Social Ventures Australia Submission to The Treasury: Economic Reform Roundtable

July 2025

Date: 25 July 2025

Social Ventures Australia (SVA) is a leading social impact organisation. Founded to accelerate innovation for social good, SVA fast-tracks solutions to social challenges with a goal to alleviate disadvantage and support a country where all people and communities thrive. As trail blazers in outcomes contracting and impact investing, and with over 20 years' experience working with partners for a strong charitable sector, our submission focuses on efficiency and effectiveness in the not-for-profit social sector, including the care economy.

One of the risks of viewing the care economy through a purely financial lens is that the narrow focus can obscure the core objective of delivering quality care to Australia's population. The care economy is a sometimes uncomfortable trade-off between meeting diverse needs at community level across varied geographies and ensuring fully efficient markets. There are several ways in which we believe smart investments to improve the efficiency and, more importantly, the effectiveness of the care economy can both directly and indirectly strengthen productivity, while lowering costs in the longer-term.

I. Reconsidering Funding Models

There is value in reviewing how funding models themselves may be inhibiting innovation and efficiency. For example, poorly designed fee for service models that simply promote and reward more services, rather than incentivising or rewarding service innovation and efficiency. With a range of care services regulatory levers, and government as the sole, or majority, funder in most of these sectors, government has a role to play in creating the right incentives to promote innovation.

- ***Creating greater certainty.*** Many government contracts contain features that work against long-term goals, such as short-funding agreements, and time-consuming tendering processes for renewal. This not only impedes sustainable employment practices, but also investments in assets and upgrades. More effective and flexible contracting and commissioning processes, additional financial provision for regulatory changes that might impose unexpected mid-contract costs, and appropriate indexation can positively impact service efficiency. This was highlighted in recent consultation led by the Department of Social Services (DSS) on Strengthening the Community Sector.
- ***Funding innovation.*** The establishment of the Commonwealth Outcomes Fund is a testament to the possibilities that outcomes-based contracting can promote more efficient and higher quality service delivery. To truly shift the dial, we believe that payment by outcomes should be expanded in place of large grant funding, across the care economy, allowing for greater flexibility and innovation.
- ***Place-based and integrated approaches:*** Not only is the care economy a significant source of Australian productivity, but it facilitates labour force participation across the workforce, particularly for women, who might otherwise be providing support for older and younger family.[i] SVA research has identified that there are a number of communities experiencing high levels of disadvantage that are also childcare deserts. This exacerbates the challenge for parents seeking employment and routes out of poverty, and the prospects for the next generation. SVA supports Building Early Education Fund investment into Early Childhood Hubs – one stop shops where early childhood education, allied health, family and parenting supports can be delivered together. By combining service delivery with place, hubs can reach more families in a more productive and holistic way, better targeted to need, creating direct employment and allowing parents and caregivers to engage in paid employment.

II. Aligning the Whole of Government Towards Outcomes

SVA's work spans government portfolios yet, too often, we see how silo-ed working within and across governments can limit outcomes and their measurement when they stray beyond a single area of practice. Facilitating joined up services across government (e.g. health, social services, community care) has the potential to provide economic benefits through stronger coordination, and improved data use. Many of these could be delivered with minimal cost and create cost-savings in the longer term.

- ***Strengthening access to data and evidence***. Ensuring relevant government-held, linked datasets are available to service providers and creating standardised data governance, would reduce the time spent by providers pinpointing progress and adjusting delivery in response. This can be complemented with

networks and hubs that are focused on the collection and analysis of what works (e.g. Evidence for Learning, Restacking the Odds).
- ***Creating Outcomes Measurement Frameworks.*** A common framework for streamlined reporting across multiple service providers, such as the South Australian Department of Human Services Commissioning and Outcomes Frameworks, helps providers to benchmark themselves and improve service delivery. It can also help government focus on real-life improvements through their commissioning, create stronger data performance environments, and offer real-time feedback loops and evidence to inform policy development and practice improvement.
- ***Investment in early intervention***. Early intervention can reduce costs later on with respect to potentially high-cost target groups, such as people experiencing homelessness, or disengaged youth. Using the Victorian Early Intervention Investment Framework as a model, a framework to align funding towards earlier intervention could be applied across the Australian Government and with states and territories. That model has the benefit of embedding outcomes measurement and cost implications into the budget process and sharing system-wide impacts across departments. Measuring cost savings can also provide greater fiscal transparency and increased public trust.

III. Supporting Not-For-Profit (NFP) Providers

In the care economy, smaller NFP providers are critical for local and specialised needs, and particularly in non-metro regions of Australia. However, there are an increasing number of providers exploring mergers with like-minded providers, notably in the aged care sector, as their overall sustainability comes into question due to changing funding models and rules.[ii] The structure of a particular sector can speak to its overall productivity and sustainability: too much fragmentation can impede efficient delivery, while over-consolidation due to economic pressures – rather than to improve service provision – can be a sign of a failing market, creating risks should a large provider fail to meet quality standards, breach regulations or collapse.

Stronger market stewardship by the Australian Government is needed to ensure that sector consolidation does not risk service delivery – particularly when driven by profit motives at the expense of quality and safety. Adjustments should also be made to funding and commissioning approaches where providers are not adequately meeting needs or quality standards – as has recently been highlighted in early childhood education and care. In the short-term, measures to improve NFP provider sustainability and sector effectiveness include:

- ***Funding to cover the full costs of contracted services.*** Providing sufficient financial support and funding flexibility to cover indirect costs (such as back-office processes, data security, etc) is important for effectiveness, as per SVA's Paying What it Takes report.
- ***Establishing a Care and Support Sector Sustainability Fund.*** The purpose of this Fund would be to support strategic and operational transformation across the NFP sector with the aim to improve efficiency without compromising quality of care.[iii] Digital and technology investment is an initial priority. There are few incentives or opportunities for NFP providers to invest in technology either to improve access and service delivery or defend against cyber threats.[iv] But there are emerging best practice examples demonstrating how digital tools (including AI) can free up staff time to focus on client needs, from online booking and coordination systems (e.g. Hayylo) to telehealth platforms. Support for app developers focused on NFP needs and constraints is essential.
- ***Securing the Future Workforce.*** Care economy workforce shortages are significant, and likely to increase.[v] Part of the challenge – also driven by market structures – is in retaining trained staff, leading to high turnover and a corresponding reliance on partially trained staff or a casualised labour force. This leaves little energy for on-the-job training and support for existing staff.[vi] Additional supports to identify and train the future workforce – learning from initiatives such as the Employer Innovation Lab – would help free managers to focus on service delivery rather than sustainability, while delivering equitable and inclusive employment outcomes.

[i] Over 1 million families made use of approved childcare services as of March 2025, with over half of children aged 0-5 attending some form of day or after school care. Child Care Subsidy data report – March quarter 2025 - Department of Education, Australian Government
[ii] Australian Institute of Company Directors (AICD), Not-for-Profit Governance and Performance Study 2024-25
[iii] For full details of this proposal, please see page 5 of SVA's submission to the Care and Support Economy Taskforce, July 2024. This approach is also supported by the Institute of Community Directors, who have recommended a Charities Transformation Fund.
[iv] Digital Technology in the Not-for-Profit Sector | Infoxchange (AU)
[v] The care and support workforce has expanded three times faster than total employment across the economy, with significant existing and projected sector shortages of qualified staff. Care Workforce Labour Market Study - Report summary
[vi] Highlighted in the recent Jobs and Skills Australia report on the Future of the Early Childhood Education Profession, September 2024