

Job Quality Threats to Human Services Sustainability

Human Services Economic Paper Four

*David Gilchrist and Clare Feenan
April 2023*



The Working Paper Series on the Economics of Human Services

The Centre for Public Value is a research entity within the UWA Business School at the University of Western Australia. This economics paper is the fourth in a series of working papers focused on explaining the development, operation, and management of the economics of human services in a mixed economy such as those in Australia or New Zealand. The series is funded by the Centre for Public Value.

The Centre for Public Value seeks to contribute to sustainable policy and practice as a foundation for efficient and effective human services systems operating in a mixed economy. Therefore, our research focuses on achieving sustainable outcomes for the human services sectors, governments, and service users.

This working paper series has been designed to provide people with skills outside of economics with explanations and commentary relating to important economics topics that impact the sustainability of the human services sector in a mixed economy. As such, they draw on, and add to, research and commentary undertaken by the Centre for Public Value which is available via our website¹. If you have any questions or comments, or simply want to find out more, please contact the authors directly.

Summary

This paper draws attention to, and shares information on, the impacts of poor job quality on the sustainability of human services delivery. Job quality is a shorthand description of the relative attractiveness of jobs offered by an industry as compared to other industries. If job quality is low or high, it can have significant and direct negative or positive impacts on the quality and quantity of services delivered and the sustainability of providers. In a highly competitive labour market, job quality becomes an even more important issue as employers and industries compete for finite labour. Poor job quality results in labour shortages and poor labour quality in an industry and impacts sustainability. Indicators of job quality are defined and discussed in this paper along with the impacts of poor job quality. Australian government funding policies directly impact job quality thus, poorly developed and myopic funding policies directly reduce service sustainability. Broader economic benefits associated with prioritising job quality in human services are also discussed.

Job quality represents the desirability of a role when current and future workforce personnel consider career choices. An organisation's inability to compete for employees due to low job quality reduces labour supply and hence service volume. This increases recruitment costs, loses in experienced personnel, and reduces of service capacity. Provision of human services can also be hindered by low employee engagement and high employee turnover as service users bear the impacts of service quality and quantity changes. Volunteers also assess job quality and, although unpaid, cost an organisation in training and could otherwise support funding shortfalls in the provision of labour. Funding under Australian governments' procurement policies create insecure compensation for services and hence serve to reduce job quality due to a lack of certainty. As a workforce with a large headcount, minimum wages, and significant female-worker dominance, investing public funds in job quality in human services

¹ Website here: <https://www.uwa.edu.au/schools/Research/Centre-for-Public-Value/Publications>

is a long-term, high return strategy in terms of the sustainability of the industry; benefiting community and economy.

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Citation Information

Please cite this paper as: Gilchrist, David, J., and Clare T. Feenan. 2023. 'Economic Paper 4: Job Quality Threats to Human Services Sustainability'. Working Paper Series on the Economics of Human Services, Centre for Public Value, UWA Business School, Perth, Australia

ISBN: 978-0-6455967-9-3

Related Papers in this Series²:

Economic Paper 6: What is Sustainability in the context of Human Services?

Author Interest Statements

Professor David Gilchrist is Director of the Centre for Public Value at the University of Western Australia. He has received funding from governments, peak bodies and individual organisations for various research projects and consulting support predominantly related to the Not-for-profit human services industry, Not-for-profit financial and performance reporting, sustainability and outcomes reporting, and policy and practice related to those areas. He has been a director and chair of a number of human services and policy organisations over past years and is currently chair of a policy-focused Not-for-profit operating nationally in the education sector.

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² Available at: <https://www.uwa.edu.au/schools/Research/Centre-for-Public-Value>

What is Job Quality?

Both a symptom and causal factor of a healthy workplace, job quality also impacts the broader economic sustainability of an industry. At a personal level, it influences individuals' choices for employment and at an industry level it can facilitate economic growth and industry sustainability by attracting the best and most experienced workers. Multiple definitions of job quality have been established for purposes of productivity monitoring and measurement. In terms of human services, we consider that there are five essential attributes necessary to enhancing job quality:

- **wage level** – sufficient and reflective of work type and effort; positively compares to other industries
- **stable/predictable hours** – secure work, assured hours/income levels, ongoing versus short-term employment

contracts, and flexible; family friendly, study-friendly

- **benefits for healthy and stable life conditions** – paid sick leave, annual leave, adequate superannuation, and insurance
- **working conditions** – supportiveness and safety; nature of work tasks; social working hours
- **organisational purpose** – aligned with values of employee; degree to which employer principles are actually pursued (walking the talk)

Figure 1 below demonstrates the relationship between the attributes of job quality. An individual employee may prioritise any one attribute over another. That is, if a job role is lacking in one aspect of job quality, other aspects may outweigh those shortfalls for a particular individual (e.g. they may prioritise the wage level over flexible work conditions). Ultimately, it is the individual who assesses the quality of a job based on their own preferences.

Figure 1 Defining aspects of job quality³



³ Conway, Maureen, Jeannine LaPrad, Amanda Cage, Sarah Miller. 2021. "Figure 1" *To Build Back Better, Job Quality is the Key*. The Aspen Institute. <https://www.aspeninstitute.org/wp-content/uploads/2021/03/To-Build-Back-Better-Job-Quality-Is-the-Key.pdf>

What is sustainability in human services provision?

Prior to considering the impact of job quality on human services provision, it needs to be remembered that, ultimately, poor job quality leads to sustainability risk. In that context, we define sustainability in the human services sector as a situation where the industry can continue to deliver services:

- in the appropriate quantity;
- at the right quality; and
- with the right timing.

An unsustainable industry will fail to maintain the above and so, ultimately, the service users are the shock absorbers of sustainability risk as the impacts of reductions in quantity, quality and/or timing are borne by them.

As such, we need to consider the sustainability impacts of poor job quality on individual organisations as sustainability risks at the individual organisation level are likely to be replicated at the industry level and, therefore, the service mix and service quantities (service mix) are likely to be impacted.

Finally, individual organisations have no choice but to respond maturely to sustainability risks caused by poor job quality (as well as sustainability issues caused by any other factor). If poor job quality leads to increased sustainability threats or sustainability reduction, they must consider whether they change the quantity, quality and/or timing of services or, indeed, whether they discontinue service delivery entirely.

In all cases these decisions impact the service user who does not have any control over the factors that increase sustainability risk. Readers might consider reviewing our Economics Paper

No. 6 which discusses sustainability in the human services sector more fully.

Job Quality Impacts at the Individual Employee & Employer Levels

Job quality and related factors are significant considerations for people making career choices including in relation to job role, remuneration, and industry. The above job quality attributes are also drivers of existing employee satisfaction which are significant if human services providers are to be successful in employee recruitment and retention. In recruiting prospective employees or retaining current employees in human services, these factors may help employers identify less desirable roles and assist in re-shaping employment arrangements to reduce any negative impacts of job quality attributes. Therefore, a regular assessment of job quality in the firm (usually via employee surveys and/or exit interviews) can be a useful strategy for gathering staff's perspectives of job quality and what attributes are important to them.

In an under-funded service environment, job quality is likely to remain consistently poor as the indicators are compromised due to inadequate remuneration and a lack of employer resources to combat the negative effects of low job quality. Low job quality leads to low job satisfaction—conversely high job quality leads to high job satisfaction—and may result in high staff turnover, poor performance and low staff engagement. Staff turnover is costly in recruitment and training which uses resources that would otherwise be used for service delivery. In cases of high turnover, there may also be a reduction in operations without employees available to perform duties and with decreases in service delivery resulting in decreases in income to the human services organisation.

Key issues faced by service providers include difficulty in:

- maintaining service levels due to staff shortages
- maintaining the appropriate experience and skills mix of staff leading to increased clinical and quality risk to service users, staff, and the board
- recruiting appropriate staff and providing training to ensure new staff are effective in their roles
- managing the negative impacts of resource re-allocation toward recruitment and retention and away from service delivery, including with regard to a reduction in income caused by a reduction in service delivery
- maintaining cost recovery of overheads as the income from service delivery shrinks

Often, the only recourse a service provider has to balance the negative impacts of poor job quality is to reduce the service mix (i.e. number and types of services provided) thus impacting the sustainability of service delivery at an industry level and threatening the achievement of government policy outcomes.

Industry Level

When considering an industry's economic contribution, employment and employment types play a significant factor. They are indicators of prospects for growth and economic sustainability. In order to be sustainable, any industry needs to compete in the open labour market. Hence, as job quality relates to the value perceived in the job by current and prospective employees, job quality in the human services sector must be considered in comparison to the attractiveness of relatable jobs in other industries.

Primarily, such an assessment would compare:

- remuneration levels
- education/training requirements
- surety/predictability of income levels
- prospects for ongoing employment (e.g. casual versus ongoing employment contracts)
- qualitative aspects of job quality such as job flexibility and the nature of the work undertaken

Poor job quality leads to job undesirability and so to industry-wide labour shortages. An industry may then become vulnerable in terms of sustainability as other industries attract employees out and recruit experienced and knowledgeable personnel. Future leaders leave, and talent pipelines dry up as the industry becomes less sustainable. The industry and the participant organisations must then significantly invest in job quality to bring talent back to the industry which is costly after damaging impacts. Of course, there are a number of challenges that prevent the predominantly charitable human services sector from being able to respond to job quality threats, including that:

- they are under-capitalised which means they are unable to invest in developing marketing and other recruitment-focused materials and strategies
- under-capitalisation also makes it difficult to re-engineer operations to change the job quality attribute mix, thus making it difficult to respond to the job quality triggers identified
- the pricing and indexation processes generally leave human services providers underfunded for their purpose because they are unable to keep up with cost changes, including employee cost changes

General Discussion

Funding mechanisms put downward pressure on an organisation's justifiable price and quantity of paid labour. Even indexation calculations for multi-year government contracts misrepresent and undervalue wages and related on-costs⁴. Additionally, human resources are the highest cost factor of most human services organisations.

Shortfalls in funding often flow through operations to impact job quality and wages. Adjustments to the number of paid hours by an organisation is often a flexible and responsible approach when needing funds to be mobilised for redirection. Organisations often feel requested "to do more with less" and may rely—sometimes heavily—on volunteers in their workforce. Wages and salaries are otherwise kept modest so as to stretch resources as far as possible notwithstanding that, in the aggregate they are a very significant proportion of the cost of service delivery⁵.

As one of the largest employers in Australia, and one of the most labour-intensive industries in the country, the human services industry can only function with an experienced, appropriately trained, and capable workforce. Some services require specialized paid labour while others may be carried out by skilled and experienced volunteers.

Although volunteering is an unpaid role, individuals also consider factors of job quality when deciding where and how to volunteer and hence, job quality also impacts volunteer recruitment and retention. Job quality in human services may in that case also include the extent

to which the organisation "walks the talk" in respect of mission.

Service procurement policies in recent years often allow governments to compensate organisations after services are provided (cash in arrears versus block grant funding). In this approach, recruitment and retention is not only a direct cost to organisations, but it also impacts the flow of service delivery and financial sustainability. Failure in service provision is, fundamentally, financially at the cost of government and materially at the cost of the service users.

Inability to compete for employees reduces an organisation's capacity to deliver services thereby limiting its ability to invoice funders which in turn reduces compensation and the organisation's capacity to meet overhead costs. The organisation is then also restricted in employing individuals with appropriate skills and experience which may lead to impacts on service quality to the risk of the user.

In human services, a vulnerable industry means risk to service users. Low job quality lessens the intended impacts of services and the effectiveness and efficiency of the organisations providing them. Quality and quantity of services are restricted by the resources available which in turn affects the risk to service users—if job quality is considered too low by current and potential employees, these risks are enduring.

⁴ See our report: "Economic Paper 2: Why CPI and WPI are not an Appropriate Basis for Human Services Funding Indexation" at <https://www.uwa.edu.au/schools/Research/Centre-for-Public-Value/Publications>

⁵ See our report: "Green Paper No. 6: Cost Differentials in Western Australian Disability Services Delivery" at <https://www.uwa.edu.au/schools/Research/Centre-for-Public-Value/Publications>

How do other industries impact the human services industry?

Not only do the workforce personnel provide services to industry, but they also engage in the economy as individuals. They may be persuaded by equivalent jobs in other industries which pay more attractively and provide greater benefits, work environment, future opportunities, and job security.

Demand for high paying labour jobs can easily outbid social service organisations and human services organisational sustainability demands frugal wages decisions. Hence, small - if any - wage increases may effectively see real wage cuts to inflation while senior roles may be comparably underpaid and overworked more than in other industries.

Low wages in human services negatively impact the gender pay gap in a female dominated industry. A lack of additional or negotiable benefits such as paid parental leave or holidays would either deter suitable candidates or put further pressure on employees who would benefit from such schemes. With low wages also comes low superannuation contributions which exacerbates a persistent problem of lower superannuation for women.

Instability and uncertainty build in the human services workforce through a lack of permanency and the subsequent use of labour supply services and volunteers. Volunteering has been recorded as both unpaid hours worked by the paid workforce as well typical volunteering practises of employed individuals providing additional labour without compensation⁶. Employment instability is further perpetuated by economic frameworks placed on funding.

Quasi-market style funding arrangements create insecurity in funding which leads organisations to preserve flexibility in their own workforce contracts. Funds are often procured through uncertain means such as government contracts – which may be short term or extensions – and donations. Both may vary due to external economic factors which are countercyclical or unrelated to an organisation's operations and desired output.

What does this all mean?

Long-term low job quality reduces employee retention and hence increases recruitment and training costs. This not only increases proportions of funds allocated to this, but in turn diminishes sustainability of an organisation both financially and operationally. These operational failures may reduce services and their impacts which put further pressure on service users. When allocating funds provided by public revenue, efficiencies in finances and effectiveness of operations must be considered. Both short-term and long-term strategies have to be regarded in resource allocation – and re-allocation. However, in many cases surrounding human services, short-term prudence can have long-term and costly impacts which are detrimental to the industry it aims to support.

In economic sustainability as well as efficiency and effectiveness of funding, it is strategic to ensure high job quality for employees in the social services industry. This brings stability within organisations retaining valuable experience and ensuring resources can be most effectively utilised towards an organisation's purpose. Additional to strategy, a lens of economic participation and development see the human services workforce amongst the largest employed and lowest paid in the economy. Increasing wages to more appropriate

⁶ As seen in our report: "Western Australia's 2023 State Sustainable Funding Survey Report" at <https://www.uwa.edu.au/schools/Research/Centre-for-Public-Value/Publications>

compensation means it is more likely to be spent on consumption in the economy, further providing benefits from the industry. In summation, job quality is a significant factor for all employees in an economy and hence efficiency of an industry. In human services, by nature of funding input and service provision output, investing in job quality is a cost efficient and practical long-term strategy for sustainability and effectiveness.