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The South Australian Council of Social Service  
(SACOSS) submission into the contribution  
of the not-for-profit sector

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June 2009

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# The South Australian Council of Social Service (SACOSS) submission into the contribution of the not-for-profit sector

SACOSS submission | June 2009

## Scope of Interest

SACOSS is the peak body for social services in South Australia. SACOSS is a not-for-profit independent organisation and our members represent a wide range of interests in social welfare, health and community services. SACOSS is part of a national network assisting low-income and disadvantaged people, and shares with its members the *vision of justice, opportunity and shared wealth for all South Australians*. In addition, SACOSS is an independent non-Government organisation with a proud sixty year history of advocating for disadvantaged and vulnerable consumers.

SACOSS welcomes the Productivity Commissions' Review into the Contribution of the Non-Profit Sector. In our role as a peak body for community services in South Australia we cover a broad range of policy areas including the impacts of disadvantage on the most vulnerable South Australians. In respect to vulnerable and disadvantaged consumer issues over recent years we have led or participated in the debates and advocacy in the areas of consumer credit, electricity, gas and water, telecommunications, financial counselling, payday lenders, food security and gambling.

Our submission to this review is based upon the perspectives, knowledge and experience of our membership and also a wider representation of other non-profit organisations who work and advocate on behalf of those most vulnerable and disadvantaged in our community.

## Summary of recommendations

SACOSS, through consultation with the non-profit sector in South Australia suggests the following changes need to occur to create a supportive environment in which government and non-government can work together effectively;

### Contribution of the sector

1. Government to recognise the breadth, diversity, contribution and need of the non-profit sector

### Funding and reporting

2. Reporting obligations need to be more effectively tailored (by collaboration between government and services) to each service/program and measurements

need to be developed that actually measure the impacts of the service rather than simply measuring economics and counting the numbers of service users.

3. Government to provide organisations with longer funding periods (3-5 years) in order for services to benefit from security of tenure and to establish longer term programs, initiatives and innovations.
4. Funding and service agreement evaluation activities need to be less invasive on services or additional funding needs to be provided to undertake this often onerous and time consuming task.
5. Funding needs to recognise the advocacy, research, policy development and consolidation work undertaken by the sector.
- 6. Funding should provide for the full cost of service and include formal indexation mechanisms.**

#### Relationships and partnerships

7. 'Real' partnerships need to be developed between organisations and funding bodies that are less patriarchic in nature in order to facilitate better information sharing, better service delivery and better policy advice. Partnerships that replicate agreements such as 'Common Ground' in South Australia need to be developed to provide a formal mechanism to assist greater collaboration and partnerships.
8. Government to give greater support to the role of the Peaks in representing the sector and in channeling communication through to non-profit organisations.
9. Government needs to recognise and embrace the knowledge, experience and ideas contained within the sector and the innovation that can develop through positive reciprocal collaboration between the government and the non-profit sector.

#### Regulations and bureaucracy

10. The constraints of legislation, regulations and bureaucracy need to be reduced in order for organisations to get on with the work that they are charged to do.

#### Workforce issues

11. Reduce the gap between salary levels for non-profit organisations and government and private sector positions to stem the flow of workers from the sector. The sector needs to be able to offer comparable salary packages and conditions that attract and retain skilled and appropriate workers.

## Introduction

Non-profit organisations have played an essential role in the history of Australian society almost from this country's inception. In the 19<sup>th</sup> Century, the non-profit sector stepped into essential roles and provided important services when the government extracted itself from most human services barring health, child protection and education.

The non-profit sector consists of private, non-government organisations whose objectives of operation, while not strictly charged with accruing profit, are both social and economic.

Non-government organisations draw their funding and resources from a wide range of sources. For many non-profit organisations a majority of this revenue is raised by the sale of products or services. Other funding is often raised through government grants, and contracts, membership fees, fundraising, bequests and donations.

There can be little argument that the non-profit sector has cemented itself in Australian life as a vitally important way in which citizens can access services that allow them to live more whole and productive lives. More specifically, the sector provides citizens the environment in which to enjoy amenity, and more importantly, access and equity as clients, participants and volunteers.

## The social and political contribution of the non-profit sector

The non-profit sector provides an identity and a voice for the marginalised, vulnerable and disadvantaged which enables the positive informing of social policies and assists in social change. We explore and seek to ameliorate the structural cases of social disadvantage. The strengthening of democracy by the non-profit sector has been researched for well over 100 years. In American research that took place after World War II it was discovered that societies that had increased citizen participation within voluntary associations had characteristically strong democracies. This involvement in voluntary associations is a strong determinant in participation within the political realm. Other important work carried out by the non-profit sector and in particular peak groups that contributes to a healthy democracy is to analyse, comment on and lobby for inclusive and just social policy.

### 1. The political landscape

While we have had a change in government that has heralded many changes both politically and socially, we continue to live in a society that puts short-term economic interests first and encourages the pursuit of individualism and wealth, rather than altruism and happiness. Government and industry are driven by the priorities of the market and its values of materialism, individualism and competition. Within this paradigm, the sense of community is lost.

The previous Liberal government systematically dismantled many of the social, political, and workplace related structures that had been a part of our lives since Australia's inception. They dismantled compulsory unionism, compulsory student unionism, de-funded non-profit organisations and recreated employer biased workplace laws that made it virtually impossible for workers to strike or to fight for a fairer deal.

Within the neo-liberal tradition of non-interventionist governing, the federal government perceived the non-profit sector (particularly those organisations charged with advocacy) as artificially interfering with the invisible hand of the free market. It has to be noted that the chagrin the former government felt towards the lobbying and policy analysis work of the non-profit sector, and in particular the work of Peak organisations is unfortunately not unique to Liberal governments.

The de-funding that occurred caused the disbanding of some services and the forced amalgamations of other services. Further, Peak bodies have been affected in their consultative and advisory role, both to government and to smaller organisations, due to changes in funding arrangements. The original funding arrangements allowed non-profit organisations to provide informed advice to government on policy formulation as well as advice to other organisations on administration and advocacy issues.

The reality is that the non-profit sector was neglected, attacked, derided and de-funded by the former government and the fact that it survived with any integrity or independence is a testament to its efficiency and effectiveness in maintaining its function as a mechanism of delivering important services to the disadvantaged and delivering active citizenship. The damage created by the previous government needs to be repaired and this should include efforts by the current government to regain the confidence of the sector. An independent and impartial non-profit sector is vitally important for not only providing services, consultation, advice and support to the Australian public but it is also vitally important to the successful functioning of a vibrant and inclusive democratic system.

## 2. The breadth and economic contribution of the non-profit sector

Unfortunately when we endeavour to describe and quantify the non-profit sector we immediately encounter difficulties. The distinguishing features that separate for-profit and non-profit organisations are not clearly delineated, therefore it is problematic to determine and identify the actual size and financial/social contribution of the non-government sector in Australian life.

In 2006/07, Mark Lyons (2009) found that Australia had at least 41, 000 economically significant non-profit organisations and these organisations;

- Employed 995,000 people, which equates to 8.6% of Australians in employment
- Had an income of \$74.5 billion annually
- Contributed \$34 billion, or 3.4%, to GDP annually

- Made an economic contribution equivalent to that of the government administration and defence industry and one and a half times that of the agriculture industry.

Further, the contribution of the sector is not only counted in the paid labour force that is generated from our work. Volunteers comprise much of the workforce that undertakes the work of the sector. This voluntary workforce is necessitated by the breadth of work that needs to occur coupled with resourcing issues caused by inadequate funding.

- During 2006, 5.2 million Australians, 34% of adults, volunteered a total of 620 million hours of labour for non-profit organisations of all sizes; a further 93 million hours were donated to government and for-profit entities.
- Of this 620 million volunteer hours, 52% were for organisations that rely entirely on volunteer labour; 48% was for nonprofits that also employ staff

The contribution from the sector's volunteers is roughly equivalent to an additional \$13 billion donated to the non-profit sector.

The non-profit sector ranges from small clubs and organisations such as walking groups and dog clubs to large and expansive organisations such as UnitingCare and Anglicare who work within budgets of millions of dollars and employ thousands of people across the country. While not all organisations are easily identifiable, it is clear that the value of the non-profit sector to labour markets and GDP in Australia is immense and requires government recognition of the diversity, breadth and contribution of the non-profit sector in delivering services to the community and providing access and avenues for increased social participation.

**Recommendation:** Government to recognise the breadth, diversity, contribution and need of the non-profit sector

### 3. The problems with measuring the impact of the sector

The problems associated with measuring the non-profit sector begin when we measure simply in terms of dollars or outputs such as client numbers. Government and the sector need to refocus and develop measurement tools that measure against indicators of scientific, social and cultural capital not just in economic terms. The non-government sector is a major means of providing opportunities for active citizenship which is an element that is extremely difficult to quantify.

Further, improving measurement needs to be done in ways that are not invasive and if additional administrative burdens need to be imposed they must be adequately resourced by funding agencies. There is a distinct need for the sector to be recognised for its importance in providing base data and critical analysis to inform government policy and for these to be adequately resourced.

The evaluation that is expected by government which is linked to funding and service agreements is unnecessarily onerous and the results obtained from this process do not paint the complete picture. Evaluation should be utilised to inform and provide the evidentiary basis necessary for appropriate strategic planning, funding arrangements, social service planning, and ultimately provide the knowledge necessary for determining better public policy decisions. Government needs to shift their focus to view effective evaluation as a way to not only determine whether money has been spent efficiently and appropriately but also that services and programs are aligned with strategic directives and the need that has been identified in the community. This kind of evaluation not only builds the capacity of the sector and increases participation within public policy development, but it also contributes to the delivery of quality services to clients.

Another aspect of the sector that is difficult to determine is the contribution of volunteers to the work of the sector. Volunteer labour comprises a large amount of the work that is undertaken in the sector and this work is not being adequately reflected in figures. To this end, a greater focus on the work that is performed by volunteers and their satisfaction levels needs to be acknowledged and undertaken. Measurement of the contribution needs to extend to elements such as measuring satisfaction and skill development of the volunteers in the sector. Clearly, a strong framework to protect and value volunteers is essential to a strong, responsive and effective third sector.

Moreover, non-profit sector agencies have advised of what has been described as the data black hole. Agencies consistently complain of onerous, time and resource consuming reporting and data collection obligations that are provided to the government never to be seen again. Agencies argue that the data obtained from these arduous obligations is often inconsistent with the goals of the organisation and the services provided and the data collected does not adequately measure the impacts of the service.

More appropriate, tailored measures need to be developed in conjunction with each service that paint a more complete picture of the work that is done and the impacts upon the client base.

**Recommendation:** Reporting obligations need to be more effectively tailored (by collaboration between government and services) to each service/program and measurements need to be developed that actually measure the impacts of the service rather than simply measuring economics and counting the numbers of service users.

**Recommendation:** Funding and service agreement evaluation activities need to be less invasive on services or additional funding needs to be provided to undertake this often onerous and time consuming task.

**Recommendation:** Funding needs to recognise the advocacy, research, policy development and consolidation work undertaken by the sector.

**Recommendation:** Funding should provide for the full cost of service and include formal indexation mechanisms.

## 4. Funding to the sector

The former governments', neo-liberal influenced 'New Contractualism', particularly within the federal funding arena placed unsustainable constraints upon services that led to the demise of many services and organisations. State based Contractualism is similarly constraining and often places undue obligations on organisations (particularly smaller organisations), to undertake onerous and arduous processes to prove their worth. These processes, while time and resource consuming do not attract extra funding for their completion.

Purchaser provider contracts are still the main means of funding to the non-profit sector. Purchaser-provider contracts oblige the recipient to deliver specific outcomes that are directly related to government policy and directives. This has created the perception that the non-profit sector is the 'service arm' of government and as such is then expected to align their goals and objectives to work to the governments strategic plans. This precipitates a constant battle for the non-profit services to maintain and protect their organisational autonomy and sovereignty within an environment that encourages conformity and organisational alignment.

Short-term contracts are an additional constraint to service that causes the constant loss of workers and inconsistency of service to service users. The sector argues that there is a great necessity for longer term funding cycles to enable the sector to function effectively and efficiently through the benefits of security of tenure and the ability to establish longer term programs and services.

Non-profit organisations also protest at the ever present constraints of legislation, regulations and bureaucracy that act as persistent barriers to effectively delivering the services that they set out to achieve. Organisations are aware that regulations and processes are necessary to ensure quality service and accountability but increasing measures are getting in the way of service delivery. SACOSS contends that government needs to be aware of the halting effect of structural and bureaucratic red-tape in regards to organisational resources and service delivery.

**Recommendation:** Government to provide organisations with longer funding periods (3-5 years) in order for services to benefit from security of tenure and to establish longer term programs, initiatives and innovations.

**Recommendation:** The constraints of legislation, regulations and bureaucracy need to be reduced in order for organisations to get on with the work that they are charged to do.

## 5. The government/NGO sector disconnect

Essentially, the government funds the non-profit sector to provide services to target groups or ameliorate problems that have been identified by government as areas of concern. The sector, while cognisant of its role in this process is concerned by the blame that is apportioned to it when problems still exist after services have been delivered. To this end the sector contends that government needs to be more responsive to the sector's policy advice and we need to be consulted more about program and policy development. More collaborative ways of working also need to occur that enables a greater sharing of information and experience.

As stated earlier, much of the current relationship between government and non-government centres on purchaser-provider contracts and onerous reporting obligations. This has led to a culture of suspicion and disrespect on both sides of the fence.

One good example of where government and the non-government sector have entered a formal partnership is the 'Common Ground' agreement between the government of South Australia and the community services sector. The agreement was signed between the Department of Health, The Department for Families and Communities and SACOSS in 2004 and was designed to provide a formal framework for greater engagement by government and non-government in services that are provided to the community. The government has benefited from greater engagement and consultation and the community sector has benefited by inputting into and influencing better public policy and service provision. The agreement was recently reviewed by government and SACOSS (in consultation with the community sector) and is currently being re-written to encapsulate greater mechanisms for collaboration and consultation between the sectors.

**Recommendation:** 'Real' partnerships need to be developed between organisations and funding bodies that are less patriarchic in nature in order to facilitate better information sharing, better service delivery and better policy advice. Partnerships that replicate agreements such as 'Common Ground' in South Australia need to be developed to provide a formal mechanism to assist greater collaboration and partnerships.

**Recommendation:** Government to give greater support to the role of the Peaks in representing the sector and in channeling communication through to non-profit organisations.

## 6. Workforce issues

While the sector may rival and even surpass government in its levels of academic achievement, experience and professionalism – it is under-resourced, staffed by people working in various flexible capacities and subject to competing employment and other demands.

The non-profit sector is experiencing increasing difficulty in attracting and retaining good and qualified workers to the sector. The wages and conditions are historically much lower than comparable sectors leading to a working environment characterised by low wages, short-term contracts and casualised and part-time work. In order to mitigate the exodus of workers from the non-profit sector to the public and private sectors, the non-profit sector is seeking to diminish the gap in salary levels. Workers are moving out of the non-profit sector to fields where the financial rewards are much higher. The result of this worrying trend will be a significant impact on the ability of the sector to provide a safe and productive environment for staff and service users.

This has led to much innovation in the sector developing creative packages to attract and retain staff; however the allure of greater remuneration elsewhere (particularly within the context of the Global Financial Crisis) has not acted to stem the flow out of the sector.

Award modernisation is another element that will affect the ability of non-profit organisations to manage staff and core business in the foreseeable future. So far, in the tier 1-3 modernisations' there has been a trend towards adoption of the Eastern seaboard rates which can be translated to about an 8% increase in wages, 5% increase in loadings and in some cases additional annual leave. In South Australia, the sector is concerned that if both State and Federal governments are not intending to increase funding to assist organisations to pass on the additional wages and conditions we will see a number of community service organisations having to close as a result of being unable to pay for the increases in wages.

**Recommendation:** Reduce the gap between salary levels for non-profit organisations and government and private sector positions to stem the flow of workers from the sector. The sector needs to be able to offer comparable salary packages and conditions that attract and retain skilled and appropriate workers.

## 7. The opportunity for social innovation

While there are contentions and constraints between the government and the non-profit sector, many of which have been identified within this submission, there has also been some good work conducted by the government in partnership with non-profit sector agencies, business and the community.

In 2005, the State Government, through the South Australian Social Inclusion Unit developed the Innovative Community Action Networks (ICANs) to address issues around school retention. ICANs are comprised of government, the non-profit sector, community groups, families, young people, education staff and businesses. The aim of the ICANs is to increase school retention in particular regions through a collaborative approach that was designed to garner the good ideas present in the community. Strategies would then develop from these ideas and programs and processes would then be implemented on the ground to assist in better school retention. Further, a range of agencies were charged to engage participants by providing learning experiences that were linked to more formal school learning (Atelier Learning Solutions, 2007)

In 2007, an evaluation was undertaken that sought to determine the effectiveness of ICANs. It was found that ICANs had dealt with over 2,500 young people through a wide range of programs and it had been largely successful in re-engaging and maintaining engagement with the education system. Further, the data demonstrated that 82% of participants moved into mainstream learning or work (Atelier Learning Solutions, 2007)

As has been demonstrated in this submission, the non-profit sector has had to become increasingly innovative in order to survive through harsh political times, and to provide the services that it is charged to provide. Our sector is brimming with knowledge, experience, ideas and advice that can positively influence better public policy and better service delivery. As the previous case study demonstrates, greater innovation and positive results can develop from better consultation, collaboration and engagement by government with the non-profit sector and the community.

**Recommendation:** Government needs to recognise and embrace the knowledge, experience and ideas contained within the sector and the innovation that can develop through positive reciprocal collaboration between the government and the non-profit sector.

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