



CHALLENGES FOR AUSTRALIA'S COMMUNITY  
SECTOR: ERO SUPPLEMENTATION  
FAIR FUNDING FOR FAIR PAY  
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# Introduction

*A joint initiative of ACOSS, the COSS Network and Community Sector Banking.*

This briefing note explores the answers that community sector leaders gave to questions about Equal Remuneration Order (ERO) supplementation in the Australian Community Sector Survey (ACSS).

The responses were clear – the sector is largely unable to respond to a loss of supplementation payments, without affecting organisational financial status, staffing, and service delivery capacity.

The ACSS was completed by 1,454 community sector staff, including 406 organisational leaders, in October 2019. Two survey questions were asked to capture how community sector organisations were positioned to deal with the potential cessation of supplementation payments associated with the Fair Work Commission’s 2012 Equal Remuneration Order. Since the ERO was made, these payments have been made by governments supplementary to their funding, to assist funded organisations cover increased costs associated with the Award wage increases phased in to address gender-based undervaluation.

This research was conducted by the Social Policy Research Centre at UNSW Sydney in collaboration with the Australian Council of Social Service (ACOSS) and the network of Councils of Social Service of Australia (COSS Network), supported by Community Sector Banking.

## Key findings

- Community service organisations currently receiving ERO supplements will experience **significant funding cuts** if their base grants are not increased to replace those supplements.
- Funding cuts will result in **cuts to the programs** that people across Australia **rely upon**.
- A loss of supplementation payments would affect **financial status, staffing** and the **capacity** of the community services sector to **deliver services**.
- Another key result will be a **loss of gender equity** from job cuts in the sector's predominantly female workforce.
- The sector will face **increased difficulty** in **attracting and retaining staff**.
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# 1. Receipt of supplementation

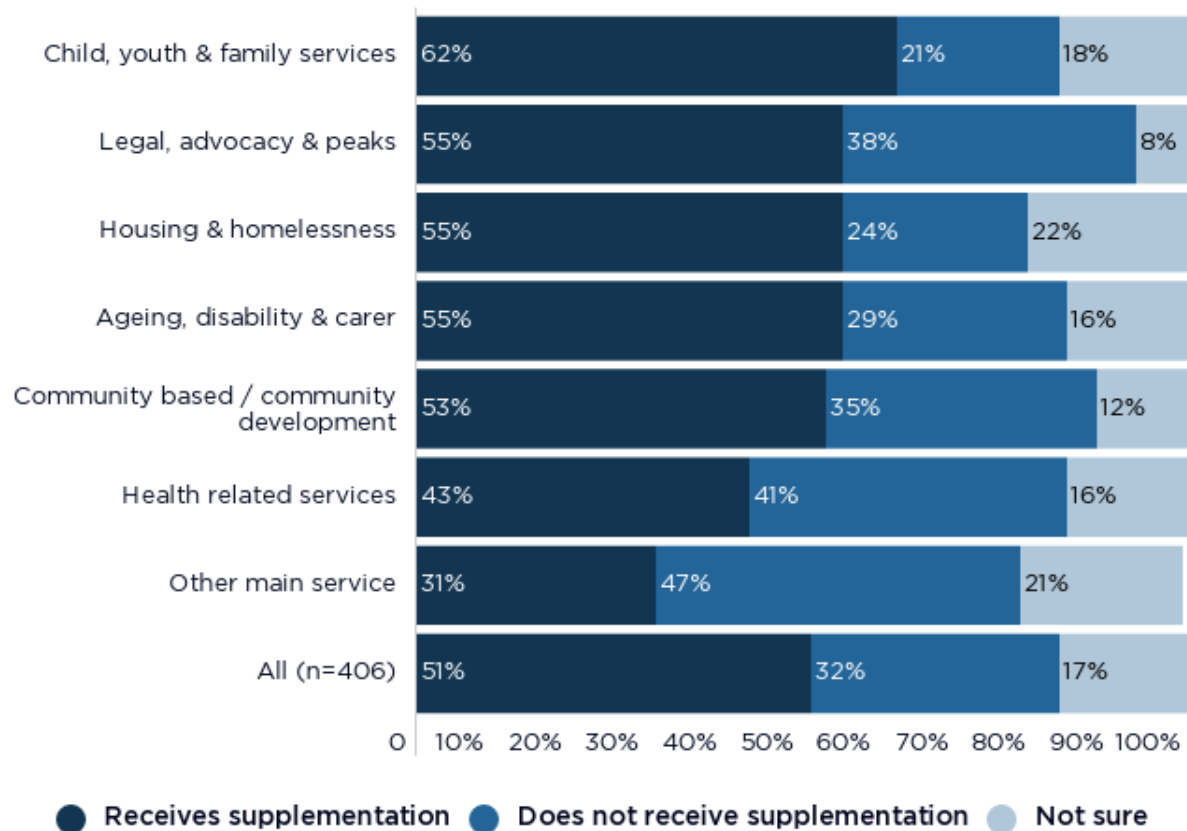
First, leaders were asked if their organisation was receiving any ERO supplementation from a government funder. The question was:

**As you may be aware, in 2012 the Fair Work Commission made an equal remuneration order (ERO) for the social and community services (SACS) industry. Does your organisation receive any supplementation from a government funder to help you to cover the ERO wage increases?**

Of the 406 organisations who answered, 51% said the organisation did receive supplementation, 32% did not and 17% were unsure (see Figure 1). The proportion that received supplementation varied across the sector.

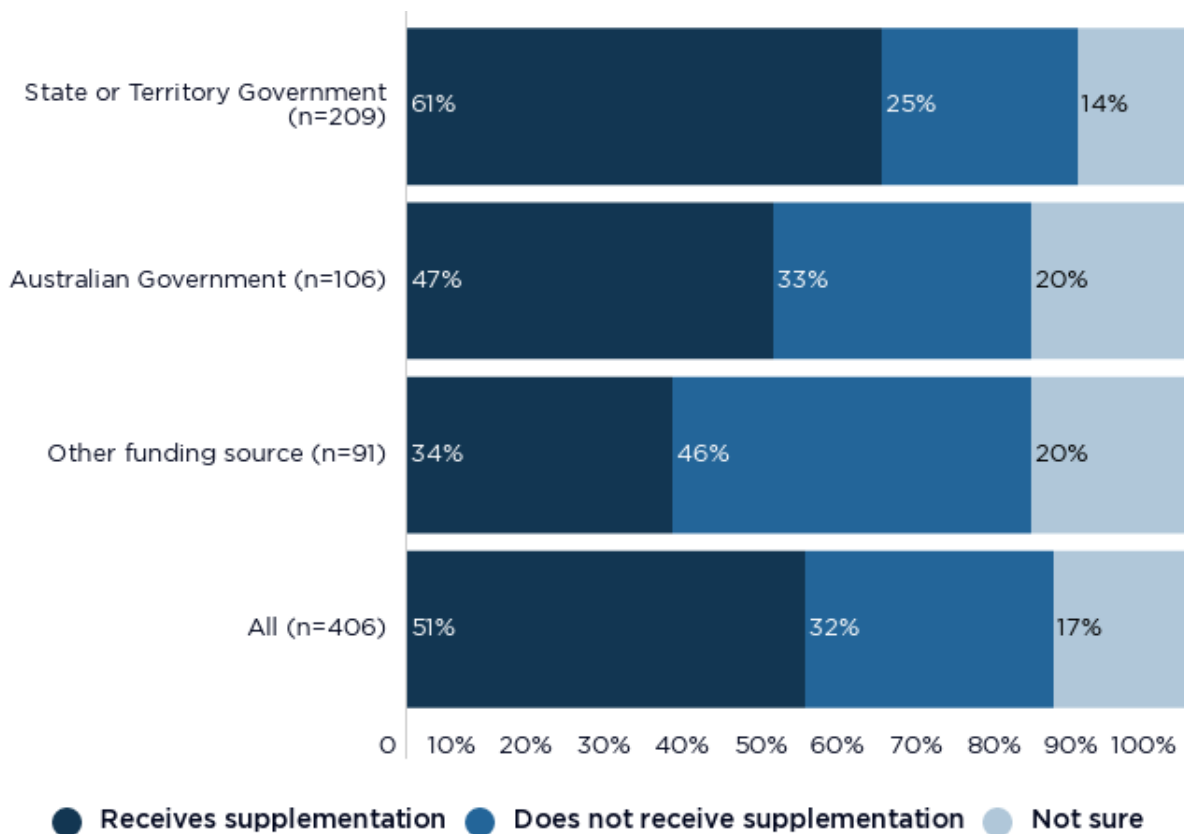
First, receipt of supplementation differed according to the main service system which the organisation was engaged with. High proportions of organisations reported receiving supplementation in child, family and youth services; while the proportion was lower for organisations focused on health-related services (43%), and with other service types.

**FIGURE 1: PROPORTION OF ORGANISATIONS RECEIVING ANY ERO SUPPLEMENTATION, BY MAIN SERVICE SYSTEM (RESPONSES = 406)**



Second, organisations whose main source of funding was a State or Territory Government were more likely than others to receive supplementation (see Figure 2). Whereas 61% of those whose main funding source was from a State or Territory Government agency said they received supplementation from a government funder, this was the case for only 47% of those whose main funding source was the Australian Government.

**FIGURE 2: PROPORTION OF ORGANISATIONS RECEIVING ANY ERO SUPPLEMENTATION, BY MAIN FUNDING SOURCE (RESPONSES = 406)**



**“The impact on our organisations will be staff reduction, reduced service provision and ultimately less clients able to access the service. This is a disaster in the making!”**



## 2. Impacts of cessation of supplementation: Sector perspectives

Leaders in organisations which did receive supplementation from a government funder were asked to answer an optional open-ended question:

**Provision of SACS ERO supplementation funding for Commonwealth funded programs is due to end in 2021. What do you think will be the impact on your organisation?**

Overwhelmingly, organisations reported the cessation of supplementation would have significant adverse impacts on their financial arrangements and sustainability, their staffing levels, or other conditions, and ultimately the level of service they could provide to clients.

Already we have been forced to sign contracts with the Commonwealth government where they have refused to maintain funding at a level required by the SCHADS [Social, Community, Home Care and Disability Services] Award when the ERO supplement ceases. Example: Our 5 year contract ends in 2023. At the conclusion of the ERO supplement, the funding reverts back to the base amount at year 1 of the contract. This does not include any indexation or recognition that wages will be 30% higher than at the commencement of the contract. The impact on our organisations will be staff reduction, reduced service provision and ultimately less clients able to access the service. This is a disaster in the making!

(CEO, NSW service)

Of the 173 who responded to the open-ended question, few (only 20, or 16.6%) commented that the impact would be minor, manageable or negligible. The most common reason that the effect would be minor or negligible was that funding was not received from the Commonwealth (5 organisations), because the organisation had made provision or anticipated being able to rework budgets (3 organisations) or because the amount they received was so minimal it covered a very low proportion of the wage increases, and so its removal would have little impact (3 organisations). Other reasons leaders expected the removal of the payments to have minimal impact were that the increase related to a service which was ceasing anyway, or the organisation was moving to a fee for service model.





## **i. Financial implications of loss of supplementation**

Comments overwhelmingly demonstrate how removing supplementation without building appropriate wage levels into base funding will squeeze sector finances, to make 'a very tight financial situation even tighter'. Organisational leaders explained that they would need to dip into small reserves which were intended for emergencies, or that they would need to restructure, reduce staff and/or cut back on services.

Some said the removal of supplementation was already causing problems with their costs and financial projections relating to state-funded activities:

We are already experiencing impact as some State funds have not included the ERO. It is causing confusion with annual budgeting and workforce levels. (CEO, NSW service)

There are many contracts that don't have ERO included, yet we are required to apply the ERO to staff wages in this area. This has already had a huge impact on my organisation.... (CEO, ACT service)

[The] ERO supplementation we received covered approximately 5 support staff while the increase across the remainder of our workforce (35 staff) had to be absorbed by our organisation. (CEO, QLD service)

Others described how they could foresee the increased financial pressure which would impact on staff, including through loss of positions, and on capacity for key services. For example:

The ending of the supplementation will increase financial pressure on the agency. We will need to restructure and this will affect service quality and capability. (CEO, WA service)

In effect it will be the same as if they cut our funding level. We will need to examine the impacts it will have on the ability to run programs. Staffing hours may need to be cut. (Senior manager, VIC service)

Unless supplementation amounts are incorporated into our contract amount, we will need to either utilise our savings to cover salaries or will need to restructure programs and delivery [modes], reducing further the number of workers. (CEO, ACT service)

We only receive some supplementation, not all and so we are already trying to manage significant deficits. It is likely to lead to significant job losses and a cut back on services. (CEO, NT service)



## ii. Staffing issues resulting from loss of supplementation

As the comments above indicate, organisations were facing or expecting to face increased financial pressure as a result of cessation of supplementation. Leaders' comments indicate this was likely to have many adverse impacts on staffing levels. Organisations were also anticipating further difficulties in attracting new staff.

### i. Pressure on staff levels

Many leaders commented that their organisations would have to reduce the number of full-time equivalent staff on the ground, contributing to reduced capacity of frontline services. For some, the impact was very significant:

Massive loss of jobs, reduction of services, pulling out of services in various locations. (CEO, NSW service)

We will lose resources (staff) and struggle to meet demand. (CEO, ACT service)

We will lose positions if we are forced to revert to baseline funding levels. (CEO, NSW service)

If funding bodies don't honour the ERO rises after 2021 and we revert to funding levels prior to the ERO supplements we will need to reduce worker's hours to meet our budget therefore reduce face to face support to clients. (CEO, NSW service)

### ii. Difficulties attracting new staff

As well as contributing to job losses and pressure on pay rates, several comments from organisational leaders indicated likely difficulties in attracting new staff:

It [supplementation] was insufficient to cover it [the wage rises] in the first place. If it is no longer available our ability to compete for staff especially in comparison to state government jobs will be significantly affected. (VIC service)

We will be unable to attract and retain high quality staff, reducing the quality and impact of our services. (ACT service)

### iii. Service delivery issues

Ultimately, the financial and staffing pressures associated with cessation of ERO supplementation payments are expected to adversely impact service delivery. Many organisations explained the loss of these funds would impede their ability to deliver on their contracted obligations to government:

It will force us to reduce direct service delivery and reduce operational costs for the organisation, placing more pressure on us as a whole and therefore reduce what we deliver. (CEO, QLD service)

A real challenge to continue the same level of service delivery and staff development. (CEO, NSW service)

If ERO is not incorporated into base funding levels [it] will have a significant impact and will not be able to fulfil contract obligations (CEO, ACT service)

High impact - reduction of ability to deliver services given we are already stretched to deliver to current expectations, and some programs run at a loss. (CEO, NSW service)

This was expected to impact adversely on vulnerable clients, including through increasing waiting lists for services where capacity was already at levels below what the community required:

We will need to reduce staff numbers and services in order to meet the reduction in funding as a result of the cessation of the ERO. This not only create problems for our workers, but importantly reduces service capacity and access for those in the community who are the most vulnerable. It will see waiting lists increase because capacity is reduced (even though demand outstrips capacity now!) (CEO, ACT service)

Some leaders gave more concrete examples of the ways their organisation was likely to reduce capacity, or estimated how much of their capacity would be affected, for example:

Possible review of staffing model from 24-hour services to semi supported. (CEO, QLD service)

We estimate a reduction in about 4% to 5% of total revenue meaning either a reduction in services provided or the termination of key client-facing resources. (Senior manager, NSW service)

If the funding is not maintained half our service will cease. We can't reduce wages. (CEO, ACT service)

If government did not meet this cost, it would be felt in terms of service outcomes and Key Performance Indicators (KPIs):

Either the government will need to meet this in our base/core funding moving forward, or we will need to reduce staffing and KPIs by 20-30% across all services. This ERO supplementation was for wages it has not been spent on any other costs. Therefore when wages reduce between 20-30%, so will our staffing levels. And the Govt will need to recognise that with cuts to staff, come cuts to service delivery outcomes and KPIs (by around 20-30%) (CEO, ACT service)

### 3. Conclusion

Overall, organisational leaders' responses indicate that if the base grant for programs currently receiving ERO supplementation does not rise to incorporate the ERO payments, the community service organisations delivering federally funded programs will experience significant funding cuts. This will mean cuts to the services that people in communities across Australia rely on. The gains in gender equity achieved as a result of the ERO will be diminished by job cuts in the community sector's predominantly female workforce, and the sector will face further difficulties in attracting and retaining staff.





