

The Hon. Michael Sukkar MP  
Assistant Treasurer  
Parliament House  
Canberra ACT 2600

cc:

Senator the Hon. Anne Ruston, Minister for Families and Social Services  
Senator the Hon. Zed Seselja, Assistant Minister for Finance, Charities and Electoral Matters

24 August 2020

Dear Assistant Treasurer,

Thank you for the opportunity to provide a supplementary 2020-21 Pre-Budget Submission.

Social Ventures Australia (SVA) is a not-for-profit organisation that works with partners to ensure that all Australians and communities can thrive by reducing disadvantage. We are not a traditional service delivery organisation. We work at the intersection of government, social purpose organisations and the business sector. We seek to change the way systems operate by providing funding; advising on strategy and evaluation; and making investments in partner organisations to increase social impact.

Our [previous 2020-21 pre-budget submission](#), provided in December 2019, drew on SVA's experience across these areas to recommend a series of modest, targeted investments by the Australian Government – in education and social impact investing - which the evidence suggests will increase the social impact of existing government spending, and extend the reach of programs which have been shown to improve the wellbeing of Australians. We still believe that these would be worthwhile investments, and ask that they continue to be considered in the current budget process.

In recent months, our work with a wide range of partner organisations has thrown into sharp relief the impact of the COVID-19 crisis on the charities that our economy and society rely on. The crisis has shaken the charities sector and the livelihood of many beneficiaries, clients, employees and volunteers. Charities are managing the confluence of service disruption, falling income, rising demand, and higher operating costs. This led us to publish a series of reports, in partnership with the Centre for Social Impact, on the role of charities as partners in Australia's economic and social recovery. Our most recent report, [Taken for granted? Charities' role in our economic recovery](#), demonstrates that:

- Charities' total economic contribution is equivalent to 8.5% of Australia's GDP. They employ more than one in ten employees in Australia - 1.3 million people. That's around the same number of people as retail trade (10.0% of people employed, our second largest employing industry after health care and social assistance), and more people than the construction (9.2%), professional, scientific and technical services (8.6%) and manufacturing (7.2%) industries.
- Even factoring in the impact of the Australian Government's extended JobKeeper payments, our modelling shows that more than 110,000 jobs are at high risk by September 2020 as a result of cost-cutting and organisational closures. A further 70,000 jobs are at risk by September 2021. The economic consequences of job losses on this scale would be dramatic.
- The types of jobs that charities offer are going to be critical to economic recovery. Sectors with high concentrations of charities – health care and social assistance, and education and training – are two of the three sectors expected to contribute the most to jobs growth in the next five years.

#### **Social Ventures Australia Limited**

Now is the time to undertake the structural reform that the charity sector needs to thrive. It makes no sense to treat the sector that employs one in ten of the Australian workforce as an afterthought. We recommend that the Australian Government include the following initiatives in the 2020-21 Budget:

- **Create a Charities Transformation Fund to transition organisations to the ‘new normal’.** Most charities do not have much financial margin or flexible untied funding, and so are unable to invest in capacity building and organisational transformation to prepare themselves for the post-crisis world – such as the ability to work and deliver services online, develop a new business strategy, invest in staff capability, bring back volunteers, or support mergers of multiple charities. Setting up a one-off, time limited, Charities Transformation Fund could help aid this transition without requiring ongoing government outlays. Charities could apply for support as a mixture of funding and capability building support. A more detailed proposal for this Fund, including its potential to leverage philanthropic, business and State Government support, is attached.
- **Monitor the impact of the JobKeeper ramp-down**, and be prepared to extend and/or alter the policy settings if needed to provide ongoing support for charities, and minimise negative effects on the broader Australian community. Charities, along with other affected sectors, need enough time to either recover their lost revenue, and/or to develop new operating models that are better suited to the new environment.
- **Retain JobSeeker and other payments at a higher level** to mitigate the increase in service demand on charities while also stimulating the broader economy. While the extension of the Coronavirus Supplement until December 2020 is welcome, the lower rate represents a real drop in incomes for the people who are unemployed and the short timeframe increases uncertainty and anxiety for those receiving the payment. A higher rate of payment must be made permanent. We are particularly concerned about the impact on children of living in poverty, as we indicated in our recent joint letter to the Prime Minister (see attached). Individuals on low incomes are more likely to spend additional income and hence reinvest in the economy rather than save the money. Immediate financial support has also been identified as the most pressing need for individuals approaching charities; the previous Newstart payment was inadequate to meet basic living costs.
- **Maintain and, where needed, increase funding for government contracted services delivered by charities.** Charities provide vital services on behalf of governments (including in early learning, aged care and disability services). Service funding for charities should reflect the true cost of delivering services for impact and meeting increased service demand, particularly given the sensitivity of the sector to changes in government funding. Funding should take into account changes to charity cost structures, including compliance, regulation and Fair Work Decisions on wage entitlements that affect service delivery charities. It should be sufficiently flexible to enable charities to respond to changing community needs without being constrained by arbitrary funding restrictions.

Yours sincerely,

Suzie Riddell  
Chief Executive Officer

**Attachments:**

1. Proposal: Charities Transformation Fund
2. Report: *Taken for granted? Charities' role in our economic recovery*
3. Open Letter to the Prime Minister: Ensuring every child can thrive