

# Charities face Christmas cash crisis of their own

by Chris Hall and Tony Pietropiccolo

Australians are givers, especially at Christmas, and chances are you have already made a donation to one or more of our estimated 60,000 trusted charities which are coping with an unprecedented level and complexity of demand.

What you may not realise is that the lead-up to this Christmas is almost as tricky for these organisations as for the people they support.

That's because they are awaiting the outcome of about 5000 tender applications for \$800 million of social services grants, some of which were over-subscribed up to 10 times.

Christmas for them is thus overlaid with the spectres of reduced or cancelled services and laid off staff.

This unhappy situation indicates a deeper problem that relates to rapidly changing demands on these organisations and the risk to them and all the social benefits they bring to our community. This is a problem that needs urgent action.

Because governments are under greater pressure to deliver more for less, the hazards have increased exponentially for not-for-profit organisations in the community services area as they compete for government contracts against multinational not-for-profits and private equity firms which have entered the market.

Economic fundamentalists would argue that price and value for money should be the primary drivers in considering which applicants should be awarded government contracts.

While we acknowledge that efficiently allocating and using limited taxpayers' funds is fundamental, we also believe there is a more important picture for governments to consider.

For example, when those tenders are assessed, what might be seen initially is that the multinationals or private



## Not-for-profit groups offer a safety net money cannot buy.

equity firms can deliver marginally cheaper prices. If decisions are based solely on the fiscal bottom line, the value-add of the not-for-profits will remain unseen and be in jeopardy.

Some people may question why this is an issue, believing that any provider can just move in to claim the space and deliver the same services.

But the equation isn't that simple. They may be able to provide roughly similar services but the first question has to be how broadly.

The primary duty of the multinationals and private equity firms is to their shareholders.

Experience overseas, particularly in Britain, shows that in a tight economic climate these companies inevitably cherry-pick where they want to deliver services and to whom.

This means that potential or existing clients in less populated areas or those who have complex needs and are often placed in the too-hard basket miss out and it is community sector organisations which are left to pick up the pieces.

But what isn't acknowledged is that these same not-for-profit groups have successfully managed broader geographical and service coverage because they can support this through their streams of revenue outside government, such as fundraising and church and community support driven by a commitment to local people.

The history of these community sector organisations has also created a significant investment in community assets and infrastructure. Due to the

legal requirements and altruistic nature of not-for-profits, these assets are effectively held in perpetuity for community use.

Not-for-profits also provide an excellent opportunity for long-term partnerships with private companies and others. We see it through corporate volunteering days, community fundraising and straight-out philanthropy.

Collectively, this is more than just a feel-good exercise, it's NFPs providing the social glue that enables a community to pull together.

But back to the much-anticipated tender announcements we mentioned at the beginning. For the unsuccessful organisations, they will have the unenviable task of notifying staff just before Christmas of the outcomes and impact on their jobs.

Even for those who are "winners", the process will be tricky. To expect successful new service providers to gear up to start the delivery of services within the mandatory 10 weeks is unreasonable. Many organisations close over Christmas and January and recruitment can be difficult.

Furthermore, service providers are often working with challenging clients, and the likely transition of services to new providers needs to be carefully managed over a reasonable time because the change has the potential to have an adverse effect on clients.

What all this underlines is that we need an acknowledgment that not-for-profit groups in the community services area operate in a different paradigm, one that offers society a safety net of support and sense of community that money cannot buy.

To preserve this and make it prosper, this value adding must be recognised equally on a new bottom line. That way the whole community can win.

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