“Contracting – the impact on non-government organisations”

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This paper presents the Interim findings from research undertaken by Professor Sheila Shaver and myself at the Social Policy Research Centre. The paper highlights findings from a questionnaire of organisations contracted by the Department of Family & Community Services to provide community services. This questionnaire is part of a larger research project into government and non-government relations. We are hopeful that a final report from the project will be available later in the year. Bearing in mind the time available I will concentrate on three issues covered by the questionnaire: reporting burden; impacts on internal functioning; and, impacts on external relations.

To put the interim findings in context I would like to briefly describe the sample and respondent organisations. A random sample of some 1800 organisations was drawn from the FaCS ‘vendor data base’. To date, 623 questionnaires have been analysed representing a response rate of approximately 33%. It is important to bear the nature of the responding organisations in mind when considering the implications of other findings. We are not claiming these experiences to be representative of all FaCS contracted services nor of the wider community sector. What the questionnaire does provide, however, is a snapshot of the impact of reporting and accountability requirements attached to contracts on a diverse range of service providers.

As Table 1 indicates most of the smaller FaCS programs were over-represented among responding organisations. Childcare, on the other hand was considerably under-represented despite being 44% of responding organisations. It needs to be noted, however, that childcare services receive only a small proportion of their overall funds from FaCS (most coming from user-fees or childcare benefits administered by the Family Assistance Office) with comparatively few reporting requirements. So in many ways the under-representation of childcare services is opportune for this piece of research.

(Overhead 2)
The responding organisations included not-for-profit and for-profit organisations. Those operating on a for-profit basis (10%) provided services across all program areas of FaCS except the Emergency Relief, Reconnect and the Youth Activities program. One third of responding organisations received less than 25% of their annual income from the Department and over half of responding organisations were multiple-funded. This would suggest that for many responding organisations FaCS is not their primary source of funds and they are likely to place less significance on this relationship. Among the responding organisations we gained a good spread of responses across metropolitan, regional, rural and remote locations. 11% of responding organisations targeted specific communities, such as the Aboriginal & Torres Strait Islander communities, ethnic communities and specific genders. We were also able to gain information about the experiences of small, medium and large organisations. 40% of responding organisations could be defined as ‘small’, having an annual income of less than $250,000 per year. A further 25% were defined as ‘large’ having an annual income of more than $1 million per year. The median number of full-time staff was 4, part-time staff 5 and volunteers 7. In terms of volunteers, this suggests that most volunteers were involved in service management rather than service delivery.

The diversity of the responding organisations allows exploration of claims within the literature and through sector advocacy that rural organisations, small organisations and those targeting specific communities are finding the new funding environment more difficult than their counterparts (Nyland, 1993: 134-6; House of Representatives Standing Committee on Family and Community Affairs, 1998; ACOSS, 1999). The data has been analysed by location, size and population target as well as by service type and program area.

**Reporting burden** was explored via a number of questions in the questionnaire. Reporting burden was conceptualised as relating to the amount, frequency, time, allocation of resources and consistency between programs. There was in fact considerable diversity in the amount and frequency of reporting requirements among responding organisations – both within and between programs. Some responding organisations were required to provide quarterly client data, quarterly financial reports and quarterly performance reports. Others were required only to provide annual financial reports. Additionally, our data suggests that only six out of ten responding
organisations had some form of reporting requirements. This would appear to be low given the focus on accountability over recent years, even taking account of those who were unsure and did not answer this question. Older programs (such as childcare and Emergency Relief) appear more likely to have no reporting requirements, possibly reflecting historical arrangements. In terms of amount and frequency this suggests reporting burden is not widespread but concentrated among a sub-group of the responding organisations, with program area being the most influential factor.

As Figure 2 indicates, well over half of responding organisations felt the time required to meet reporting requirements had increased over the past 5 years. There was very little difference between perceptions of mainstream and non-mainstream organisations, rural and urban organisations or small and large organisations. There was however diversity between programs, from 29% of Emergency Relief providers believing reporting required a lot more time compared to 58% of Disability Employment providers. As mentioned above, this difference can be explained by the differing reporting requirements between programs.

The questionnaire further explored the notion of reporting burden by asking about the resources allocated (staff time) to meeting reporting requirements. Table 2 suggests that the collection of client data required considerable allocation of staff time per month. Other forms of reporting, such as financial report and performance reporting, were far less onerous. Over one quarter of responding organisations allocated in excess of 8 days per month (20 days) to the collection of client data. This is a significant allocation of resources and raises the question whether this is a good use of resources. The answer to this question, of course, lies with how the funding body use the client data collected by service providers. Organisational size appears to be the most influential factor in relation to the allocation of staff time, with larger organisation’s reporting requirements consistently demanding more time. Contrary to some of the literature, among these respondents smaller organisations did not allocate a disproportionate amount of resources to reporting and accountability requirements.

Previous research suggests that reporting burden is particularly high for multiple-funded organisations due to the lack of consistency in requirements between programs (Industry Commission, 1995: xlv; Ryan, 1997: 36; Melville and Nyland, 1997; O’Neill, 1997; Nevile, 1999: 25; Anderson and Brady, 1999: 202; Barber and Eardley
2002). As mentioned earlier, most responding organisations received funding from agencies other than FaCS. Table 3 indicates only financial reporting was similar across funding bodies for the majority of responding organisations (57.5%). Performance reporting appears to be significantly different between funding agencies for many organisations (47.3%). What this means in practice is that organisations are required to report on the same activities in different ways to different funding bodies. Client data requirements were ‘exactly the same’ across funding bodies for only 10% of multiple-funded organisations. In 1998 the House of Representatives Standing Committee in its report *What Price Competition?* was critical of the unco-ordinated approach to monitoring by government agencies (1998: 56, 58-60). These interim findings suggest that little progress has been made on addressing this concern.

The questionnaire also provides information on the impact of reporting and accountability requirements on internal functioning. Table 4 suggests that reporting requirements had facilitated three main, linked, changes to responding organisations: changes to the skills and expertise base of organisations, the introduction of new technology and the training or retraining of staff. These linked impacts are likely to reflect the introduction of computerised client data systems, financial software and performance or activity databases. The introduction of these systems require staff training or retraining and a greater focus on computer literacy in recruitment than in the past. It is possible, however, that these changes would have occurred in the community services sector regardless of the reporting requirements attached to contracts. Others impact of the reporting requirements worthy of comment is the reduction in employment conditions and the cessation of programs or services. A number of responding organisations indicated that contracting had decreased the ability of organisations to offer permanent and ongoing positions, resulting in the increasing casualisation of the sector’s workforce. Given the comparatively poor salaries, conditions and retention of staff pre-dating these changes in the sector this is of considerable concern (Western Sydney Community Forum and Voice for SONG 2003: 3). One of the often-expressed concerns by the sector in the move to contracting was that programs or services would cease. Among these responding organisations this fear does not appear to have materialised, with only 6.5% indicating changes had resulted in the cessation of programs or services.
The questionnaire also provided an opportunity to explore whether the changed funding environment had achieved reforms to the way in which non-government organisations provide services. Some of the driving forces behind the move to contracting and increased reporting requirements from a reform perspective included: greater public accountability; more efficient use of resources; and greater client focus (Industry Commission, 1995; House of Representatives Standing Committee on Family and Community Affairs, 1998; Joint Committee of Public Accounts and Audit, 2000; Mulgan, 2001; Kanter and Summers, 1987). From a reform perspective, the move to contracting appears to have had a limited impact on the targeting of services more effectively nor in an increase in client contacts (Table 4).

Table 5 indicates that among the majority of these respondents the reforms ‘make little difference’ to the functioning of organisations, with a couple of exceptions. 46% of responding organisations felt the reporting requirements attached to contracts had increase public accountability and 41% felt reporting enabled them to document accurately the work of their organisation. Just over 10% of organisations indicated that the changes had ‘hindered’ two other reform goals – focusing on client service and efficient use of resources. Governance, an area of concern about the functioning of non-government organisations found in the literature (McDonald, 1999) was improved in only 14% of cases by the changed funding arrangements.

The questionnaire also sought to gauge organisational stress levels arising from the changed funding environment. It asked respondents to rate their organisational stress level when the changes were initially implemented and today. As the changes have ‘rolled out’ at different speed in different sections of the sector it we did not put a time frame but asked instead about organisational stress levels ‘initially’ and ‘now’. What we were attempting to do was to see whether organisations felt more comfortable as they became more familiar with the changed funding environment. We hoped to explore whether stress responses were about ‘change’ per se or something more fundamental about contracting. As Figure 3 shows, there has been a decrease in organisational stress level over time, with a halving of those organisations reporting they were very stressed and an increase in those reporting now being comfortable or very comfortable. Those organisations comfortable or very comfortable, however, remain a minority and there has been only a small growth in the number of those
saying they were neutral. Over one quarter of respondents remain stressed despite the passage of time. This suggests that for these organisations the cause of this stress was did not lay in the ‘change’ per se. In order to explore what these other causes might be a series of chi-square tests were undertaken. These suggest that organisational stress was not about reporting but about the cultural shifts embedded in the move to contracting. Perceptions that NGOs are now ‘encouraged to compete rather than collaborate’ and ‘more accountable to the Department than to the community’ appear to significantly affect organisational stress levels. Financial issues, such as diverting resources from clients to reporting, having sufficient funds to meet client needs and the ability to attract funding for development work, also contributed significantly to organisational stress levels.

The questionnaire also explored some of the concerns expressed by non-government agencies of the impacts of the new funding arrangements on external relations, particularly in relation to building social capital. Non-government organisations have argued strongly that some of their most important work is not quantifiable – their work in building community cohesion, linking people to others, bringing diverse groups together, building individual capacity and community capacity. The sector has repeatedly expressed strong fear that a move to contracting, with its focus on measurable outcomes and service delivery would undermine this vitally important aspect of their work (May, 1996; Bell, 1996; ACOSS 1996; ACOSS 1999). The interim findings appear to hold good news on this front.

Well over half of responding organisations felt they continued to play a role in the policy process and the shift to contracting had not positioned them merely as service providers or government contractors (Figure 4). This held for all service types, but this view was strongly held by policy, service support and development agencies, that is peak organisations. Given the widespread concern about the impact of contracting on peak organisations this is an important finding (Rogan, 1996; Bessant and Webber, 2001; Sawer, 2002).

A concern for ‘mission drift’ as a result of contracting has been expressed by non-government organisations in Australia and internationally (Baker, 2002: 11-12). Non-government organisations feared that the ‘steering not rowing’ shift in government’s relation to policy and service delivery would see organisational autonomy threatened
(Nyland, 1993: 134-6; Farrer, 1993; McKenzie and Cox, 1994). As Figure 5 shows, however, 51.4% of responding organisations strongly disagreed that the new funding arrangements had diverted their organisations from their vision and purpose.

There was more evidence, however, to support the sector’s concern (ACOSS, 1997) that the shift to contracting would see a far greater focus on direct service delivery to the detriment of innovative prevention or development work. One fifth of respondents were unsure about this whilst some 41% agreed (Figure 6). The key factor in this finding appears to be nature of the NGO, with large mainstream training and employment providers receiving funds under the Disability Employment program expressing strongest concern about the ability to have prevention and development work funded (58% of these respondents agreed or strongly agreed with this statement).

There was also a greater diversity of opinion among responding organisations about whether the move to contracting had resulted in greater co-operation rather than collaboration between NGOs. As Figure 7 indicates, responding organisations were split evenly between agreement (42%) and disagreement (41%). Once again program type appears to be influential here, with 82% of responding organisations providing ‘financial and material assistance’ rejecting the notion that changed funding arrangements had led to greater competition. Youth services providing Reconnect (40%) and JPET (35%) programs on the other hand strongly agreed that they were encouraged to compete rather than collaborate. There also appears to be a relationship between organisational size and experience of competition for funds. The larger an organisation was the more likely it was to agree that the changed funding arrangements had led to greater competition and less collaboration. This would suggest smaller organisations remain able to collaborate (and may do so out of necessity) but larger organisations are feeling more isolated from peer organisations.

The move to contracting created anxiety among the NGO sector that the focus of accountability would shift from their community to the Department (ACOSS, 1997). Once again there was considerable diversity of opinion and experience among respondents (Figure 8). 63% of training and employment providers agreed or strongly agreed that they were now more accountable to the Department. Conversely, those providing financial and material assistance and policy, service support and
development *strongly disagreed* with this notion. Once again, *size* appears to affect agreement, with the larger the organisation the greater the belief that their organisations were more accountable to the Department than to the community.

Responding organisations were asked to indicate what changes have occurred to the sector due to the move to contracting (Table 6). As is evident from the graph there is much more consistency among responding organisations on these issues. The preliminary analysis indicates a very complex picture in terms of the influential factors. Small organisations and organisations providing services in rural communities, for example, were most likely to *disagree* that the changes had resulted in the loss of small organisations. Further work needs to be done on these issues, however, what is of most interest at this stage is the strong differences between individual organisational experience and perceptions about how the changes are affecting the broader sector. Whilst for most responding organisations reporting and accountability requirements are a settled reality and one that they have adapted too, ‘others’ in the sector are viewed as struggling. This may be a case of collective denial through which our own shortcomings are projected on to others. Alternatively, it may be that the negative aspects of contracting have taken on the status of sector mythology and little opportunity is given to exploring the positive elements or even acknowledging the sector’s adaptive skills. It is also likely that for some organisations the move to contracting has been extremely damaging and these organisations become the focus of sector anxiety. The role of the peaks in highlighting the potential pitfalls of contracting may also inadvertently contribute to a sense of a sector in crisis. More thought and discussion is required on this disjuncture.

In conclusion, among these responding organisations reporting burden does not appear to be as widespread as the literature and sector advocacy suggests. What seems to be most influential in an organisation’s experience of the changed funding arrangements is the program under which they provide services. There is little evidence among responding organisations to support the claim that rural organisations or small organisations are struggling more than their counterparts. The impact of the changes on internal relations appear minimal, a disappointing finding from the perspective of reformists. Most responding organisations appear to be ‘doing what is needed’ and although they may not be happy about the changes are prepared to ‘play
the game by the new rules’. It may be that some NGOs are unable to exploit the opportunities provided by having access to better information about their services or, alternatively, that the information gathered does not assist in service management. Either way this would appear to be a lost opportunity. The move to contracting appears to have been much less detrimental to organisations external relations, particularly social capital building, than feared. This appears to signal that these NGOs have weathered the storm of the changed funding environment. There is, however, a strong disjuncture between their organisations experiences and what they believe has happened to the broader sector. As mentioned earlier this requires much more consideration and I hope to be able to explore these issues in more depth at a later date. As always, the more we learn the more questions there are to ask.

Thank you.
References

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