frsa Family & Relationship Services Australia

Providing Leadership, Linking Services, Supporting Relationships

3/2 Townsville St, Fyshwick ACT 2609
PO Box 1270, Fyshwick ACT 2609
T 02 6162 1811
E admin@frsa.org.au
ABN 38 124 321 080
www.frsa.org.au

SUBMISSION

24 August 2020

PRE-BUDGET SUBMISSION – 2020-2021

BUDGET POLICY DIVISION
DEPARTMENT OF THE TREASURY

Contact:
Jackie Brady
Executive Director
Family & Relationship Services Australia
(02) 6162 1811
ExecDirector@frsa.org.au

CONTENTS

About FRSA.....2
Our Vision.....2
About our members.....2

Introduction.....3
The Social and Community Services Sector..... 3

Priorities.....4
Funding has not kept pace with costs.....4
Funding that covers Award wages.....5
The COVID-19 Context.....7

Attachment A – Family and Relationship Services..... 11

Attachment B – Report: Expiry of the SaCS Pay Equity Special Account.....13

ABOUT FRSA

As the national peak body for family and relationship services, FRSA has a critical leadership role in representing our extensive network of Member Organisations to support their interests and the children, families and communities they serve across Australia. FRSA plays a significant national role in building and analysing the knowledge and evidence base relating to child and family wellbeing, safety and resilience. We undertake research and work with government and non-government stakeholders to inform policy and shape systemic change.

Our vision

The wellbeing of all children, families and communities in Australia is supported and protected.

About our members

FRSA has 165 members, with 135 members in a direct service delivery role.[1] The range of services provided includes:

- Family Relationship Centres
- Children's Contact Services
- Family Law Counselling
- Family Relationship Advice
- Family Dispute Resolution (FDR) and Regional FDR
- Parenting Orders Program
- Supporting Children after Separation Program
- Family and Relationship Services
- Specialised Family Violence Services

[1] FRSA's full members deliver family and relationship services. FRSA's associate, individual and honorary members hold policy, research and professional expertise in family law, family and relationships services and related social services.

INTRODUCTION

FRSA welcomes the opportunity to participate in the Federal Government's pre-Budget submission process. Our submission outlines priority issues for Family and Relationship Services to be considered in development of the 2020-2021 Budget. This year's Budget will be handed down in unparalleled circumstances and we consider that full support should be given to the Treasurer to develop a Budget that looks to long-term social and economic recovery.

In ordinary circumstances the Economic and Fiscal Update, delivered by the Treasurer on 23 July, may have painted an alarming picture, with a forecast $85.8 billion deficit in 2019-20 and a $184.5% deficit in 2020-21. Within the context of the COVID-19 Pandemic, however, the substantial deficit reflected the Government's timely investment in supporting Australians in need, keeping businesses afloat and preventing a much more serious social and economic fallout.

The future impacts of COVID-19, in as much as they can be predicted in this uncertain environment, show that greater unemployment and underemployment is just around the corner.[2] From this will flow a range of negative financial, health and social impacts. We urge Government to invest long-term to mitigate these impacts.

THE SOCIAL AND COMMUNITY SERVICES SECTOR

The not-for-profit social and community services sector is a significant part of the Australian economy and integral to our social fabric. The community and charities sector contributes $128 billion to the national economy and employs 1.3 million people (or approximately 840,000 full-time equivalent workers).[3] The sector delivers a range of key services that many Australians rely on – aged care, child care, family and relationship services, disability support, emergency relief, housing and homelessness services, to name just some.

Family and Relationship Services Sector

The FRSA membership, which includes all Family Law Service providers and a large proportion of other Family and Relationship Services providers, employs between 4 000 and 5 500 workers across metropolitan, regional and remote Australia, and delivers family and relationship services to approximately 580 000 Australians each year.[4] See Attachment A for a list of Family and Relationship Services provided by FRSA members.

---

[2] Unemployment is forecast to reach 9.25% in the December quarter according to the Government's 23 July Economic and Fiscal Update.

[3] ACOSS (5 May 2020), *ACOSS COVID-19 Response and Recovery: Community sector issues – briefing*, p. 1.

[4] The Centre for International Economics (2020), *Expiry of the Social and Community Services Pay Equity Special Account: Implications for family and relationship services*, p. 17.

PRIORITIES

Ordinarily we limit our contribution to the Budget process to matters directly related to Family and Relationship Services funding. However, these are not ordinary times, FRSA members are interacting daily with children and families impacted financially, socially and psychologically by the pandemic – through job losses, family violence, impacts on child social development, social isolation and so on. We therefore consider it necessary to reflect briefly on broader Budget matters. Our priorities include:

- Provision of funding for social and community services that meets real costs of service provision
- In particular, provision of baseline funding that meets real wages cost, noting the impending expiry of the Social and Community Services (SaCS) Pay Equity Special Account
- Provision of funding that meets increased demand
- Provision of income support payments that keep Australians out of poverty
- Investment in skills development and sustainable jobs creation.

FUNDING HAS NOT KEPT PACE WITH COSTS

There is a significant gap between Commonwealth funding for service delivery and the real costs of delivering family and relationship services, which inhibits children, families and communities from obtaining optimum outcomes from family and relationship services.

Baseline funding for Family and Relationship Services has remained the same over multiple years. Since 2012-13, when indexation has been applied to programs delivered by the FRSA membership base, indexation rates have been on average approximately 1.5 per cent, and applied to the original grant funding value, rather than on a cumulative, annual basis.[5] A three-year indexation freeze brought in at the 2014-2015 Budget impacted the Family Law Services component of Family and Relationship Services.

Our sector continues to experience frustration with the lack of transparency around decisions underpinning the allocation and rate of indexation applied to different programs. We further note that timeliness in advising indexation decisions would assist in organisational planning.

An independent report (see Attachment B and discussion below) commissioned by FRSA this year shows that while funding has remained relatively static, the costs of delivering services has increased over the past eight years. Efficiency investments by FRSA members have ensured that the sector has been able to maintain client numbers in the face of funding pressures and significant cost pressures. Analysis across the key cost categories of wage and occupancy costs against output measures of cost per client shows that while cost indexes have

[5] CIE (20 March 2020), *Final Report: Expiry of the Social and Community Services Pay Equity Special Account – Implications for family and relationship services*, p. 37.

increased significantly, a rebalancing of the cost base within the sector has allowed for the index of cost per client to rise minimally.[6]

Family Law Services

Family Law Services receive total annual funding of $146 million and serve approximately 170 000 clients each year. A 2016 KPMG report, commissioned by the Attorney-General's Department, which looked at Family Law Services, found that should the funding envelope remain the same, the projected shortfall by 2023-2024 would be $21.2 million.[7] The analysis of the funding shortfall was based on the assumption that increased demand came only from population growth. The analysis did not account for growing client complexity.[8] Further, as discussed below, it is anticipated demand for family and relationship services, including Family Law Services, will increase due to the COVID-19 pandemic.

FUNDING THAT COVERS AWARD WAGES

The Social and Community Services (SaCS) Pay Equity Special Account expires on 31 December 2020, with funding flowing through to 30 June 2021.

The Social and Community Services (SaCS) Pay Equity Special Account was established by the Commonwealth Government in 2012 to assist the social and community services sector to afford the increase in wages that was handed down as part of Fair Work Australia's Equal Remuneration Order ruling in this landmark case. The 2012 Equal Remuneration Order allowed for a progressive increase in award rates of pay for all levels within the SaCS Modern Award 2010. SaCS supplementation is currently used to help employers meet their obligations to pay their staff at award wages (as a minimum). Programs established by Government since the ruling have the award wage costs built into the baseline funding. For those programs, funding is commensurate with current market labour rates and not historical rates.

This year, FRSA commissioned independent research (refer Attachment B) on this issue, which was undertaken by the Centre for International Economics (CIE). CIE analysed the impact of possible reduced funding levels in the Family and Relationship Services (FRS) sector from 1 July 2021, due to the expiry of the SaCS Special Account.

CIE Findings

The Report found that the Family and Relationship Services (FRS) sector delivers substantial value to the Australian economy and to Australians. A sector-wide average benefit cost ratio (BCR) of 5.5:1 was estimated.

---

[6] CIE (20 March 2020), *Final Report: Expiry of the Social and Community Services Pay Equity Special Account – Implications for family and relationship services*, p. 29.
[7] KPMG (2016), *Future Focus of the Family Law Services*, Prepared for the Attorney-General's Department.
[8] See for example, research on Family Law Services undertaken by the Australian Institute of Family Studies.

As discussed earlier in this submission, the FRSA membership has invested heavily in efficiency measures over the past eight years and is at, or close to, the efficiency frontier. That is, there is limited, if any, scope for further efficiencies. Costs of service delivery continue to rise, and funding levels have not kept pace with these costs. Further, the FRS sector is characterised by client focused service delivery. Approximately 70 per cent of all costs associated with service delivery are labour costs. There is limited scope to transfer away from labour in service delivery, towards capital or information services to mitigate the rising labour costs.[9]

The SaCS supplementation is based on a formula that assumes the average classification of employees across the sector is 4.1 within the SCHADS (formerly SaCS) Award. The greater the proportion of staff within an organisation that are classified higher than a 4.1 employee, the greater the amount that organisations will have to find from elsewhere, to meet wage costs. In other words, the SaCS supplementation payments from the Special Account do not fully cover the pay increase.

Impacts when SaCS Special Account funding comes to an end

When Special Account funding comes to an end post 30 June 2021, there will be a 13.2 per cent drop of Commonwealth funding post 30 June 202. For the FRSA membership base, this means an effective annual funding cut of approximately $45 million, and $260 million per year in flow on costs imposed on Australians across a range of sectors (reflecting the BCR of 5.5:1).

Individuals and their employers will bear the largest proportion of costs – 53% or up to $140 million per year due to individuals no longer being able to access family and relationship services having a reduced capacity to work or engage with community and social activities. The health sector will bear 21 per cent of costs (up to $55 million), the justice sector will bear up to $23 million annually and the education and child protection sectors will each bear up to $22 million per year in additional costs.

To manage the decrease in Commonwealth funding, FRS providers anticipate reducing operational employment (employees providing direct services to clients) by up to 22 per cent, with the greatest impact felt in regional and remote locations. In real terms, this equates to 1,100 jobs lost. We note that the FRS sector is characterised by a higher proportion of female workers and therefore job losses will disproportionately impact women.[10]

[9] CIE (20 March 2020), *Final Report: Expiry of the Social and Community Services Pay Equity Special Account – Implications for family and relationship services*, pp. 37-38.

[10] We note that pandemic related unemployment has disproportionately impacted women across the broader labour market. See for example, National Skills Commission (1 July 2020), A Snapshot in time: The Australian labour market and COVID-19, Australian Government, p.17.

From a client perspective, there will be a 16 per cent reduction in clients able to be served. In real terms this will equate to approximately 92 400 children and adults not able to access services from FRSA members. There are limited options for clients to be diverted to other services – 70% of clients unable to access services from FRSA members would not be able to access either similar services from alternate providers or be able to access some kind of suitable support. Options in remote Australia are particularly limited.

Current context
As noted above, within the pandemic context, the anticipated reduced capacity to provide services to vulnerable clients, and job losses, is particularly concerning.

We further note that Family and Relationship Services account for a proportion of programs reliant on the SaCS Supplementation funding. The broader impact on organisations delivering social services – and on their clients – will be much greater.

FRSA **recommends** that the Government commits to increasing baseline funding to meet Family & Relationships Services Sector wage costs in line with the current SCHADS Award post-June 2021.

THE COVID-19 CONTEXT

Meeting service demand: A critical role for Family and Relationship Services in the longer-term
An ACOSS survey of the not-for-profit community services sector, conducted prior to the 2019-2020 bushfires and the COVID-19 pandemic, showed that government support for the sector is not keeping pace with demand for services.[11]

While family and relationship support provided by FRSA members has remained constant over past years, despite significant cost increases, service demand has continued to grow – both in terms of potential clients seeking support and the complexity in the cases that need to be managed.[12] Demand had already outstripped supply before the pandemic struck.

The COVID-19 pandemic will have long term impacts on families across Australia. Based on research to-date and observations from FRSA members, we anticipate an increase in demand for services as the stresses of financial hardship and unemployment play out across Australian families. Already, people are reaching

[11] ACOSS (March 2020), *The Profile and Pulse of the Sector: Findings From the 2019 Australian Community Sector Survey*
[12] CIE (20 March 2020), *Final Report: Expiry of the Social and Community Services Pay Equity Special Account – Implications for family and relationship services,* pp 38-39.

out to family and relationship services who have never been in this position before.

The links between financial hardship and family relationship challenges have been well-established. As the Attorney-General's Department has written, "Financial disadvantage is both a predictor and a consequence of a relationship breakdown."[13] The Department goes on to note that "Recipients of government income support payments have been found to be more than twice as likely to separate as non-recipients of income support".[14]

An Australian Institute of Family Studies report that specifically looks at the impacts of recessions on families found that involuntary unemployment normally has negative economic, social, physical health and psychological impacts. In turn, these negative impacts can flow to other family members, including children.[15]

These findings are reflected in a recently-initiated, longitudinal collective action research project in Western Australia (WA). The 100 Families WA project, which studies entrenched disadvantage in WA, found that 43% of a study of 400 financially vulnerable families experienced relationship breakdown attributed to their debt.[16]

The Family and Relationship Services sector is well-positioned to support families through the coming period. The sector is intensively engaged with vulnerable children, families and communities during times of crisis and/or ongoing stress or complexity. It delivers a range of counselling and support services to children and families that can de-escalate rising family tensions and help keep children and families safe. It can only do this, however, with the support of Government. Many FRSA members – and organisations in the not-for-profit sector more broadly – derive a proportion of their income from donations and fundraising activities. This income is used in a range of ways, including as 'brokerage' type funding to respond flexibly to the changing and complex needs of people accessing their services – particularly in times of crisis – in ways that grant funding conditions do not allow. With volunteering numbers down, many fundraising events unable to proceed, and a drop in donations as people struggle financially, some organisations relying on this income stream are compromised.

A recent report on the viability of the charities sector in Australia modelled a 20% fall in revenue and found that:

- '88% of charities would immediately be making an operating loss
- 17% would be at high risk of closing their doors within six months

[13] Attorney-General's Department (February, 2020), Submission to the Joint Select Committee on Australia's Family Law System, Submission no. 581, p. 4.
[14] P. 4.
[15] Gray, Matthew., Edwards, Ben., Hayes, Alan., Baxter, Jennifer (2009) "The impacts of Recessions on Families", Family Matters, No. 83, p. 13.
[16] 100 Families WA (2019), *Financial Vulnerability Snapshot*.

- More than 200,000 jobs could be lost as a result of cost-cutting and organisational closures'[17]

FRSA **recommends** that, as a matter of urgency, the 2020-2021 Budget accommodate an increase in funding across the suite of Family and Relationship Services.

FRSA **recommends** that in the longer term, the Government undertakes a comprehensive needs analysis for social services, including Family and Relationship Services, across Australia to inform future Budget development. This needs analysis should take account of the longer-term impacts of the pandemic and changing demographics of regions to ensure an improved match between supply and demand of social services.

Mitigating adverse financial consequences for families

Income support

The increase to basic benefits at the start of the pandemic, particularly JobSeeker, and the relaxation of conditionality requirements, were welcomed by FRSA members and the broader community sector. These measures brought much-needed relief to many families and individuals.

However, the reduction of the JobSeeker payment in late September and the proposed cut to the Coronavirus supplement at end December 2020, is of concern to the FRSA membership. Further, the absence of support for temporary migrants is of great concern. FRSA Members who also deliver emergency relief services have reported an influx of people seeking emergency support since late March, including a high proportion of temporary migrants. It is imperative that income support be extended to temporary migrants.

FRSA notes and supports the recent Senate Committee recommendation that "once the Coronavirus supplement is phased out, the Australian Government increase the JobSeeker Payment, Youth Allowance and Parenting Payment rates to ensure that all eligible recipients do not live in poverty".[18]

FRSA **recommends** that the Australian Government reviews income support payments to ensure that, in line with the Senate recommendation above, all Australians are kept out of poverty.

[17] Social Ventures Australia & the Centre for Social Impact (2020), *Will Australian charities be COVID-19 casualties or partners in recovery? A financial health check*, Social Ventures Australia, p. 3.

[18] Senate Standing Committee on Community Affairs (April 2020), *Adequacy of Newstart and related payments and alternative mechanisms to determine the level of income support payments in Australia,* Commonwealth of Australia, Recommendation 27, p. xv.

Investment in skills development and jobs creation

While the economic stimulus measures introduced by the Government at the start of the pandemic were commendable, it is now time for a sustained, long term approach to jobs creation and skills development.

FRSA supports greater public investment in jobs creation through delivery of projects that yield demonstrable public benefit (for example, social housing construction and reduction of carbon emissions) as well as reducing unemployment.

Government investment in skills development and training in areas projected to grow is also vital. Prior to COVID-19, Health Care and Social Assistance was projected to make the largest contribution to employment growth to 2024.[19] The need for health care and social assistance will be even greater as a result of the pandemic and commensurate support for skills development in this area is required. Australia needs an appropriate workforce to respond to the needs of Australian communities.

As noted above, the greater the rate of unemployment and consequent financial disadvantage, the greater the demand for social services will be. Long-term investment in economic recovery will mitigate community need for social services down the track. Notwithstanding this, the FRS sector and social services more broadly will continue to be integral to Australia's social and economy recovery. The sector must be supported to meet demand for services.

FRSA **recommends** that the 2020-2021 Budget include provision for a workforce development strategy for the health and social services sectors.

[19] Australian Government Labour Market Information Portal, *2019 Employment Projections – for the five years to May 2024.*

FRSA Pre-Budget Submission: ATTACHMENT A

Family and Relationship Services

FRSA member organisations receive federal funding to deliver the following family and relationship services:

Children and Parenting services

- Children and Parenting Support
- Intensive Family Support Services
- Child Support Advocacy
- Budget Based Funding
- Home Interaction Program for Parents and Youngsters

Communities for Children Facilitating Partners

Family and Relationship Services

- Family and Relationship Services
- Specialised Family Violence Services
- Family and Relationship Support Services to support Intercountry Adoption Family Support

Reconnect

Family Law services

- Family Relationship Centres
- Children's Contact Services
- Supporting Children after Separation Program
- Parenting Orders Program
- Family Dispute Resolution
- Regional Family Dispute Resolution
- Family Relationship Advice Line
- Family Law Counselling (under FARS)

Adult Specialist Support services

- Find and Connect Support Services
- Royal Commission community-based support services
- Forced Adoption Services

Our member organisations also deliver numerous other services, including:

- Financial Counselling Services
- Family and Domestic Violence Services
- Men's Services
- Youth Services
- Aged Services

- Drug and Alcohol Services
- Community Mental Health Services
- Settlement Engagement and Transition Support (SETS)