

Background

The community sector plays a valuable role in building resilient, cohesive, healthy communities across Victoria. Its diverse make-up helps people facing disadvantage across a wide range of circumstances to find the support they need to overcome challenges and build brighter futures.

In delivering tailored support through a wide range of services and programs, the community sector builds constructive relationships with people who may be marginalised and living in poverty, and gains insights and on-the-ground understanding of the social issues people face. From all this, it is able to give these people a voice, and speak from an informed and authoritative base in advocating for policies that help tackle the causes and ameliorate the effects of poverty.

In an increasingly complex and unequal world, Victorian community sector organisations are facing rising demand for services and increasing complexity in the issues people are facing. It is also facing rising service provision costs, and mandated increases in employee entitlements.

To continue its work strengthening Victorian communities and supporting those facing disadvantage, the community sector needs a Funding and Service Agreement that fairly secures its funding base and sets a range of relevant parameters to work within. With this in mind, VCOSS calls for a new Funding and Service Agreement for 2015-2018 that:

- Fully funds the Equal Remuneration Order
- Provides appropriate funding indexation that enables organisations to meet the rising costs of delivering services to Victorians
- Sets fair and balanced parameters for the next three years, which address highlighted problems with the current agreement.

EQUAL REMUNERATION ORDER

Why is this issue important?

Fair Work Australia awarded the Equal Remuneration Order (ERO) in 2011, in recognition of the historical under-payment of community service workers. It described its decision as an important step toward achieving equal pay for workers in the sector, and one that could strengthen the workforce by helping organisations attract and retain skilled staff. The ERO means community organisations must pay wage increases of between 23 and 41 per cent to workers over eight years, through to December 2019.

The ERO was funded by the Victorian government over the first three years of its implementation, up to June 2015. However ERO funding for the wage increases has not been included in state budget forward estimates after June 2015.

Without ongoing government funding to cover the prescribed ERO wage increases, community organisations will need to cut staff and services, putting at risk the wide range of programs and services they provide to those facing disadvantage.

What needs to be done?

As highlighted in the VCOSS Budget Submission 2015-16, a commitment to fund the ERO is needed from the Victorian government to ensure community organisations continue providing quality services to help people overcome disadvantage.

FAIRER FUNDING INDEXATION

Why is this issue important?

Wages and prices have both risen at a greater rate than the 2.0 per cent indexation rate applied to government funding of community services over the 2012-15 period. VCOSS calculates that community services have sustained a 2.63 per cent cut in real funding during the 2012-15 funding period, due to inadequate indexation (including a failure to fully fund superannuation increases

An indexation model that keeps pace with real costs means community organisations can plan for the future with certainty, rather than arbitrarily engaging in last minute cost-cutting in the face of unexpected price and wage rises, which wastes time and distracts managers from focusing on the needs of the people they help.

What needs to be done?

Like all organisations, community organisations face rising costs associated with wages, salaries and other non-salary items needed to operate. They are also facing increasing demand from the community for their services. As highlighted in the VCOSS 2015-16 State Budget Submission, the state government can help community organisations meet the rising costs of providing services and increasing demand, by annually indexing its funding for the sector using an appropriate formula that accounts for rising wages and other rising costs of service delivery.

A fair indexation formula is proposed for the 2015–18 Funding and Service Agreement, which is an annual adjustment linked to changes in wages (National Minimum Wage Order) and prices (Melbourne Consumer Price Index) with an 80:20 split. This approach is one taken in other jurisdictions.

VCOSS further proposes a one-off payment of 2.6 per cent, on top of the above 'real cost' variable indexation formula, to cover superannuation costs, underfunding of wage increases (0.8 per cent), and the lack of indexation for the non-wage costs (1.4 per cent) during the 2012-15 funding period and a commitment to using the 'exceptional circumstances' clause of the service agreement, to cover unexpected increases in costs, such as legislative changes to the superannuation guarantee.

A FAIR AND BALANCED SERVICE AGREEMENT

Why is this issue important?

The community sector holds significant concerns about the content and implementation of the 2012-15 Service Agreement. The main issues services are having with the current agreement relate to ownership of client records, which interrupts engagement and relationships with clients in need of support; lack of procedural fairness in relation to notice periods and variations to the agreement; insufficient dispute resolution procedures; clauses giving the department the right to unilaterally suspend, cease or terminate the current Service Agreement are overly complex, inconsistently drafted and lacking in procedural fairness; and the unrestricted license given to funding departments to use an organisation's background and current intellectual property.

Community service organisations tell VCOSS the current agreement has led to significant organisational and operational problems.

What needs to be done?

Despite over a year of negotiations with the funding departments over the 2015-18 Service Agreement, and new clauses presented as proposed solutions to the above problems by the non-government members of the Service Agreement Working Group (SAWG), with the assistance of Justice Connect Not-for profit law, these suggestions have been largely ignored by the funding departments.

Therefore VCOSS calls on the government to consider solutions to the identified problems with the current service agreement.