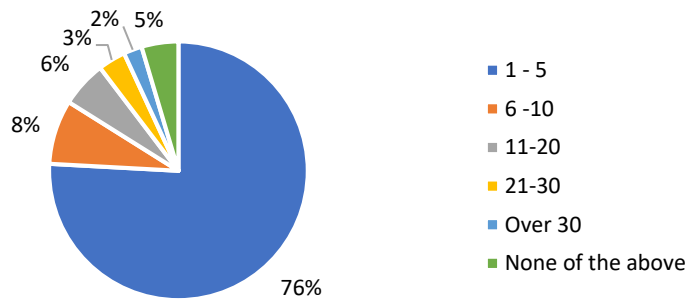
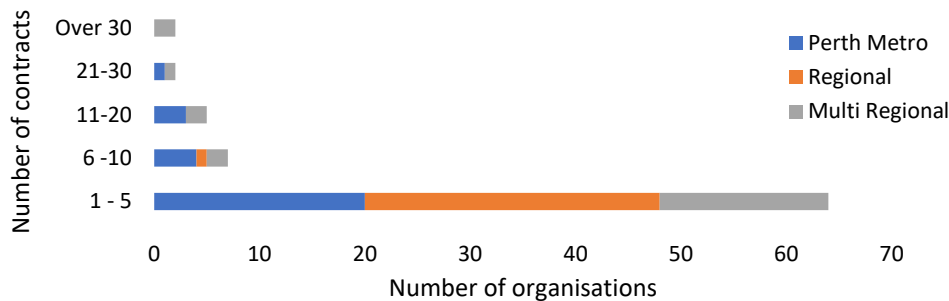


Figure 8 below shows the spread of contracts held regionally versus Perth metro. The smaller number of contracts held by the regional respondents supports the number of smaller organisations also operating in those locations.

Figure 8. Regional breakdown of the number of contracts purchasing services



Indeed, regional organisations reported almost solely in the range of 1-5 contracts while, as would be expected, organisations operating across multiple regions have the most contracts with government. Indeed, these organisations are the only ones that reported holding over 30 government contracts.

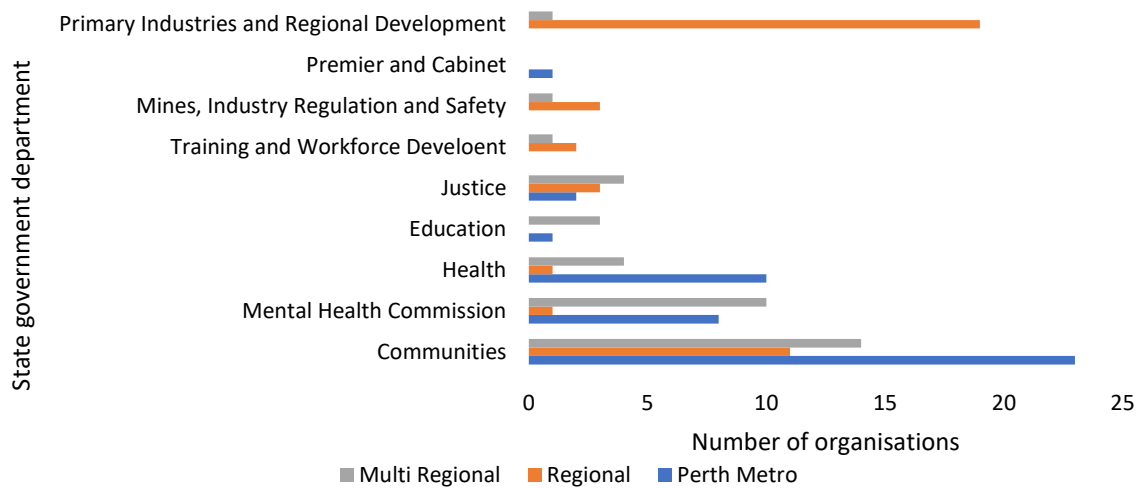
### State Government Agencies Contracting with Social Services Organisations

More contracts may also denote complex or greater amounts of services provided or an organisation operating state-wide may offer multiple services. There may also be contracts with various different government agencies. Figure 9 provides a breakdown of the state government agencies with which the respondents hold contracts by operating region.

As might be expected, the Department of Communities was the most involved department while the Department of Primary Industries and Regional Development was the next most reported department. Regionally, the Mental Health Commission was represented less as compared with the Perth metro area. Department of Justice also mostly contracted multi regional organisations, although Regional and Perth metro were contacted to lesser extents. Again, as expected, the Departments of Health and Education were active across all regions.



Figure 9. Region of recipient organisation by purchasing state government department



## Inadequate Funding: Defensive Decision-Making & Unintended Consequences

The volunteer directors and management of social services organisations have a responsibility to respond to the economic and social environment in which they operate. Further, they have an obligation to their organisation and its sustainability beyond that of their responsibility to their organisational mission. If they are continually experiencing challenging circumstances—whether because of financial and/or other causes—they must consider responses to ensure they remain solvent and that the quality of services delivered, including in relation to clinical quality and the safety of their staff and clients. As such, they are more likely to take conservative and defensive decisions ultimately reducing service quantity and diversity.

*“We are using our savings to cover the shortfall of expenditure.”*

### Organisational Reactions to Financial and Service Impacts

To gain an understanding of how the respondent organisations reacted to increasing costs and the challenging environment for service delivery, they were asked what measures, if any, they had taken in 2022. Organisations could select from a range of options and add additional other information.

Each of the possible courses of action had the effect of reducing or altering the services delivered or adding tasks to employee workload. Figure 10 below shows the number of affirmative responses to each of the options, with each respondent being able to respond to all options relevant to their organisation. These options have been simplified in order to graph them.





Figure 10. Percentage of organisations affirming each of the statements below.

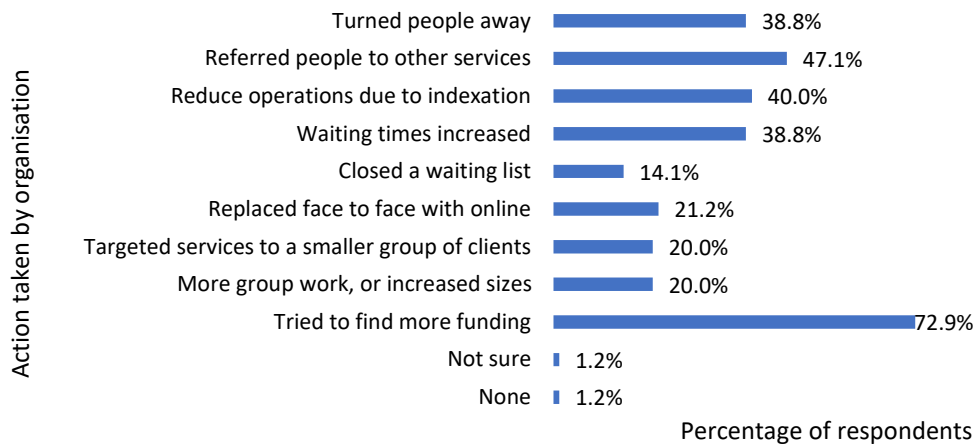
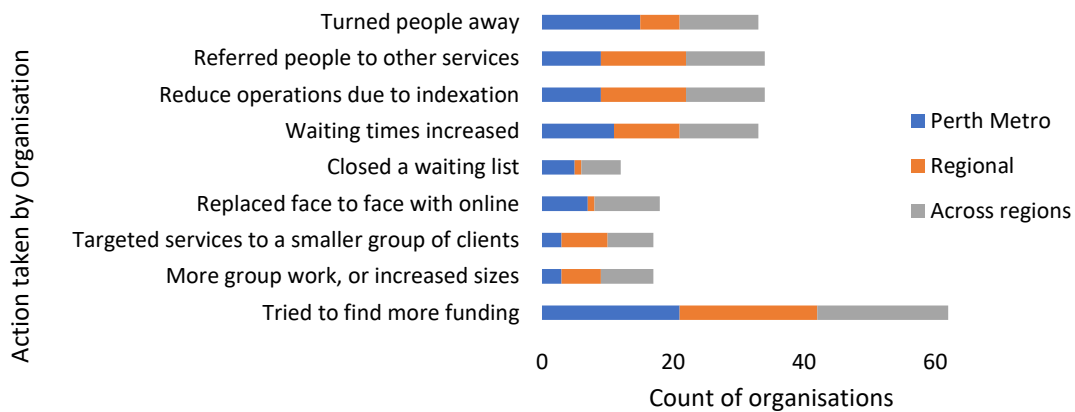


Figure reproduces this information by single region Perth Metro or Regional organisation, as well as organisations that operate across regions.

Figure 11. Count of organisations engaged in each of the actions with the number of actions they engage in



Interestingly, Perth metro organisations were more likely to have turned people away and regional organisations the least. Likewise, regional organisations were least likely to have closed a waiting list or replace a face-to-face service with an online service. However, this could be due to the type of services, the alternative providers available, and the access to internet services for the service users.

*“This just causes a vicious cycle and causes frustration and hopelessness in clientele who are being pushed from one agency to the other.”*

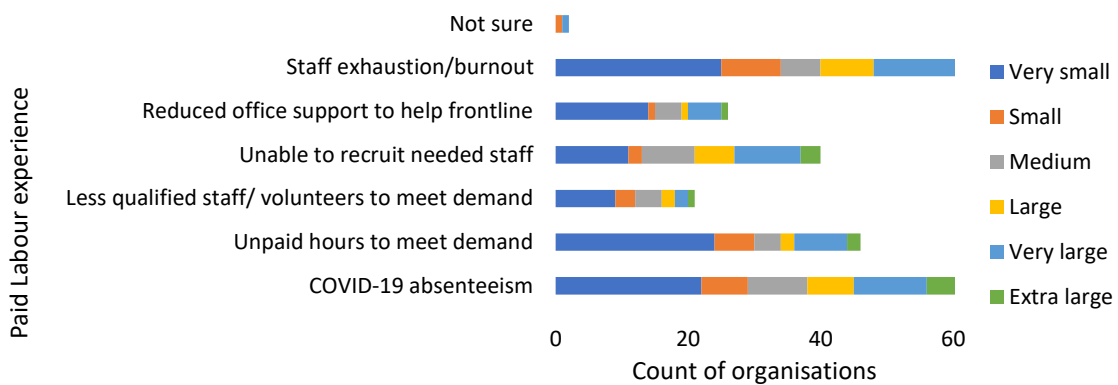


### Unintended Consequences of Poor Job Quality

Reducing the amount of paid labour is one of the most common courses of action an organisation may take when trying to mitigate rising costs or reduced income—this is especially so in a labour-intensive industry like social services. However, reductions in the labour force may also occur unintentionally when job quality is negatively impacted by the circumstances. Job quality reduction may be observed in the form of: not increasing paid hours to meet rising work demand; using more junior or inexperienced individuals to perform roles; and/or increasing workloads.

In order to assess job quality and labour issues, respondents were asked about paid staff experiences and business actions pertaining to paid labour. Figure 12 shows the number of organisations that reported particular outcomes relating to 2022. These responses are compared to organisation size as reported earlier to identify any correlations.

Figure 12. Count of organisations who experienced each of the impacts on paid labour with size of the organisation



The most common overall response was staff exhaustion/burnout with 78% responding accordingly. This is not related to organisational size and, as the other experiences and responses indicate, this may be due to a combination of factors within the organisations, the nature of the work, and the changing economy.

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*“Our staff are distressed at having to turn people away, which impacts in turn their mental health and our ability to provide a psychologically safe workplace.”*

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The second most common response was absenteeism due to COVID-19 with 72%. This is as expected throughout 2022, especially in this area of work. Of course, COVID would have had additional burdens on the organisations and service users at that time. This may have understandably added to the 54% of organisations who said staff worked unpaid hours to meet demand.

Other reactions included: to reduce office support staff to help maintain frontline (31%); to enrol less qualified staff or volunteers to meet the demand (25%); and to reduce operations (40.4%). Overall, 47% of the organisations reported that they could not recruit the staff needed.



In figure 13 below, we see that although each category of location is approximately even in number, the responses by organisations differ substantially. Organisations operating across multiple regions reported the lowest incidences by far for all questions. This may be due to the nature of the work, or that in order to work across regions they may have different processes or be more financially viable.

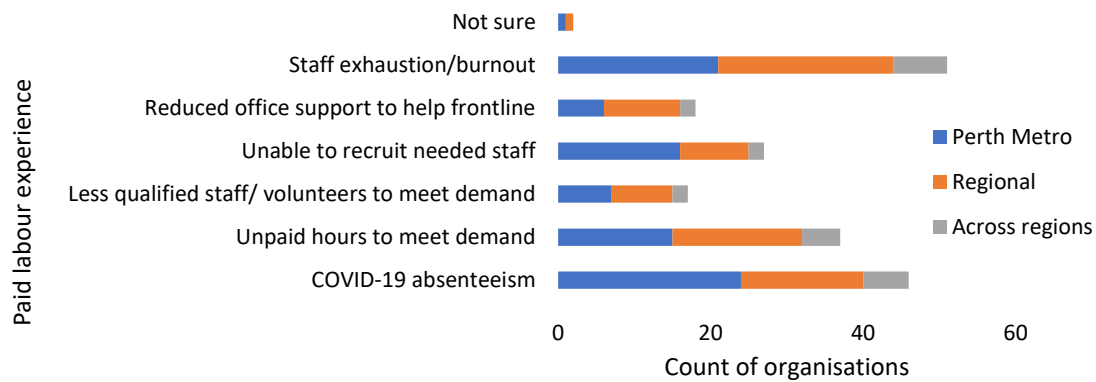
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*“...our part-time and mainly female workforce is disadvantaged, and the gender pay gap widens.”*

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Regional organisations responded positively slightly higher in the majority of the questions except for COVID-19 absenteeism and recruiting needed staff. Staff exhaustion/burnout had the highest representation in regional organisations, followed by reducing office support staff to help maintain the frontline workforce and working unpaid hours to meet demand.

Figure 13. Count of organisations who experienced each of the impacts on paid labour with regional location of operations




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*“We will have to reduce staff levels in the future to ensure we remain financially viable.”*

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*“Since the start of 2022, our waitlists have on average doubled, from two weeks to four. Some service waitlists are beyond two months.”*

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*“As well as reducing the value we provide to clients, this means our experience staff are more likely to look for other work which compromises our succession planning and the resilience of our organisation.”*

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## Outlook for 2023

This survey was completed in October and November of 2022. Since then, Perth and other parts of Australia have continued to experience rises in inflation and higher interest rates impacting staff earnings value and, thus, job quality. There is also speculation of a global recession, and Western Australia has seen natural disasters of flooding and fires—all adding to the level of uncertainty felt and the likely conservative response resulting in service reduction.

Other indicators of concern include: organisations involved with the NDIS are facing 'increasing losses' as organisations step away from the scheme across the country;<sup>6</sup> Medicare is deemed to not work for patients nor doctors, as more GPs turn away from bulk billing;<sup>7</sup> and the housing crisis continues across the country<sup>8</sup> with those who are paying their home off, to be expecting to face a mortgage cliff.<sup>9</sup>

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*"The inadequate indexation has resulted in us having to rethink and remove many of the additional services provided and return to only those activities that we are funded to deliver."*

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All these factors combined, individuals facing challenging life decisions<sup>10</sup>, regional communities being more vulnerable<sup>11</sup>, increases in demand for social services<sup>12</sup>, and social services themselves feeling the squeeze<sup>13</sup>, the outlook and expectations for 2023 come with very grey clouds overhead.

Respondents to this survey were asked two specific questions relating to their intended operations in 2023:

*Will you need to reduce employee hours due to increases in award conditions and the State indexation on your contract at 3.53% not covering the real cost?*

*Will you need to reduce your service due to short falls in funding?*

In response, 65% of organisations signalled their intentions by responding **Yes** to reducing employee hours in 2023 and 73% responded **Yes** to reducing services in 2023. Only 23% of organisations responses **No** to both of these questions while 59% responded **Yes** to both. This is demonstrated by region in figure 14.

<sup>6</sup> <https://www.abc.net.au/news/2023-01-12/ndis-providers-facing-increasing-amounts-of-losses-nds-warns/101846022>

<sup>7</sup> <https://www.abc.net.au/news/2022-12-05/grattan-institute-medicare-overhaul-report-doctors-paid-work/101727432>

<sup>8</sup> <https://www.abc.net.au/news/2022-11-22/families-left-living-in-tents-as-australian-housing-stress-grows/101680564>

<sup>9</sup> <https://www.abc.net.au/news/programs/the-business/2022-12-05/homeowners-with-fixed-rate-loans-are-facing-a/101736144>

<sup>10</sup> <https://www.abc.net.au/news/2022-07-03/australia-rising-cost-of-living-forcing-some-to-change-lifestyle/101186724>

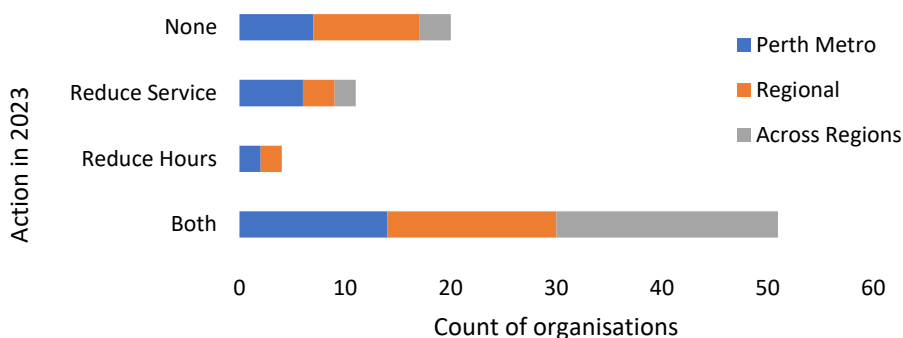
<sup>11</sup> <https://www.abc.net.au/news/2022-03-27/cost-of-living-increase-regional-australia/100936172>

<sup>12</sup> <https://www.abc.net.au/radionational/programs/breakfast/spike-in-demand-for-social-services/13923668>

<sup>13</sup> <https://www.abc.net.au/news/2022-12-10/rising-rent-placing-community-providers-under/101757664>



Figure 14. Expected actions for 2023 by region of operations



Responses pertaining to both courses of action appear to be fairly even in both Perth (14) metro and Regional (16) organisations. However, the response was made by larger numbers of organisations operating across multiple regions (21).

These results confirm that most organisations are making decisions to remain operational which impact both the organisation’s sustainability and ability to deliver services to the community. Organisations in Perth metro are typically more secure than their regional counterparts. However the communities in Perth metro also have greater options for support and access such that the impact of changes implemented by one organisation may not impact service users to the extent that similar changes may impact service users in the regions.

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*“...the short fall in funding directly impacts our ability to operate at the correct capacity...which in turn directly impacts the quality of our service delivery.”*

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Communities in regional Western Australia have fewer alternatives if services are to be reduced and, likewise, organisations and workforce personnel likely have fewer supports to rely on for short- or long-term support or changes. Organisations operating across multiple regions are typically larger and have more resources, although may be less flexible to adapt quickly to change.

## Recommendations

Rectifying the indexation methodology will help ensure sustainability, efficiency and effectiveness in the delivery of social services in Western Australia into the future. It will save government money in the medium-term, increase the economic benefits arising from ongoing employment of staff while maintaining certainty and sustainability of service delivery for the most vulnerable people and communities in Western Australia.

As such, the results of this research support the recommendation that the Western Australian government adopt a suitable industry index and collect data needed to calculate it at least annually.



However, the accumulated impact of poor indexation over many years has also meant that the social services workforce is negatively impacted by poor job quality—pay rates, job certainty, hours available—which are also symptoms of poor indexation over a considerable period.

As such, we provide two key recommendations built on the findings included in this report:

**Recommendation 1:**

The industry peak bodies and the West Australian Government collaborate to develop and implement an appropriate indexation calculation model to ensure that the true cost of services delivery is reflected in contract values for the life of the contract. This would require:

- a. The identification and allocation of resources from government in order to support the implementation process and the on-going operation of the scheme, including in relation to financial support to social service organisations chosen as part of the panel to contribute their data
- b. The industry and state government to agree a panel of social service organisations from which data will be collected with panel members being selected based on the need to represent the industry in Western Australia
- c. The industry and state government agree the data attributes required
- d. The establishment of a data collection process (preferably automatic and direct)
- e. The establishment of an analysis and reporting process, including the identification of a body to undertake these processes
- f. The establishment of a bilateral oversight committee that will provide a governance framework relating to the data asset created, its use and enhancement

**Recommendation 2:**

We recommend that the state government commission a review of regional social service gaps, demand and unmet need which is to be used to underpin the design and implementation of a regional service network model.

**Recommendation 3:**

We recommend that the state government address workforce retention challenges by:

- a. providing top-up funding to support the sustainability of service providers prior to the next re-contracting process;
- b. budgeting for Fair Work deliberations on gender wage equity across the human services industry;
- c. Fast-track the implementation of the State Commissioning Strategy



## Concluding Remarks

There is little doubt that social service providers are under significant financial threat. This results from each of the three elements of sustainability not being met effectively while that of indexation specifically—the focus of this study—being a very significant cause of poor sustainability as a result of year-on-year poor indexation policies having accumulating effects over time. The resultant reactions that have to be undertaken by service providers—and demonstrated in this research—serve to reduce the sector's capacity further, forcing social service organisations into a spiral of unsustainability as they reduce staff, reduce activity and under invest.

Regionally based organisations operating outside of Perth appear less sustainable than those operating solely in the capital city. This confirms the increasing inequity experienced by service users in those locations, with an expectation that the more isolated a service user or community is, the more likely it is not receiving the service mix it needs.

Further, the real risk associated with service delivery contraction is borne by service users—vulnerable people and communities who need support and services. Unfortunately, the nature of reductions in service delivery are such that unmet need can go unnoticed as demand is based on funded activity not on identified need. Inadequate funding outcomes are very likely to be resulting in people and communities not receiving what they need to live their lives.

The forecast responses to the financial and other challenges facing the sector and reported to be undertaken in 2023 included 73% of respondents indicating that their organisation would likely reduce their service offering and 65% of respondents indicating they intend to reduce staff hours. This in the context of 53% of respondents saying they could not meet demand already in 2022.

Overall, the results of the WACOSS State Sustainable Funding Survey are very worrying and the key indicators of risk, including staffing challenges and service reductions must be taken seriously.



## Appendix - Descriptive Summary of Respondent Organisations

In this appendix we provide a fuller description of the respondent organisations. Some parts of this section have been reproduced above in order to ensure the context of the findings is included. In all, 90 organisations had commenced the survey responses between October and November 2022. Of the 90, 87 completed the questionnaire to the end of the question set and their responses were analysed and are represented in this report. This represents 48% of WACOSS’ social services member organisations.

### Location

The needs of communities differ across regions of Western Australia and, likewise, the costs associated with supporting those communities. For example, services including home visits differ in costs due to car and fuel usage and prices across regions, as does accommodation due to housing prices and costs in any given region. The individual’s need may not differ at all, but the capacity of organisations to provide services and supports are likely to region by region.

Figure 15. Regional spread of organisations

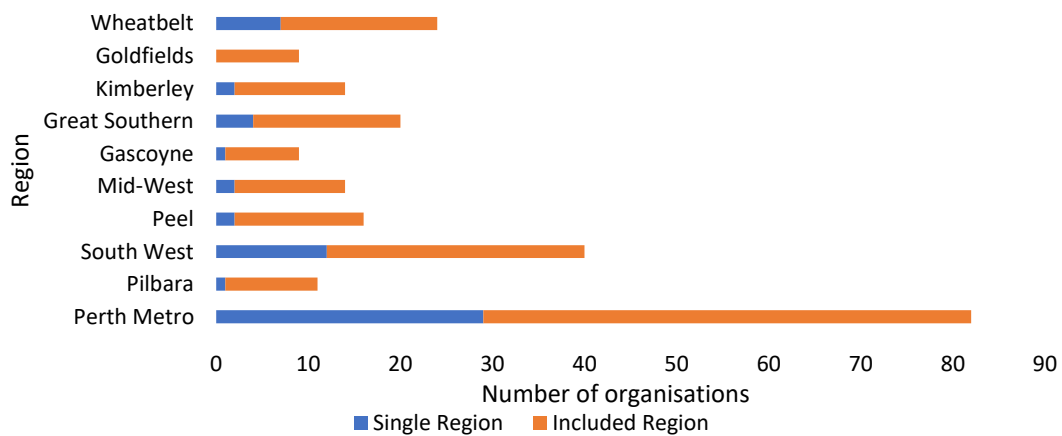


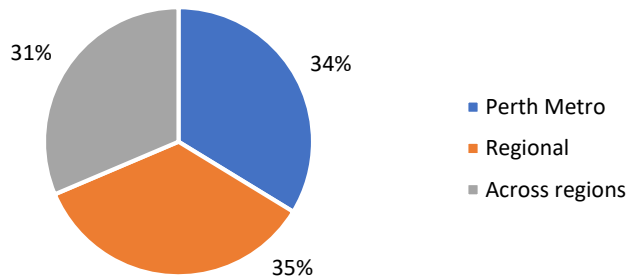
Figure 15 shows the number of organisations responding to the survey that operate in each of Western Australia’s key regions. This is reported by organisations operating in single region, as well as the organisations who included said region in their areas of operation. This is notable for the number of services available to the communities in these regions, as well as the reach of an organisation’s operations.

Of the 87 respondents, 70% reported operating in only one region, 20.7% operated in 2-3 regions, 3.5% operated in 4-5 regions, 1.2% operated in 8 and 5.8% operated state-wide. At time of data collection, 5 organisations reported that they operated ‘state-wide’ as an alternative response which has been indicated as a positive response in all regions for data reporting purposes. Figure 16 provides a summary representation of the spread of operations of the responding cohort.





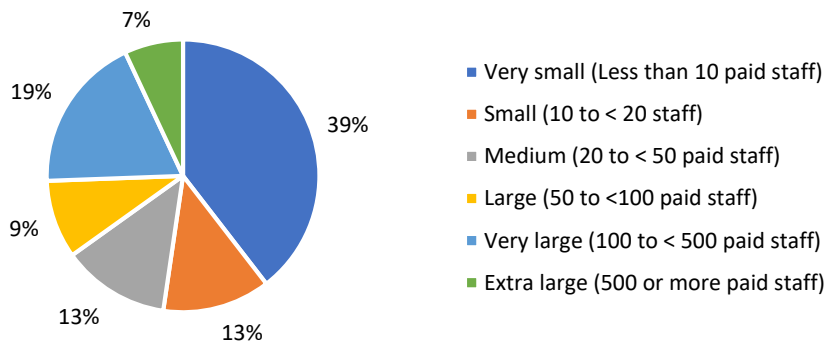
Figure 16. Regional spread of respondents



### Size of Organisations

Organisation size is categorised by number of paid staff. This does not indicate full time, or part-time staff. However, the spread (less than 10 for very small, and greater than 500 for extra-large) allows us insight into organisation operations. Not only does calculating size by paid staff indicate the complexity of operations and labour intensity of the mission purpose, but also the size of labour cost required in total expenditure. Figure 16 provides a breakdown of the cohort by size.

Figure 16. Spread of organisation size



We can see from figure 16 that *Very small* (39%) organisations combined with *Small* (13%) made up 52% of respondents. That is, the majority of respondents had less than 20 paid staff. *Very large* (17%) and *Extra-large* (7%) organisations made up over a quarter of the respondents, with over 100 paid staff employed by each organisation. *Medium* (13%) and *Large* (9%) organisations made up the remainder of the respondents.

Organization size and region are significant to consider in the discussion of sustainability. Regional organisations face different sustainability challenges to those based in Perth metro. Hence, it is necessary to identify to understand organisations separately to Perth. The challenges faced are both unique to the areas for service users and organisations but also include the ubiquitous issue of distance and isolation.

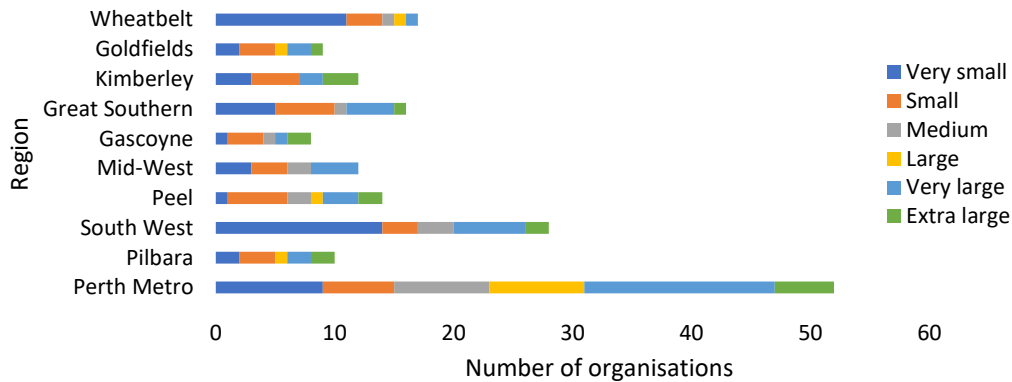
Recruitment and retention of staff differs in regional areas, as well as availability of resources and volunteers. Economic challenges faced by the community may also be faced by the organisation, while the scarcity of resources and reality of isolation are experienced by both.

For added detail, the size of organisation by operation in region is shown in figure 17 **Error! Reference source not found.** below. Somewhat expectedly, the South West (14) and the Wheatbelt (11) have the



largest number of Very small organisations, although Perth Metro has the greatest amount of Medium (8), Large (8), Extra-large (16), and Very large (5).

Figure 17. Regional spread and organisation size

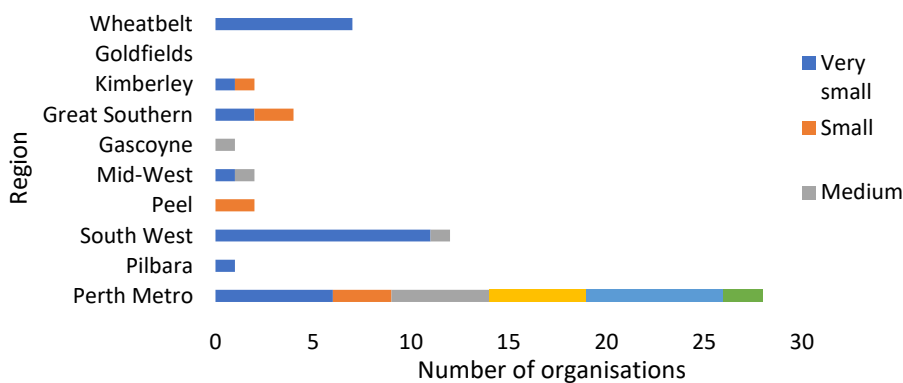


This figure is useful to identify the strength and complexity of organisations serving the reported regions, however, it does not indicate the extent of the organisation’s involvement in a particular region. For instance, where a multi-region organisation’s sustainability is under threat, they may survive by reducing services to a region. Likewise, a single region organisation may have to close its doors or turn away demand, leaving a deficit of support for the community.

Figure 18 **Error! Reference source not found.** below instead shows size of organisation by single region operation. That is, the organisations that focus solely on the reported region and hence where all resources are located. The size and single-region-focus of an organisation may indicate its flexibility and adaptability to meet the community’s needs, while it may also be indicative of vulnerability and susceptibility to sustainability responses.

This shows that most single-region organisations-regardless of size-reside in Perth metro. South West has the next largest number of exclusive organisations with Very small (11) and Medium (1) organisations. The Wheatbelt is home to 7 small organisations and although most regions have a variety of small to medium organisations, the Goldfields have none exclusive to that region.

Figure 18. Single region spread and organisation size



This may not impact communities in the Goldfields at all, as we have seen that organisations do service the Goldfields as well as other regions. However, the lack of Goldfields-specific organisations may indicate that there is a gap in the need for services in the communities, rather than a lack of demand or provision as defined by policy and regulation.