

FUNDING A SUSTAINABLE NT HUMAN SERVICES INDUSTRY

Key Points

- Industry funding needs to be urgently restored to 2018 levels to ensure front line services can properly respond to the needs of an ever-growing number of vulnerable Territorians in a cost-of-living crisis.
- Award wages have increased by **34.7%** over the past 7 years.
- Industry grant funding agreements have increased by a mere **7.2%** in the same period, largely due to government-style efficiency dividends applied to non-government organisations.
- Additional, non-controllable cost increases from the Superannuation Guarantee Charge, insurance premiums and other costs of doing business threaten the financial viability of charities.

Sustainable Indexation

To ensure front line services can properly respond to the needs of disadvantaged Territorians, including domestic, family and sexual violence victim-survivors, young people and their families, grant funding indexation must be raised to ensure funding is restored to 2018 levels.

Restoration and maintenance of funding, in real terms, will require the following commitments from the Northern Territory Government:

1. Recovery of the current funding gap of **24.5%¹ over the following 3 years** to return purchasing power of grant funding agreements to 2018 levels in real terms.
2. Future funding formula for operational funding as follows:

$$NFA = PVA + ((NWC+OAI) \times 75\%) + (CPI \times 25\%)$$

- NFA = New grant funding amount
- PVA = Previous funding amount
- NWC = National Wage Case Decision (% increase)

- OAI = Other Award Increase determinations e.g. Gender Undervaluation Review
- CPI = CPI increase for the previous 12 months

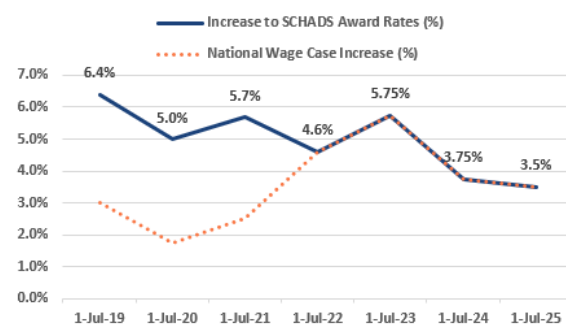
Increased Business Costs

Industry employers recognise the importance of Award wages being increased to support a fair standard of living, having regard economic conditions such as inflation and productivity, and the needs of low-paid workers.

Since 1 July 2018, Award wages for the human services industry have increased by **34.7%**. The dotted line in Chart1 represents annual Fair Work Commission's National Wage Case determinations and the firm line shows additional increases payable as a result of the Equal Remuneration Order (ERO) since 2012. Over a period of 11 years, the ERO narrowed the gender-based pay gap for workers employed under the Social, Community, Home Care and Disability Services Award.

In addition to Award increases, employers in the human services industry have seen the costs of doing business increase in recent years due to other factors outside of their control. These include increases in the Superannuation Guarantee Charge and other rising input costs in a high inflationary environment. These include, but are not limited to, insurance premiums, fuel and travel.

Annual Award Increases since July 2018



1. The weighted sum of the calculated wages gap of 34.7% plus the cost-based inflation gap of 22.7% (weighted at 75% and 25% respectively)

Chart 1: Award increases to the Social, Community, Home Care and Disability Services Award have exceeded annual National Wage Case Decision increases due to the implementation of the ERO.

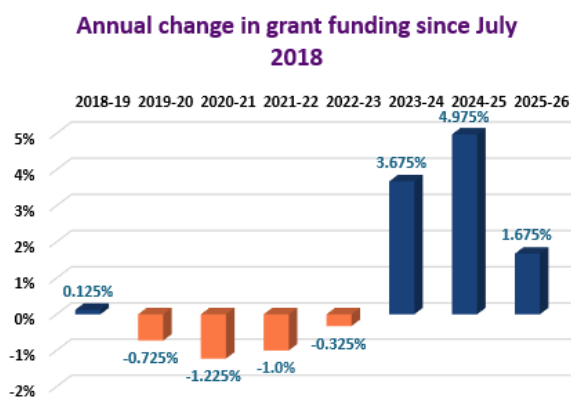
Since July 2018, the cumulative rate of inflation is **22.7%** (based on the CPI annual increase for each quarter ending March). The operating costs for employers in our industry for non-labour related expenses have increased commensurately, as they have for other industries.

But unlike other businesses, human services industry employers cannot recover increases in non-controllable operating costs through price setting to customers. Income to cover operating costs and the demands on our services is delivered through grant funding agreements, primarily with the Northern Territory government.

This means that it is essential that grant funding is maintained over time and in real terms, having regard to inflation and the rising costs of doing business.

Impacts on the Human Services Industry?

Chart 2 shows the extent of increases (or decreases) to the amount of grant funding provided to industry employers by the Northern Territory Government since July 2018.



Regrettably, support for the industry since 2018 in terms of annual grant funding adjustments has been abysmal. In four consecutive years, funding for the sector was *reduced*. The cumulative increase in grant funding for the industry over 8 years is a mere **7.2%**. That represents a margin shortfall of **27.5%** on industry labour costs, with these

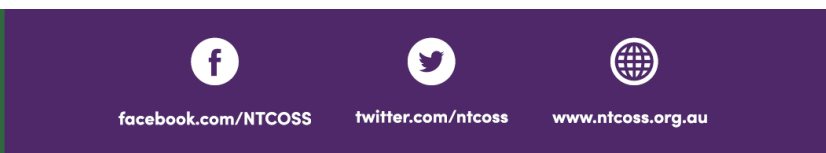
costs amounting to approximately 75% of total operational costs.

The key drivers for changes to funding to our industry have been:

- Low composite inflator parameters in successive budgets (ranging from 0% to 2.275%)
- Non-discounted government efficiency dividends and budget repair savings of between 1% and 3% per year.
- An additional one-off savings measure of 1% in 2023-24
- Two separate 5% increases to grant funding agreements granted by former Chief Minister Fyles following industry representations in 2023.

Efficiency dividends are budget-saving measures typically used by governments to reduce public sector spending by requiring agencies to deliver the same services with less funding. The aim is to drive productivity improvements and encourage cost savings within government departments. We are unaware of government efficiency-dividends applied to industry partners in any other jurisdiction. Our industry runs on extremely tight operating margins and, unlike government agencies, has no scope to uncover non-discretionary spend. There is no justification for public sector efficiency dividends or budget repair measures in our case and this practice needs to stop.

Deterioration of industry funding relative to the operating costs of service provision invariably means a reduction in staffing levels and a reduced capacity to meet growing demand for services. In practice, investment in staff training, professional development, outreach services, and program evaluation is initially cut, followed by non-replacement of staff that leave the sector and, ultimately, program closures. Above all, vulnerable Territorians do not have access to the supports and services that they need. To make matters worse, this is occurring in an environment where the demand for services continues to increase against the backdrop of a cost of living crisis.



I acknowledge the Larrakia people as the Traditional Owners of the land on which I live and work and pay respect to elders past and present. Aboriginal sovereignty has not been ceded.