

Community Sector Leaders Forum on Emerging Issues

SOCIAL

1. **Workforce vulnerability.** Increasing workplace insecurity extends beyond low-skilled work, with more professionals now on short-term contracts and increasing uncertainty within our sector. Unemployment, underemployment and casualisation continue to rise, as do wealth and income inequality. Increasing number of workers are outside the protections of award conditions. Our social security system is a product of a bygone era and poorly suited to the changing nature of employment, transactions in and out of income support are fraught and penalising, and our tax system does not support workers requiring multiple part-time jobs. A fundamental reset is needed.
2. **Entrenched disadvantage.** Our community service system as a whole does not deal well with complex need and entrenched disadvantage. Those dealing with multiple life challenges (including the complexities of addictions, experience of family violence or intergenerational trauma, tackling mental illness or an intermittent disability, or coming from disadvantaged communities and intergenerational unemployment) have to navigate multiple services and systems. We are failing to make a dent in the areas of greatest need when arguably the greatest benefits to our economy will come from engaging those who are currently most excluded from participating, and the greatest reductions in our service expenditure will come from more intensive interventions that deliver life-long outcomes. We need to more effectively engage citizens in designing service support to develop and deliver their aspirations if we are to achieve transformative outcomes.

ECONOMIC

3. **Debt & deficit.** WA continues to face reduced revenue due to declining commodity prices, a contracting domestic economy and a low GST share. Net debt is forecast to reach \$39 billion by 2019 and the State is expected to have an operating deficit of around \$3 billion over 2016-17. The contraction of the domestic economy has led to a decline in business investment, which in turn causes a declining demand for labour, reduced population growth, weak employment growth and low wage growth. The Federal Government faces both revenue and spending challenges. A balanced approach is needed. There is little public appetite for unfair austerity measures and increasing support for essential community services ahead of tax cuts. Meaningful and progressive tax reform appears to be off the national agenda, but there is increased interest in housing affordability and realigning superannuation to meet its core purpose of providing comfortable retirement incomes ahead of wealth generation.
4. **Diversification.** While resource investment is likely to continue playing an ongoing role in WA's economy, there is a pressing need to diversify to provide a more resilient and stable base. Agriculture, health care, education and training, and accommodation/food services are identified growth areas for the state, with projected high employment growth for these sectors over the long term. WA needs an longer term strategy to diversify and grow the new economy, and leverage our knowledge and skills to play a greater role in our regional service economy. Over the last 25 years, the number of jobs in community and personal services has grown 87% across Australia. This growth is likely to lead to increased levels of competition from the private/for-profit sector, increased pressure on public service funding and for user-pays approaches.

SERVICES

5. **Place-based service design.** We have recently seen a returned focus on geographic approaches to service design and commissioning. While there is a shift within government to place-based models (as seen in the WA Regional Human Service Reforms and Aboriginal Youth Service Investment reforms, in descriptions of Commonwealth programs and the devolution of some service commissioning to Primary Health Networks) there is a risk regional program managers will not have the decision-making authority over program budgets or the capacity, experience and wherewithal to participate effectively in collective impact approaches and place-based co-design and co-commissioning models. The sector needs to build its capacity, develop and share expertise in cross-portfolio co-design approaches and be adequately resourced to participate effectively.
6. **Big data.** State and Federal Governments have made strong in-principle commitments to Open Data policies that should see greater sharing of program and system data (including tax and social security) across levels of government, across departments and agencies, and with service providers and independent analysts (including universities and institutes). There is some hope that better access to data will enable services to better measure outcomes and demonstrate return on investment, and to better understand risk factors and target at risk cohorts to enable earlier intervention strategies. At the same time there are some reservations about comparability of existing data sources, the ability to link personal data at the level required to identify those at risk, and the quality of service data given the lack of rigorous measurement protocols and outcome frameworks. There is also significant concern about the potential abuse of data, the protection of privacy, and its potential to underpin punitive and paternalistic approaches.

FUNDING

7. **Fragmented procurement.** Despite increasing discussion of integrated service models and place-based reforms, in practice we have seen increasingly fragmented, uncertain and diverging approaches to service procurement, increasing complexity and uncertainty for organisations relying on mixed funding, and significant viability challenges for mid-sized and regional organisations. Service providers increasingly face multiple funding layers with diverging approaches to service design, tendering and reporting. In some areas programs are increasingly shifting to individualised funding models, while others are seeing fewer and larger contracts favouring larger organisations or requiring complex partnerships and consortia. A shift to expended 'local' service commissioning through Primary Health Networks by the Commonwealth may create opportunities where the PHNs are knowledgeable, capable and well-connected to local community services, but may deliver patchier results elsewhere, particularly in regional areas.
8. **Reduced and Uncertain Funding.** Federal cuts to service funding are likely to continue, and there remain many areas where a lack of clear policy direction, derailed 'federation' reform processes and lack of sector engagement continue to create uncertainty. We are likely to continue to see delays in contract re-negotiation, short-term roll-overs or sudden program cuts – further undermining the challenges with retaining skilled staff and an inability to invest into long-term service development and capacity building across the sector. For the first time since the DCSP reforms were instituted in WA we have seen a Mid Year Budget Review in which front-line community services have not been quarantined from the savings

sought through departmental reviews and efficiency dividends. These ongoing agency review processes mean that in many areas contract renegotiation, service tendering and program co-design processes will be deferred or delayed, resulting in increased funding uncertainty. The exigencies of review timelines and the pressures of making difficult decisions have meant in practice many areas are not engaging community service providers in these prioritisation and review processes – despite acknowledgement that a partnership approach is even more critical in tough times.

SECTOR

9. **Social investment** Given the pressure to deliver more with less in tightening economic and political times and the challenges faced in producing sustained and transformative outcomes for those facing entrenched disadvantage and complex need, there is likely to be increased need to develop more effective ‘social investment’ models. These approaches seek to encourage increased up-front investment by governments into intensive wrap-around service delivery as a means of reducing long-term budgetary obligations. While we have seen increased interest in these models in Australia there are some critical challenges in making them work. Firstly they require the ability to access and link social security and tax data to produce an actuarial analysis of long-term projected welfare costs for specific identifiable cohorts. Secondly there is a need to be able to clearly define at-risk cohorts and link risk factors to projected outcomes. Thirdly there is a need to be able to measure and attribute service outcomes to demonstrate convincing long-term costs savings.
10. **Structural reform** The changing operating environment, changing contracting and funding provisions, program scale and increased use of individualised funding arrangements is putting increasing pressure on the viability of existing organisational structures and business models – leading to an increase in the number of partnership arrangements, consortia, mergers and acquisitions. Some organisations are seeking to keep ahead of the curve and anticipating the roll-out of wider reforms so they will be well-placed to benefit from systemic change, but these changes can be costly and time consuming and there is a risk to adopting if new service arrangements do not align with newly adopted changes. Such arrangements may have the potential to deliver more integrated wrap-around services, to build the capacity of Aboriginal community-controlled organisations to deliver services, or to ensure longer-term sustainability – however there are also significant risks into entering into complex arrangements. At the same time there is the risk of ‘digital disruption’ with the potential of mobile technology to enable more direct linkages between service users and services or individual workers – offering the benefits of flexibility and responsiveness but potentially circumventing regulation and introducing risk for service users and insecure work arrangements for workers.

POLITICAL

11. The Leadership Vacuum

The current political climate has become increasingly hostile to effective social reform, decision makers are increasingly risk averse, oppositional strategies are increasingly effective in cutting off reform considerations and vested interests are increasingly effective in undermining changes to the status quo. While a change in national leadership brought some hope of a more progressive approach to social issues, in practice the new Prime Minister failed to establish a reform agenda during his brief honeymoon period and is increasingly beholden to a right wing of his party that appears to be actively undermining him as they try to strike a balance to maintain the position in government without allowing the PM enough of a majority to legitimise a reform agenda. The white and green paper processes on federation and tax reform have been abandoned without delivering anything meaningful, with a diminishing scope for tax reform now limited to election budget measures and Federation reform pushed off into a COAG process that is not open to public transparency let alone engagement. The talk of an 'innovation agenda' and an 'ideas boom' has fallen flat due to the lack of any substance or initiatives, and a lack of public conviction the PM has any capacity to deliver substantive reform. At the state level the WA government seems to be struggling to express a clear narrative or vision, and it is not clear how a cabinet reshuffle is likely to change its circumstances.

12. Elections

With the passage of Senate electoral reform, the recall of Parliament to debate an ABCC bill that seems unlikely to gain sufficient cross-bench support, it seems very likely we will be facing a double dissolution election on 2 July and an outside chance of a normal half Senate election late August. We are effectively in the midst of a 15 week Federal election campaign, after which we can expect State campaigning to ramp up ahead of a March State poll. In both cases the likely outcome is by no means certain. While we have seen some key social policy announcements from the Federal opposition (on negative gearing and affordable housing, and on income inequality) it is still early days in the State campaign and we expect to learn more about the State Oppositions social policy agenda.

The community sector arguably needs to give some thought to our agenda for structural reform and how we can make the most of this election cycle. Given the constrained economic environment there is unlikely to be much additional funding for new programs or initiatives ... and so a primary consideration may be machinery of government reform to deliver more flexible and joined up longer-term service funding. If place-based reforms are struggling because of the limitations put on agency and program budgets – is there a case for pushing for some restructuring? What changes to the machinery of government might support more joined up local and regional service funding and provision?

ENDS