

OPINION

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TAX CHANGES AND CHURCH AND CHARITABLE ORGANISATIONS

For many, the term “Salary Packaging” conjures images of high salaried executives enjoying benefits such as luxury cars and restaurant meals and other “fringe benefits” while avoiding paying their fair share of income tax.

But this scenario is far from the reality for the many people working in the charitable and community sector.

There is a paucity of data regarding the extent and nature of salary packaging in the sector. But figures from the largest metropolitan agency in the Catholic social services network show how salary packaging allows the cash-strapped charitable sector to attract and retain high quality staff, mainly on low incomes.

This particular agency employs 3 000 staff to deliver a wide range of social services. The services are funded largely by state and federal government sources, but fundraising and contributions from the Catholic Church also contribute to programs.

Five hundred staff participate in the salary packaging program and 80 per cent of those staff are on annual salaries of less than \$50,000.

The salary packaging program is voluntary, is more administratively burdensome than paying simple salaries, but is attractive to the agency because it has the net result of delivering more services per dollar of funding received from all sources.

Most employees receive the “packaged” component of their wages as a contribution to their mortgage or rental costs. Even with a packaged component to their salary, these workers could leave the agency tomorrow and find comparable jobs in private industry or the public service and receive higher wages. But they don’t because, for the most part, they are not just working for wages, they are working in the agency because they believe they are making a difference, delivering much need services to those in need.

Debate over the past week has focused on changes to legislation that was introduced as part of the Child Support Reforms of 2006 under the then Coalition government. The reforms were unrelated to the community sector. There is little doubt that the potentially devastating impact on community sector workers was an unintended consequence of the legislation. The then Labor opposition supported the Bills, because they, along with most of the community sector, were also unaware of the full consequences of the changes.

The problem for the now Labor Government, however, goes well beyond the current legislation.

They have inherited a community sector facing many challenges.

Demand for services has never been higher. Competition for staff has never been greater. The long term impact of competitive tendering over the last 20 years has squeezed far greater efficiencies from community services than have been achieved in government over the same period. Privately-owned, for-profit services have sprung up and have been allowed to “compete” for any services that might return a surplus.

Before for-profit organisations began delivering social services, surpluses in one funded program were being used by the not-for-profit sector to deliver much needed services in areas that are not adequately funded. This cross-subsidy is less and less possible as the private sector returns these “profits” to shareholders and owners. Not-for-profit agencies are often left to fill the gaps in essential services through their own fundraising.

The real value of the \$16,050 “cap” on salary packaging that was introduced eight years ago has been eroded by approximately 25 per cent since it has never been indexed or adjusted. This reflects further erosion in the capacity of the community sector to pay its workers adequately, and to fund essential services.

In addition to the lack of indexation, movements in tax brackets and rates have further eroded the real value of these arrangements.

However, even bigger questions arise from the current crisis. Why is the community sector dependent upon special taxation arrangements, inconsistently applied exemptions and the good will of its workforce for viability? Should a sector that is delivering essential services to the most vulnerable members of the community have to rely on the people of good will working for low salaries in programs that are in great demand but never adequately funded? Is it in the public interest to allow “for profit” providers to extract surpluses from community services? Does anyone really think this sector should operate on the same basis as the commercial sector? Have governments delivered the reforms required in their own operations to allow the sector to flourish. For example, how is it that one community agency in regional NSW, with only 30 staff, would have to enter more than 25 different short term funding agreements with state and federal government departments in order to fund its work for a year?

The current crisis is a real one, and the focus of both the Treasurer and the Minister for Family Services on finding an urgent resolution is welcomed, but the real problems for the community sector run much deeper. Under the banner of its “Social Inclusion” agenda the new Government has committed to building the viability of the sector. We can only hope that the sense of urgency is maintained.

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