

TO
FAIR WORK AUSTRALIA

IN THE MATTER OF
THE APPLICATION BY THE AUSTRALIAN MUNICIPAL,
ADMINISTRATIVE CLERICAL AND SERVICES UNION AND
OTHERS FOR AN EQUAL REMUNERATION IN THE SOCIAL
AND COMMUNITY SERVICES INDUSTRY

SUBMISSION BY



COMMUNITY EMPLOYERS WA

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Community Employers WA

Community Employers WA (CEWA) was established in late 2007, by a group of 29 CEOs of major non-government, not-for-profit (NFP) community service provider organisations (founding members) in Western Australia.

CEWA's concerns are threefold:

1. Staff in the community sector in WA are not paid fair and just salaries;
2. The community sector in WA needs a stronger and more meaningful relationship with Government; and
3. It is unlikely that community sector organisations will be able to continue to provide certain community services with current government funding levels.

CEWA's primary objective is to secure a 30% increase in government funding to non-government, not-for-profit community service organisations in Western Australia, to create the capacity to allow organisations to improve salaries and wages for staff so that they are fair and just and to ensure that vital community services remain viable.

CEWA's operations are solely funded by its member organisations, which demonstrates both the commitment of these organisations and the importance they place on achieving CEWA's objectives.

Community Employers WA was officially launched in November 2008.

In July 2009, CEWA appointed an Executive Director to manage its day-to-day operations, further demonstrating its commitment to achieving its objectives.

In September 2009, CEWA was officially registered as an Employer Organisation by the Industrial Relations Commission of Western Australia, under the provisions of the Industrial Relations Act 1979.

CEWA currently represents over 100 community service organisations in WA, with a growing membership base (see Appendix 1).

Community Employers WA is not a peak body. It seeks to collaborate and cooperate with existing peak and other representative bodies which have aims and objectives similar to CEWA.

Current Situation of the Non Government, Not for Profit Community Services Sector in Western Australia

There are over 550 not for profit organisations associated with the Human Services Industry in Western Australiaⁱ.

The Human Services sector employs over 36,000 staff in Western Australiaⁱ.

The non-government community services sector in Western Australia is already under resourced and sector staff are significantly under paid.

In 2006/07 average weekly earnings for Not for Profit (NFP) community sector workers were 30% lower than the average full time equivalent weekly wages for the entire (private, Government, NFP) health and community services sector in Australiaⁱⁱ.

The average cost of employing staff in the community sector was \$53,000 per FTE; at the same time the average cost of employing staff in the Department for Child Protection was \$71,000 per FTE; a difference of \$18,000 or 35% higher^v.

The difference in base level salaries between public sector specified calling salaries compared to salaries for equivalent staff positions on the SACS Award in the community sector is up to 57% or \$29,210 higher^{vi}.

A first year graduate base grade social worker in the public service will earn \$12,450, or 32% more, than a first year graduate social worker in the community sector.

After reaching the top level in the public service, the same base grade social worker will receive \$29,210, or 57%, more than their equivalent in the community sector.

Women in WA are paid 27% less than men, and WA has the widest gender pay gap of any State. The national average gender pay gap (GPG) is 17% and WA has had a larger GPG than the national average since the late 1980s. The fact that the community services sector is large (the second-largest employer of women in WA), female-dominated (80.8% female) and lowly paid means that more equitable wages for the sector would have a significant effect on the gender pay gap in Western Australiaⁱⁱⁱ.

Salary packaging in non government, not for profit organisations is considered a 'benefit' that increases the value of remuneration. However, not all organisations are able to access it (it is limited to Public Benevolent Institutions) and it is also available in certain Government Departments. Equally, not all staff are able to access it or wish to use it. There have been no indexation changes since its inception, and, that combined with changes to the taxation scales, have eroded the value of packaging.

Other benefits, such as the ability to transfer accumulated long service leave from one organisation to another, are not available to NFP community service staff, but are available to Government staff who move from one Government agency to another. This is another example of inequity and again makes employment outside of the community service sector more appealing.

Because of the demand for services, the NFP community services sector is one of the fastest growing in Australia.

In Western Australia in 2007:

People being turned away by community service NFPs has increased by 7% from the previous year;

73% of NFPOs report waiting lists have stayed the same or worsened; and
53% of NFPOs say that the complex needs of their clients have increasedⁱⁱ.

The recruitment and replacement of staff remains extremely difficult. Staff turnover is high at 23% and to make up for this 66% of staff are reporting that compared to last year the amount of unfunded work by staff and volunteers has increased^{vii}.

There has been insufficient attention to capacity building and sustainability in the face of rapid growth since the 1980s.

The compliance costs of reporting and monitoring are an increasing concern for agencies for which Government agencies were not making allowance in funding.

The demands of the increasingly diverse and complex service delivery demands emphasises the need for high level skills and their renewal.

65% of not-for-profits in Australia report an increase in demand for services as a result of the economic downturn, and 83 per cent expect an increase in demand for services in the next financial year (2009-2010)^{iv}.

Key Challenges Facing the Community Sector

Salaries for Community Sector Staff

The Australian Government's Productivity Commission's Report 'Contribution of the Not for Profit Sector', January 2010, recognises the importance of the NFP sector. It states (page xxvi) that "the 'economically significant' NFPs employed 889,900 staff, around 8% of employment, and contributed just under \$43 billion to Australia's GDP in 2006-07".

NFPs' greatest resource is their staff, but salaries for staff in the non-Government, not-for-profit community services sector are not fair and just.

As stated earlier, a senior social worker in a NFP can earn up to \$30,000 (or 57%) less than their counterpart in Government. A graduate will earn nearly \$12,500 more if they work in Government.

The Productivity Commission states (page xxxii) that "a significant consequence ... has been that wages have been squeezed to the point where many NFPs find it difficult to attract and retain professional staff, with implications for the quality of services".

As a result, the Productivity Commission in Recommendation 10.2 (page xlvi) recommends the following: "In order to ensure that not-for-profits can sustain their workforces, and as wages are a major factor in the successful recruitment and retention of staff, Australian governments purchasing community services need to base funding on relevant market wages for equivalent positions."

In a survey conducted by the Mental Health, Alcohol and other Drug, Family Domestic Violence and Women's Health sectors in Western Australia (September 2008)^{viii}, nearly 85% of workers held a post school qualification. For 'all industries' this figure is 59%. However, only 4% of staff surveyed were paid above the average adult full time weekly earnings.

The poor pay levels are creating serious and real issues in regard to the future viability of community services to those at disadvantage in the community. The consequences are as follows:

The sector cannot attract and recruit suitably qualified staff. Nearly half of agency managers rated their recruitment success as having no success at all or being unsatisfactory. 76% of agency managers reported receiving 5 or less applicants for advertised positions^{viii}.

The sector cannot retain staff. 35% of workers do not expect to be working in the sector in 2 years time. 253 staff had left in the past two years indicating that better pay elsewhere was a key factor for leaving. Just under two thirds (57%) of staff had been in their current position for less than two years. The sector is reliant on a basic moral and social belief of staff in the work that they perform, evidenced by the fact that just under 40% of staff had remained in the sector for over six years, despite the low levels of pay^{viii}.

Higher risk of staff burn out. A total of 123 workers had resigned as a result of stress or burnout in the past two years^{viii}.

People are choosing different careers, other than social work. With the large salaries being offered in the mining sector in WA, and significantly higher salaries in Government and private enterprise, the sector faces a skills drain. This is exemplified by the enrolment in Bachelor of Social Work courses in WA Universities. In just three years (2006 to 2008), the number of students enrolled in Social Work courses has dropped from over 530 to around 350^{ix}.

Community Employers WA does not consider salary packaging as an issue that needs to be considered, and should be excluded from and deliberations on remuneration of NFP community sector staff. The reason for this is threefold:

- Not all community organisations are able to access salary packaging, as they do not have Public Benevolent Institution (PBI) status;
- A significant proportion of staff do not use salary packaging, even if they are entitled to it, due to their specific personal circumstances (e.g. they prefer to get more take home pay direct into their bank account, they have a HECS debt or receive, for example, child support payments) that negate the benefit of salary packaging; and
- Salary packaging is also available to certain parts of Government (e.g. The Health Department of WA).

Increased Cost of Living

The increased cost of living is also placing additional financial pressure on Australians. In a sector where salaries are significantly lower, the pressure is magnified for staff who may need to look for better remuneration from a job outside of the community sector, once again increasing the number of qualified staff leaving the sector for personal financial reasons.

In Western Australia, with the resurgence of a strong mining sector, particularly in the regional and remote areas, the cost of living has increased dramatically in areas such as accommodation. For example, median rents in the Pilbara are still more than triple the price of metropolitan Perth. Median rents in Port Hedland and Karratha in the March 2010 quarter were \$1,200 and \$1,600 per week respectively^x.

Some of the increases in tariffs in essential services include:

- Electricity:

1 April 2010	7.5%
2010/11	10.0%
2011/12	21.1%
2012/13	4.3%
2013/14	5.1%
- Gas

2009/10	30.0%
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- Water

2009/10	10.0%
2010/11	17.7%

Increasing Overheads

In addition to increases in cost of living for Australians, and in particular Western Australians, organisations are also facing higher operational overheads (e.g. Office rental, insurance, information technology and communications). For NFP organisations the impact of increased overheads is even more concerning. With funding for the sector already too low, increases in overheads are not being covered by Government CPI increases, some of which are not even being passed on by Government line agencies to the community organisations.

This puts additional pressure on organisations to fund overhead increases, putting greater pressure on their bottom line, and in many cases leaving no, or minimal, funds for increasing salaries for staff.

Current Contracting and Funding Structure

The Australian Government's Productivity Commission's Report 'Contribution of the Not for Profit Sector', January 2010, recognises the important role NFPs have in community service delivery. The Report states (page xxix) that "many of the activities of the NFP sector would not be undertaken by the for profit or government sector". One of the main factors is value for money. Value for money considerations include cost effectiveness of service delivery, complementary or joint-production with other services, spillovers (positive and negative) associated with service delivery and sustainability of service and/or client relationship (Page 27).

The sources of funding for the estimated 550 not for profits in WA are varied and complex. Of the 550, about 350 receive some funding from the State and/or Commonwealth.

There are myriad scenarios that need to be considered in this Case. Some organisations are State funded, some Federal funded, some a combination of the two and some that are either partly or solely funded from external sources (investment interest, fund raising, corporate partnerships).

For those organisations that fall under the Federal Industrial relations system, they will be legally bound to pay any award increases prescribed by Fair Work Australia in this Case.

It is vital that any increases that organisations are required to pay in terms of increased staff costs are funded by State and Federal Governments. Failure to do so will see drastic implications for the future viability of community service provision to those at most disadvantage in our community. These include the reduction in, or cessation of, community services and the loss of jobs in the sector.

Currently, the Western Australian Government has not ceded its power to the Federal Industrial Relations Commission, and has not given a commitment to fund any pay increases to State-funded community service organisations that arise from Fair Work Australia's decision in this Case.

Two scenarios are provided to exemplify how organisations may be affected.

Scenario 1

An organisation may receive 80% of their funding from State and/or Federal Government. This leaves a gap of 20% that is from other sources. Should an organisation be required to increase salaries to all of its staff, this will leave a significant short fall in its budget.

Scenario 2

An organisation may be primarily funded through private sources (public donations, fundraising etc.). In this instance, any increase in salaries will fall on the organisation to find these additional funds, creating a difficult and possibly hugely damaging situation.

It should also be noted that there is currently little room for negotiation on State and Federal contracts to increase the value of contracts, either during, for example a three year contract, or during the contract renewal tender process, despite changes in financial circumstances (e.g. Increased rental or utilities costs) or increases in the cost of service provision. This directly affects the quality of service provision.

Increased Red Tape

There is an increasing bureaucratic burden on organisations with regards to compliance. The Government of Western Australia has acknowledged this burden in their “Reducing the Burden, Report of the Red Tape Reduction Group” (2009).

Importantly, the Federal Government has also recognised the impact of regulatory and compliance on NFP organisations in the Productivity Commission’s Report ‘Contribution of the Not for Profit Sector’, January 2010, where it states “that NFPs report being swamped by contractual regulation, a multiplicity of reporting requirements, micro management, restrictions on other activities and significantly greater compliance burdens” (Page xxxii). It goes on to make three recommendations to “reduce compliance costs and improve effectiveness” (Recommendations 6.2, 6.3 and 6.6).

The increasing burden of financial and program reporting means that organisations need to allocate increasing staff time into preparing these reports and more money to undertake specific program auditing, as stipulated by the different funding bodies. This particularly affects smaller size organisations, whose resources (both human and financial) are already stretched.

Renegotiation of contracts is also burdensome, with Government being over prescriptive in terms of service delivery and performance indicators, which are often based on outputs rather than outcomes. NFPs, as experts in the area of service delivery, are given, in many cases, little say in what they should deliver and how they should be measured.

Increased Risk

There is a significant, and increasing, issue of risk, for both the non-government and Government sectors involved in community service provision.

NFPs are having to continue to provide the same quality service to an increasingly complex client base, with the same or marginally increased funding from its State or Commonwealth funders. They are also having to recruit and retain suitably experienced staff to deliver these services which, as demonstrated earlier, is a significant problem for the sector.

Specialised and complex services such as mental health, drug and alcohol, supported housing, out of home care, child sexual abuse, domestic violence and relationship counselling, to name some, must be delivered by highly trained, well supervised and well supported staff. The potential implications of not providing skilled, qualified staff to provide essential community services are substantial. It would be unthinkable for highly vulnerable individuals and families to receive services that would add to, rather than assist, with their difficulties.

Any reduction in the quality of service provision to its clients, as a result of financial pressure or inability to provide suitably qualified staff to deliver the service on the ground, is a significant risk that is solely at the hands of the not-for-profit organisation. The legal ramifications of this risk for individual staff members, volunteer boards and managers of not for profit organisations have the potential to be of a severe nature. Significant adverse events due to ineffective service provision would also impact on the credibility of the NFP sector and the community’s trust in it.

The risk for the Government sector is that, by underfunding organisations to provide services and pay staff a fair and just wage, they are failing to meet their social responsibility to the community of providing a level of service that truly meets the community’s needs.

Capital and Asset Refurbishment

Current funding and contracting arrangements fail to address the needs of NFPs to manage and upgrade their capital and assets. This in turn means that the organisations need to fund any capital or asset replacement themselves, so diverting more money away from the provision of services and fair staff wages.

Many organisations in Western Australia are dependent on Lotterywest to replace assets. This is not necessarily a long term sustainable solution, and again places doubt on the future viability of community services provided by not for profit organisations.

Critical Success Factors

Addressing Sector Skills Issues

The need for fair and just wages for NFP staff is vital if the sector is able to continue to provide the level of community services that is required of it. The failure to do so will continue to see labour shortages and a lack of qualified staff needed to deliver these services.

Addressing Funding

The pivotal issue regarding the success, or otherwise, of pay increases ordered by Fair Work Australia in this Case, is the commitment by Governments (at all levels) to fully fund these increases across all non-government, not-for-profit community service organisations. In addition, any pay claims that arise in related sectors as a result of a precedent set by FWA in this case, will also need to be funded, and a commitment made by Government to that effect.

'Incapacity to Pay' Clause

As explained above, there are many funding scenarios for organisations in the sector. Any increases in pay will affect organisations in different ways, in regard to their ability to pay. An 'Incapacity to Pay' clause needs to be included to allow organisations to continue to provide community services while they come to terms with the implications for any additional funding they may require, to pay increased salaries under a new Award. This clause would not be necessary if appropriate increases in funding, to cover pay increases, are provided to NFP organisations.

Understanding the Role and Value of the Community Services Sector

It is important that the role and value of NFPs are recognised and defined by Fair Work Australia, in determining what fair and just wages for staff in the sector should be. The Productivity Commission Report "Contribution of the Not-for-Profit Sector", prepared by the Australian Government in January 2010, recognises the importance of the sector and the need to adequately pay its staff (Recommendation 10.2).

To remunerate staff in the sector adequately through this Case, the nature and value of the services needs to be examined. In Western Australia, there are a significant number of services provided in regional, rural and remote parts of the State and the size of the organisations varies significantly statewide.

To this end, Community Employers WA would like to offer its assistance to Fair Work Australia in organising site visits to a cross section of community services organisations, through its membership network (see Appendix 1 for a list of CEWA Members).

In addition, an Expert Witness Statement has been included in this submission. Further supporting evidence from WA NFPs can be provided during site visits.

Understanding the Situation in Western Australia

As has been outlined, the community sector in Western Australia is unique, diverse and complex. Community Employers WA strongly recommends that Fair Work Australia Commissioners schedule a visit to WA to see and hear first hand the issues facing the sector, including attending site visits that represent the diversity of the sector, including travelling to regional, rural and remote areas of the State.

Should this not be possible, at a minimum, Community Employers WA would ask for an allocation of time for WA sector representatives to be able to present to FWA during their deliberations and hearings in Melbourne during the week commencing 25 October 2010.

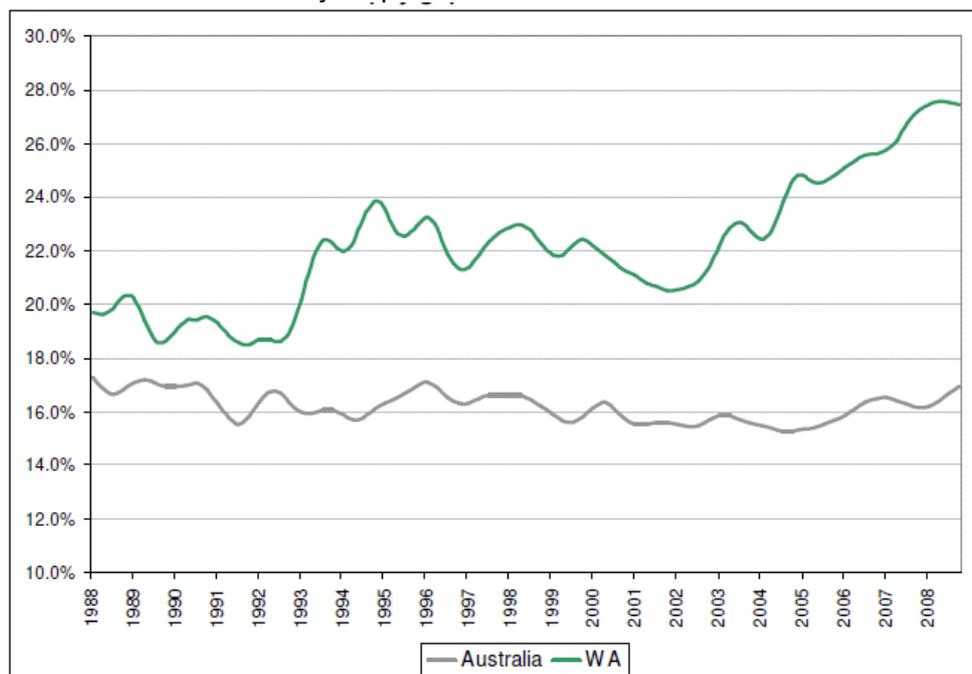
Gender Pay Gap

Pay equity is commonly defined as 'equal remuneration for work of equal or comparable value'^{xi}. The Gender Pay Gap (GPG) is the difference in average earnings between men and women^{xii}.

Women in WA are paid 27% less than men, and WA has the widest gender pay gap of any State (17% nationally)ⁱⁱⁱ.

WA has had a larger GPG than the national average since the late 1980s, and the difference between the State gap and the national gap increased considerably in the 1990s.

Gender Pay Gaps in WA and Australia over timeⁱⁱⁱ



On Monday 23 November 2009, the House Standing Committee on Employment and Workplace Relations tabled its report on the inquiry into pay equity and associated issues related to increasing female participation in the workforce entitled *Making it Fair*^{xiii}.

The 465 page report *Making it Fair* makes 63 recommendations to federal government following an extensive parliamentary inquiry into pay equity and associated issues related to increasing female participation in the workforce.

“Australia needs to take a pro-active approach to address the gender pay gap,” Committee Chair Sharryn Jackson (Member for Hasluck, WA) said.

“Increasing women’s participation in the workforce will lead to increases in productivity for the nation. How can Australia afford not to do it?”

With over 80% of NFP staff being female, and the sector employing around 36,000 people (which equates to around a third of the entire public sector in Western Australia), the low levels of pay are a significant contributor to the State’s alarming Gender Pay Gap. This inequality needs to be addressed.

Issues with the Scope of the Claim

Community Employers WA (CEWA) would like Fair Work Australia to consider the relevance of including the Sleepover Allowance in its deliberations. It seems that no other allowances have been included in the Case, and the rationale for including only sleepover allowances is not clear.

Concerns over the Claim

As previously stated, if funding is not provided to cover any increases in salaries, the consequences for the community sector would be disastrous.

These consequences include:

- Difficulty in meeting the required Pay Equity Claim pay increases.

Without sufficient additional funding to cover pay increases, organisations (particularly the smaller organisations) will have significant issues finding or reallocating funds to meet any pay increases. This will take time and sufficient time needs to be allowed for organisations to adjust to the new Award. Failure to do so will mean particularly smaller organisations ceasing to exist or decreasing the choice in services for its clients.

- The cessation, or reduction, of community services to those at most disadvantage in our community

In the absence of additional funding, the only way organisations will be able to fund pay increases will be to stop, or significantly reduce, the services that they currently provide. This cannot be achieved overnight, and significant planning will be needed to minimise the impact on service users. Consideration for this will need to be made by Fair Work Australia.

- Reduced quality of services being delivered

Similarly, because resources will need to be spread more thinly if funding is not forthcoming, the consequence of reduced quality of service delivery is very real, and the repercussions of this for service users, the community, NFP organisations and government need to be considered.

- Contracts being returned to funding bodies

The reality of insufficient funding is that contracts will be returned to funding bodies. This is a significant risk for the funding bodies and also for the clients who currently receive the services under the funding agreements.

- Loss of qualified staff / Increased staff turnover / Inability to attract qualified staff

The sector will continue to lose experienced and quality staff, and be unable to attract new people into the sector. This once again poses a risk in terms of quality of service delivery.

- Inability to engage with the Economic Audit Committee Reform for the community sector that is currently underway in WA

The Western Australian Government and the NFP community sector are currently engaging in a process of social reform, as result of the findings from the Economic Audit Committee, October 2009. A Partnership Forum has been set up, reporting to the Premier of Western Australia, with representatives from the Government and NFP sectors.

Any increases in pay, that are not supported by additional funding, will put a significant question mark against possible future social reform in Western Australia.

- Increased risk for both the Government and NFP sectors

The risk associated with underfunded service delivery is very real for both the Government and NFP sector. Ultimately, those at most disadvantage in our community will suffer the most, creating serious community and social issues in the long term.

References

- i The Human Services Industry in Western Australia: Scoping the Sector, Social Policy Unit, Dept of Premier and Cabinet, July 2008
- ii Survey of 13 non government not for profit agencies in Western Australia for the year ended June 2007 compared to June 2007 Australian Bureau of Statistics information
- iii "Close the Gender Pay Gap: Value Community Services" Research Paper, The Western Australian Council of Social Service, March 2009
- iv Report to Department of Families, Housing, Community Services and Indigenous Affairs, The Centre for Corporate Public Affairs, June 2009
- v 2008/09 Forward Estimates, Department of Child Protection
- vi Comparison of Public Service and SACs Awards, October 2009
- vii The Australian Council of Social Service (ACOSS): "The Australian Community Sector Survey 2008" released June 2008 available from www.acoss.org.au pg 97
- viii "Workforce in crisis: Value our Community Services ... Value our Workforce", A report on remuneration, retention and recruitment challenges facing the non-government Alcohol and Other Drugs (AOD), Family and Domestic Violence (FDV), Mental Health (MH) and Women's Health (WH) sectors in Western Australia, September 2009.
- ix Enrolment in Bachelor of Social Work courses in WA Universities, 2006-2008
- x Median rents, Real Estate Institute of Western Australia, March 2010 Quarter
- xi Australian Government Equal Opportunity for Women in the Workplace http://www.eowa.gov.au/Pay_Equity/General_Information_Stats.asp
- xii Pay Equity Unit 2006, *The Gender Pay Gap in Western Australia*
- xiii The House Standing Committee on Employment and Workplace Relations, November 2009, *Making It Fair*. This can be accessed online at <http://www.aph.gov.au/house/committee/ewr/payequity/report.htm>

Appendix 1 – CEWA Members as at July 2010

Activ Foundation Inc
Advocacy South West Inc
Agencies For South West Accommodation (ASWA)
Anglicare WA Inc
ARAFMI
Armadale Community Family Centre
Association For Services To Torture & Trauma Survivors (ASeTTS)
Association for the Blind WA
Asthma Foundation WA Inc.
Baptistcare
BJL Connecting Communities
Bluesky Community Group
Bunbury Pathways '92 Inc.
Burdekin – Youth In Action
Care Options
Centacare Employment and Training
Centacare Family Services Geraldton
Child Inclusive Learning and Development Australia Inc (CHILD Australia)
Communicare
Community Housing Coalition of WA
Community Legal Centres Association (WA) Inc
Community Vision Inc
ConnectGroups
Cyrenian House
Derbarl Yerrigan Health Services Inc
Drug ARM WA Inc
Ethnic Communities Council of WA
Extra Edge Community Services
Financial Counsellors Association of WA Inc.
FPWA Sexual Health Service
Good Samaritan Industries
Gosnells Women's Health Service
Health Consumers Council (WA) Inc
Holyoake The Australian Institute For Alcohol & Drug Addiction Resolutions
Identity WA
Ishar Multicultural Women's Health Centre Inc
Joondalup Youth Support Services Inc
Kids Camps Inc
Koolkuna (The Eastern Region Domestic Violence Services Network Inc)
LAMP Inc
Landsdale Family Support Association Inc
Learning Centre Link
Lifeline WA
Margaret River Community Resource Centre Inc
Meath Care Inc
Melville Cares Inc
MercyCare
Metropolitan Migrant Resource Centre
Midland Joblink Inc.
Mission Australia
Mosaic Community Care Inc
Multicultural Services Centre of Western Australia Inc
Ngala Family Resource Centre
Nulsen Haven Association

Outcare (Inc)
Palmerston Association Inc
Parkerville Children Youth Care Inc
Pat Thomas Memorial Community House Inc.
Peel and Rockingham Volunteer Resource Centres
Peel Community Living
People with Disabilities (WA)
Perth Home Care Services Inc
Red Cross WA
Relationships Australia (Western Australia) Inc
Richmond Fellowship
Rocky Bay Inc
Ruah Community Services
Secca
SEMYA
Serenity Lodge
Silver Chain
South Coastal Women's Health Services
Southcare Inc
Southside Care
St Patrick's Community Support Centre
St Vincent de Paul Society
Swan City Youth Service
Swan Emergency Accommodation
Technology Assisting Disability WA
Tenants Advice Service
The Salvation Army
The Spiers Centre Inc
The WA Aids Council
Therapy Focus Inc
Uniting Aid
UnitingCare West
Valued Independent People Inc
Vincentcare
WANADA
WA No Interest Loans Inc.
Wahroonga
Wanslea Family Services Inc
We Can Community Services
Westcare Inc
Western Australian Association for Mental Health
Western Australian Council of Social Service Inc
Women's Council for DFV Services (WA)
Women's Health Resource Centre
Women's Health Services
Women's Healthworks
YMCA Perth
Youth Focus

Appendix 2 – Witness Statement

FAIR WORK AUSTRALIA

FWA Matter No: C2010/3131

IN THE MATTER OF:

APPLICATION BY AUSTRALIAN MUNICIPAL, ADMINISTRATIVE, CLERICAL AND SERVICES UNION AND OTHERS FOR AN EQUAL REMUNERATION ORDER IN THE SOCIAL AND COMMUNITY SERVICES INDUSTRY

STATEMENT OF JAMES CHRISTOPHER HALL

I, James Christopher Hall, of *16 Sunbury Road, Victoria Park, WA*, state as follows:

1. I am the Chief Executive Officer of UnitingCare West and have held this position since 1 July 2006.
2. I am also the Co Chair, and Secretary, of Community Employers WA (CEWA).
3. I have worked in the community services industry for in excess of 30 years, primarily in the non-government sector, and for five years in local government. The last 20 years has been in senior management positions of the nature that I hold currently, at both national and state levels.
4. UnitingCare West is committed to achieving justice, hope and opportunity for all, and works to support and empower in particular those most in need in the WA community. It is a non-government, not-for-profit community services organisation and part of the mission of the Uniting Church in Australia and UnitingCare national network. We are delivering creative and innovative programs and services in several locations covering the Synod of Western Australia (the geographic area south of Broome.) Our aim is to locate our services where people most in need can easily access them. The agencies that formed UnitingCare West have been serving the community of Western Australia since 1830 and touch the lives of many thousands of families and individuals each year.
5. UnitingCare West delivers programs and services, focusing on those people most in need, in areas such as Independent Living and Accommodation, Mental Health, Disability and Community and Family Support.

UnitingCare West provides the following types of services and programs:

- Women's refuge and transition accommodation services
- Men's crisis accommodation and transition house services
- Community mental health programs
- Supported schooling options for teenage parents
- Transition and re-entry programs for ex-offenders
- Family preservation and re-unification services
- Foster care services for children and young adults with disabilities
- Group and transition homes for adults with disabilities
- Community development programs in localized areas
- Community based recreation and respite services for carers and people with disabilities

- In home counselling for substance misusing parents
 - Accommodation services for people at risk of homelessness
 - Housing support services for people with mental health issues
 - Day centre services for the homeless and marginalized
 - Financial counselling and emergency relief services
 - Therapeutic parenting programs for fathers in prison
 - Regional and rural support for young people with diverse sexuality and gender
 - Pregnancy and parenting support for young Aboriginal mothers
6. UnitingCare West employs over 250 staff.
 7. Community Employers WA was set up out of significant concern by 30 chief executive officers of some of the major organisations here in Western Australia (some of those organisations being Anglicare, Salvation Army, Red Cross, Centrecare, UnitingCare West etc.) about both the level of funding into the sector and the nature of the funding arrangements that are in place between the government and the non-government sector here in Western Australia. We came together, as CEOs, on the basis of recognising this is a very significant issue and in particular the impact that it was having at that time, and continues to have, on the ability of our organisations to attract and retain staff into critical positions to be able to deliver on contracts that we have been contracted to provide services for on behalf of government. All of us at that time, and continue to do so, experience difficulties around the recruitment and retention of staff, but there were three main concerns that we had at that stage and that remain in existence today. One is that the staff in the community sector in Western Australia are not paid fair and just salaries. The second concern that we have is that the community sector in Western Australia, we believe, needs much more robust, stronger and more meaningful relationships with all levels of government, particularly around issues of funding, funding arrangements and contracting arrangements that we have in place currently. Government talks about us as being 'in partnership' but many times that partnership is not a partnership as such. It is very much a funder/fundee arrangement. The third area is that we believe, as community sector organisations, we will be unable to continue to provide certain community services with the current funding levels that are in place. Our principal objective is to secure a 30 percent increase in funding to our organisations to enable us in the first instance to pay what we call fair and just wages to our staff. Community Employers WA's operations are solely funded by its member organisations which we believe demonstrates the commitment of these organisations and the importance that we place on these issues as organisations coming together with a common cause. We officially launched Community Employers WA in November 2008. We have a membership currently in excess of 100 community service organisations here in Western Australia and we officially registered Community Employers WA as an employer organisation in the Western Australian Industrial Relations Commission, under the provisions of the Act, in September 2009. We have also, since that time, appointed an Executive Director to manage our day-to-day operations. This demonstrates the seriousness of the issues that we perceive that the sector faces and the need, for the first time, for our sector to come together in this way.
 8. With regard to staff salaries, I make the following comments.
 9. Many organisations in the sector are already in crisis, particularly in the last economic boom here in Western Australia. We had great difficulty in recruiting and retaining staff. Some of the organisations were running vacancy rates at up to 30 per cent of their staffing and some organisations were running staff turnover rates at 26 percent. Our capacity as a sector to be able to compete with the government sector has been extremely limited particularly in those economic boom times. We are now facing another predicted 'boom' in Western Australia which we anticipate will have a significant impact on our sector.
 10. As an example of salary inequity, an approximately five-year trained social worker/social psychologist working in our sector in Western Australia, doing exactly the same work in government, would earn nearly \$30,000 (or 57%) less per year than what that work would be paid in the government sector. They are doing exactly

the same job with exactly the same qualifications but not necessarily always with the same level of support.

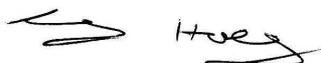
11. The Commonwealth has recently had a report produced by the Productivity Commission and that report has recognised the inadequacy of the salaries and wages being paid in the non-government community sector throughout Australia, and has strongly recommended the introduction of salaries and wages on a benchmarking, market-based assessment basis. The federal government currently has that report under consideration and is yet to make a determination on its response to that particular recommendation.
12. At the State level we have the Economic Audit Committee, which was set up by the Premier and former State Treasurer, and that report has now been released. The State government has set up various mechanisms for consultation with the non-government sector through what is called a Partnership Forum and various committees that will sit off that Forum comprising representation at the highest level in government and representation from the sector, including Community Employers WA, to begin to negotiate issues around funding to the sector as well as contracting and other arrangements.
13. We have had several meetings with the Premier and with the former Treasurer of Western Australia, both of whom have been very clear, both publicly and in private conversations with us, that they recognise that there is an issue here around the lack of adequate salaries and wages being paid to staff employed in the sector, and a recognition that something needs to be done about it. What it is that needs to be done, is something that we are determining at the present time.
14. Having stated the need for fair and just wages for staff, we need to strongly make the point that without additional funding to cover any increases awarded by FWA, there will be a serious impact on the community services delivered by the non-government sector. This will include the reduction, or cessation, of community services.
15. In making this point, I feel it is important to provide the current context in which funding is currently provided to the non-government sector.
16. Primarily the funding for our Sector comes from federal and state government sources. Some funding comes from church auspiced organisations such as my own, UnitingCare West. Some funding comes from corporate sponsorship and other kinds of arrangements, together with donations and other forms of giving by members of the public and other community based groups, but primarily the sector is funded by state and federal government sources.
17. At UnitingCare West, for example, about 75 percent of our revenue, on an annual basis for operating expenditure, comes from state and federal government sources.
18. Probably more realistically, across the sector, that figure would be around 80 percent (and upwards) of state and federal government funding into organisations.
19. There is a mix of funding arrangements. We have come out of a former grants arrangement with governments into what is now primarily a competitive tendering arrangement. We believe that governments have taken the best and worst of both of those funding regimes so we have a mix of grant funding arrangements and conditions and we have a mix of competitive tendering and contracting arrangements for services at the current time. It is very rare for any of these services to be fully funded by governments. There is an expectation always that they will purchase the services at a price far lower than what they would certainly be able to provide those services at, and there is also an expectation much of the time that organisations will source funding from other means to support the services that are provided. So one of our key concerns in moving forward has been the whole full cost recovery focus of these services. These are, in essence, services that are being provided by non-government organisations really on behalf of governments to the community of Australia and in our case the community of Western Australia. These would be services that, if they were not provided by the non-government sector, would need to be provided by the government sector itself, and for obvious reasons in terms of pricing and costs and quality of services, government has chosen, other than statutory services in many instances, to source those services through contracting arrangements with the non-government sector.

20. The funding arrangements are such that an organisation will tender or put in a bid or an expression of interest for a service to provide that service and then the NFP is contracted by government for periods up to three to five years, sometimes less than that, to provide that service. That means that it is in essence a fixed price for the duration of that contract and does not take into account changed circumstances, whatever they may be. So we do not have the capacity to renegotiate that price within that term of that funding agreement. We do get what is called 'annual indexation' (or we are supposed to have received annual indexation) and that is based on a specific formula that was determined by the previous government's Cabinet, but unfortunately that has not always been implemented by the State departments here in Western Australia. Importantly, whilst that annual indexation at the state level may be a little bit higher than the CPI adjustments, at the federal level the increases have only ever been tied to CPI adjustments, so they actually do not provide us with any capacity to meet overall costs of living, and in particular to meet costs that relate to changes in the marketplace, whether they are salary based or instances such as increased rental for properties etc.
21. We get minimal funding for what we call overheads. About 80 percent of our funding goes into wages and salaries and it would be fair to say that we have to fight for any additional funding. There is no set figure that is used by governments to provide for other infrastructure, administration and overheads costs so each government department applies their own particular arrangements in relation to what percentage is used and that creates enormous difficulties for us.
22. There are a huge number of problems with current contracting arrangements between government and the community sector. If I take for example my organisation, Uniting Care West, we would have probably close to 100 funding agreements of all various sizes in terms of dollar costs associated with those. So you would have a contract for \$5 million of exactly the same nature as you would have for a \$100,000 contract. You would also have the compliance and accountability requirements of equal value in relation to those contracts. It therefore requires an organisation, such as ours, to have numerous contracts (at the present time in excess of 70 costs centres and sub-costs centres) that we have to report on an annual basis against every dollar that we get, in minute detail and provide audited financial statements on an annual basis. In addition to that many of our organisations are required to provide quarterly reports and quarterly financial returns in relation to that funding. So the reporting arrangements are extremely onerous on the organisations as are in fact the tendering arrangements up-front every time we need to submit a tender. We have documentation that is huge, most of which is duplicated in terms of content, that we need to provide. We have argued that we need a simplified reporting and accountability structure, and one that does meet the accountability requirements in terms of the use of taxpayers' money. We also suggest a simplified system of registering organisations at the pre-qualification stage to enable them to submit tenders in a much simpler way, therefore reducing not only the impost and the burden on our sector but the administrative and bureaucratic burden on government.
23. The most common length of contract is three years, by far. A five year contract would be very unusual. We are seeing more and more, that governments are seeking to extend three year contracts for six months or 12 months. An example from my particular organisation, is that we started with a 12 month contract back in 2003 for a particular service and to date we still have not got a three-year contract. We have been rolling that contract over on a six or 12 month to 18 month basis. So we are negotiating with that particular state government department in terms of trying to get in place some more stable funding arrangements for that program. It creates all sorts of instability for us as an organisation and uncertainty in job security for workers. We think this is quite unacceptable in terms of the provision of services by our sector, and it is precisely those sorts of issue that we are seeking to address through the various committees that have been established through the Economical Audit Committee.

24. Smaller-type organisations (in actual fact the majority of our sector are represented by those types of smaller organisations that provide very specialised services to particular client groups) and similarly with organisations in rural and remote areas of the State, are providing particular services in response to client and community needs in those areas. We believe that they are the most vulnerable services and yet are the most essential services that need to be supported into the future and for which better funding arrangements need to be put in place. At the same we are not arguing per se for the maintenance of organisations here and the sustainability and viability of organisations. What we are arguing for here is the continuation of essential community services to the people of Western Australia and the important role that non-government organisations perform in the delivery of those services. So I think the distinction here is about the importance of the services on the ground regardless of who provides them. At the current time in Western Australia, and throughout the country, the majority of those services are actually provided, particularly at the local level, by a large number of small organisations operating in rural and remote areas and without those organisations many of the services that are currently being provided to the community of Western Australia will fold ultimately unless those organisations can continue to operate.
25. To conclude, salaries for non-government, not-for-profit community service workers need to be fair and just. However, failure to provide additional funding to cover pay increases will be disastrous for community service provision in Australia, and ultimately it will be the clients, and broader Australian public, that will suffer.

James Christopher Hall

Signature:

A handwritten signature in black ink, appearing to read 'James Christopher Hall', with a stylized flourish at the end.

Date: 3 July 2010