



Developing Adequate Indexation for Community Services

October 2022



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Overview

- 1. The Problem**
- 2. The Impact**
- 3. The Solution**
- 4. What You Can Do**

The Problem

- Indexation at 2.25% is not keeping pace with the cost of delivering services (CPI in Hobart = 6.5%; wages rose 2.6%).
 - Indexation is meant to ensure that funding takes into account increases in wages and other costs.
- Two reasons:
 - **Government funding is based on historical allocations that are not keeping up with rising costs of service delivery (since 2003, 80% WPI and 20% CPI).**
 - **The full cost of service delivery is unknown due to lack of appropriate data.**
- All made worse by increasing levels of community need and complexity.

CPI and WPI

- **CPI = Consumer Price Index: measures changes over time in the prices of consumer goods and services, using a typical 'basket of goods'.**
 - Community service organisations consume a very different combination of goods and services than the typical household.
 - E.g. CPI includes alcohol and tobacco, recreation and culture, clothing and footwear.
- **WPI = Wage Price Index: measures changes over time in the price of labour, using a fixed 'basket of jobs' from a mix of public and private sector across different industries.**
 - It is a very different mix of jobs/pay than most community service organisations, and doesn't capture the full cost of wages for organisations.
 - E.g. superannuation, workers' compensation insurance, onboarding, training.

The Impact

- Funding in real terms is reducing, but KPIs are not negotiated downward.
- This forces organisations to make hard choices, such as:
 - Not filling positions when contracts end.
 - Filling them at a lower level.
 - Limiting eligibility for the service.
 - Running budget deficits.
 - Reducing other costs, e.g. training for staff, less frequent food deliveries.
- Organisations will cut what they can before reducing services to Tasmanians
- This comes at a great cost to staff (burnout, morale) and risks the quality of services we deliver.
- Without a sustainable community services industry, the wellbeing of Tasmanians and the state as a whole will suffer.

The Solution

- **Develop an index that measures changes in costs most relevant to community service organisations, e.g. the full cost of wages, rent, depreciation, fuel and transport, energy.**
- **Based on cost increases over three (3) years of a representative sample of Tasmanian community service organisations.**
- **Produce a formula that gives an indexation rate reflecting the true costs to community service organisations.**

What YOU Can Do

- **Attend a briefing:** Courtesy of lead researcher Professor David Gilchrist, Centre for Not-for-Profit Research UWA, to be held from 31 Oct-1 Nov 2022.
- **Community organisations:** as well as your own BPS, refer to and endorse this work in your budget submissions and in your advocacy more generally; and get your boards involved — these issues are about our sustainability and viability.
- **Government agencies:** reference and endorse this approach in your departmental budget submissions and in discussions with decision-makers.
- **All:** consider writing to your local member of Parliament, relevant Minister or local newspaper, highlighting the issue and the urgent need for resolution.
- **Ask TasCOSS:** We can provide you with letter templates, talking points, etc.

Questions?





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