

ATTACHMENT 2

Section: FaHCSIA Corporate & Cross-Portfolio

Questions:

From: The Australian

Date: 6 May 2013

## Flaws in equal pay plan slammed

### EXCLUSIVE

JOHN FERGUSON  
DAVID CROWE

THE centrepiece of the Gillard government's gender pay equality strategy has been savaged by a peak welfare group as seriously inadequate and exposing the sector to structural dysfunction.

The Victorian Council of Soci-

al Service has warned that many community organisations are facing deep budgetary uncertainty because of flaws in Canberra's funding model for the social and community services sector.

The state concerns add to nationwide fears over the Gillard government's \$3 billion pledge to help social service organisations lift the salaries of their employees, most of them women, to comply with a landmark equal pay case.

As the funding negotiations reach their final stages, state governments and community sector employers believe the commonwealth contribution will not be enough and are hoping next week's federal budget will outline long-term funding to improve salaries.

VCOSS, the peak welfare lobby in Victoria, says the commonwealth has wrongly assumed that 70 per cent of funding will be sufficient to pay thousands of

sector workers, when the agreed figure among providers is 80 per cent.

The body also warns that the commonwealth's model assumes that most workers are paid at a lower award rate than is the reality, exposing organisations to serious funding shortfalls in the second year and beyond of the agreement.

The warning comes as the Victorian government is set to pour

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## Social services sector slams equal pay model

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\$70 million into Tuesday's budget to fund its share of the Fair Work Australia equal remuneration order made in 2011 to bridge the gender wages gap faced by social and community services workers.

The final SACS decision applied from December 1 last year, but Victoria is still seeking the drawdown of federal funds to ensure that welfare groups can fulfil their obligations.

The \$70m will be the full amount of funding for Victoria.

Victorian Community Services Minister Mary Wooldridge wrote to her federal counterpart, Julie Collins, on April 24 warning the failure to deliver funding was hurting the sector.

"I again request that you resolve these remaining issues urgently so that commonwealth funding can be distributed to organisations and they can meet their salary obligations," she said.

VCOSS said in a letter to Ms Wooldridge in March that the consequences of Canberra failing to properly handle the funding for the implementation of the FWA

equal pay decision were profound.

"VCOSS is disappointed that the commonwealth has continued to base its level of supplementation on two assumptions that are inaccurate and do not reflect the full level of the funding required for the provision of services in Victoria by community sector organisations," it wrote.

"The first assumption that 70 per cent of funding is directed towards salaries does not reflect the agreed assumption in Victoria that 80 per cent of funding is directed towards salaries.

"The second assumption, equally critical, that the majority of staff are paid at level four of the award clearly ignores the evidence that in Victoria the majority of staff are paid at levels five or six.

"The resulting lower level of supplementation will directly impact on the provision of services for the Victorian community by community sector organisations."

VCOSS directly warned about the strength of services over time.

"Many community sector

organisations will be able to cover the increased cost of supplementation in the first year; however, they will not be able to do so in the second, third and subsequent years," VCOSS acting chief executive Carolyn Atkins wrote.

The Napthine government wrote to the commonwealth on March 21, agreeing to accept its offer to Victoria, but sources said there had been no response and no money furnished.

On February 15, Ms Collins wrote to Victoria offering its share of the SACS workers' pay rises.

She offered \$460m from 2012-13 to 2020-21, which the government said was an increase of \$154m.

Ms Collins told *The Australian* yesterday the commonwealth would contribute its "fair share" of the equal pay arrangements just as it had said it would.

"We have honoured our commitment and have set aside around \$3 billion in the Social and Community Services Pay Equity Special Account," Ms Collins said.

"This special legislation will ensure employers are being

supported to deliver these historic pay rises over the next nine years and that these funds can only be used to meet the costs of the pay increases.

"Negotiations with Victoria and other states are continuing and are at an advanced stage."

Some of the concerns over the funding appear to be greatest in Victoria, but national organisations worry that they will not receive enough federal funding to meet the higher salary requirements, forcing them to trim staff numbers.

Some organisations said they supported the commonwealth plan, but wanted to see more detail in the federal budget.

Australian Council of Social Services chief executive Cassandra Goldie said yesterday there were a "number of gaps" in the federal approach because many organisations that delivered community services receive little or no government funding.

Some of these may not receive any help from Canberra to meet their equal pay obligations.