

Equal Remuneration Order supplementation

Key messages

- Health, social and community services are essential services that have proved to play a key role in providing immediate, diverse, frontline support to impacted communities during the bushfires and COVID-19.
- With rising disadvantage leading to rising demand for our services, the sector needs certainty that baseline funding will be permanently increased to help maintain wages and provide equal pay for our highly feminised workforce.
- The NSW Government must ensure that the value of final Equal Remuneration Order supplementation payments are incorporated into baseline funding for relevant contracts going forward.

Context

- During COVID-19, the sector has risen to the challenge and continued to provide essential services to the most vulnerable in the community e.g. they have worked hard to keep rough sleepers safe, provide support to women in unsafe relationships, stay connected to vulnerable families, assist people with disabilities to adjust, get food to households in financial distress, check in on those who are isolated, help people access telehealth and other online services, and ensure that disadvantaged young people don't disengage from education.
- The sector has worked cooperatively with government to rapidly find and roll-out solutions, and modify service operations and delivery accordingly. For the most part this has been done with no additional funding.
- Organisations in the sector are worried for the future and are already struggling to meet demand due to chronic underfunding.
- Many do not have reserves, as their funding agreements do not allow them to carry over underspends to help them build a financial buffer - which would be a sensible and common business practice in any other industry so that when crises such a COVID-19 occur, they are prepared and more financially resilient.
- The coming 'October cliff' will bring even more financial challenges for the sector:
 - the end of JobKeeper
 - the withdrawal of other crisis support (increased JobSeeker, deferred lease and loan payments coming due, etc)
 - a desire by governments to reduce expenditure in their budget places many organisations at risk.

- The latest report from Social Ventures Australia and the Centre for Social Impact indicates the precarious financial position that many organisations are in, particularly as the ability to fundraise and seek sponsorship from local businesses or philanthropic sources dries up.

Box 1: June 2020 report from Social Ventures Australia & Centre for Social Impact: *Will Australian charities be COVID-19 casualties or partners in recovery? A financial health check*

- SVA modelled the potential impact of COVID-19 on the financial health of the 16,022 charities on the ACNC register with 1.22 million employees (many run purely by volunteers).
- They modelled a 20% fall in revenue for these charities and found:
 - 88% of charities would immediately be making an operating loss;
 - 17% would be at high risk of closing their doors within six months, even when taking their reserves into account; and
 - More than 200,000 jobs could be lost as a result of cost-cutting and organisational closures.
- Charities are losing revenue from multiple sources at the same time as they face increased demand for their services, and increased delivery costs.
- While their income has risen in the past year, their margins are falling significantly. Government grant processes which prioritise low prices over sector viability can erode margins further.
- Unlike for-profit companies, charities can't easily raise capital by taking on debt or issuing shares, so are more exposed in unexpected downturns.

Equal pay

- The health, social and community services workforce is predominantly female, and has been recognised as under-valued and underpaid. That is why the Fair Work Commission brought the Equal Remuneration Order (ERO) in 2012, to achieve pay parity for work of equal value.
- At the time this order was made, the NSW Government chose to phase in equal pay for wages covered by the Social and Community Services (SACS) Award by providing organisations with supplementary payments over at least eight years.
- ERO supplementation payments for contracts funded by the Department of Communities and Justice will cease at the end of 2020-21, and supplementation payments for contracts funded by NSW Health will cease at the end of 2021-22.
- In response to advocacy from NCOSS and other stakeholders, the Department of Communities and Justice and NSW Health have committed to incorporating the value of final ERO supplementation payments into baseline funding for relevant contracts once payments cease.
- Organisations entering into contract re-negotiations where ERO would apply should discuss this with their contract managers to ensure their contracts explicitly reflect this process and how the payments will be incorporated.