



Catholic Social Services  
**Australia**

**Senate Finance and Administration Committee  
Inquiry into the *Families, Housing, Community  
Services and Indigenous Affairs and Other Legislation  
Amendment (2008 Budget and Other Measures) Bill  
2008***

Public Hearing

Canberra  
20 June 2008

**OPENING STATEMENT**

Frank Quinlan  
Executive Director

I would like to thank this Senate Committee for the opportunity to raise these issues today. They are crucial to the sector and to the work carried out by our 64 member organisations.

We welcomed the Government's announcement last night that it will table legislation in the Senate next week to rectify the change in legislation put in place under the previous government which would have reduced the income of low paid charitable workers with families.

We strongly encourage bipartisan support of this legislation – subject, obviously, to its review – once it is tabled in parliament to ensure that it is swiftly enacted and therefore will cause the least disruption possible to the incomes of the families concerned. It is also inevitable, I expect, that the Government will seek to amend the legislation currently before this committee, but the implications of those amendments will not be clear until the legislation is tabled.

Catholic Social Services Australian welcomes the Government's acknowledgement of the complexity of the issues and referring the broader issues that have been raised as part of this debate to the Henry inquiry in seeking long-term funding solutions to the problems that are raised.

While this is welcome in principle, given the broad scope of the Henry inquiry's terms of reference, we would also hope that this matter is not overshadowed by the raft of other issues that that particular inquiry will be seeking to resolve, or at least propose solutions for. In that context we cannot overstate the complexity of the challenges that are faced in this area by the community sector.

Not having seen the legislation, we are yet to confirm whether or not there will be any time limits placed around the Government's decision of last night. We will wait to see, for example, whether the change back to adjusted fringe benefits, as opposed to reportable fringe benefits for the purposes of assessing income eligibility, is a long-term or a short-term solution. Whichever is the scenario, we are encouraged by the assurances that our workers will not be any worse off and that the charitable and not-for-profit organisations can continue to attract and retain the valued staff that we have in a very tight labour market.

Perhaps some elaboration would best describe the circumstances that we face.

On the matter of the income definitions used for FTB A, FTB B and the Child Care Benefit itself, we are primarily concerned with ensuring that employees in our agencies are not detrimentally affected by the changes due to take effect on 1 July 2008. Ultimately though, while we are concerned with our workforce, this is principally because of our concern for our clients. These arrangements mean that we are able to provide more services per dollar to clients who need our services.

This debate has highlighted that our capacity to utilise fringe benefits tax exemptions to compensate our employees for our inability to pay real wages to them recognises that our capacity in this regard has been significantly eroded. I would also note here that changes to the income taxation rates have also eroded the value of those packaging arrangements to employees.

But perhaps again this is an issue that will be dealt with by the Henry inquiry. I will speak in a moment about the impact of indexation.

The charitable and not-for-profit sector is currently reliant upon these special taxation arrangements to attract and retain staff and deliver services. In effect, these fringe benefits arrangements, which were originally designed for the top end of town, have been extended to the charitable and not-for-profit sector specifically for this purpose.

I need to expose a particular myth in relation to the charitable and not-for-profit sector. When we are talking about fringe benefits tax we are not talking about expensive cars, flash holidays or expense accounts. We are talking about fringe benefits acquired by salary packaging, which is usually contributed in terms of mortgages, rents, household expenses and so on.

There is a paucity of data available about the actual impacts, but I can give you figures from at least one of our agencies, our largest metropolitan agency, where recent data suggest that 80 per cent of the staff currently utilising salary packaging arrangements are earning \$50,000 or less.

Retention of the current definition of income for the purposes of calculating eligibility for the payments under consideration will be a challenge if these are only short-term measures.

Real wages to employees in an industry with high demand and extreme skills shortages will create real challenges for the sector as we deal with community sector issues that run much deeper. Fundamentally, this debate highlights the inadequacy of funding arrangements for services that are being delivered by our agencies.

The issue here is not inefficiency on the part of delivering agencies but unrealistically low funding levels, coupled with high expectations of best practice and often inordinate compliance arrangements.

Some of you will have heard me cite the example previously of one of our agencies providing a broad range of community services in a regional centre which had 32 workers, but the funding to support those 32 full-time workers was drawn from 28 different state and federal government funding sources in a 12-month period.

In terms of Commonwealth funding, a number of factors have led to the erosion of the funding base, as I have already identified, including compliance requirements, exclusion from funding formula of infrastructure and capital costs, information technology and communications technology costs.

But I would also highlight that the cap that is imposed on the Charitable sector in relation to fringe benefits tax exemption was set at \$16,050 back in the year 2000 and has never been indexed. The erosion of that benefit has been significant over that period.

The effects of inadequate funding are demonstrated also by the example of one of our member organisations with a program supporting children with a disability to participate in mainstream school hours programs.

Commonwealth funding for purchasing personal care is approximately \$8 an hour less than the rate at which the organisation has to purchase it. As the funding regulations allow no flexibility, the organisation has to meet the shortfall itself.

Here we also come to the issue, which will be raised in other submissions, that some of these FBT arrangements affect not just our Commonwealth and other government funding, but also affect our capacity to maximise funding that we receive from other sources, including fundraising and contributions from our parent organisations.

We call upon the Federal Government to ensure that program funding in all areas matches the full cost of service delivery, and that this full cost recovery is maintained through appropriate indexation.

While the Commonwealth may well be in a position to guarantee this, given the complexity of our funding sources, including state, territory and local government fundraising donations, any short-term reversion of this policy, while welcomed, does not solve the long-term issues that we face.

We look forward to an ongoing conversation about how the funding arrangements for the community sector can be placed on a much more viable footing. We note that the current Commonwealth government policy around the social inclusion agenda includes a focus on this, both through the compact and through various other discussions.

I would be pleased to take any questions that senators might have.

A copy of the Hansard including questions from Senators is available at:  
<http://www.aph.gov.au/hansard/senate/committee/S10953.pdf>

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