



St Vincent de Paul Society
NATIONAL COUNCIL *good works*

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Submission on the Social Services Legislation Amendment (Budget Repair) Bill 2015

The St Vincent de Paul Society (the Society) is a respected lay Catholic charitable organisation operating in 149 countries around the world. In Australia, we operate in every state and territory, with more than 65,000 members, volunteers, and employees. Our people are deeply committed to social assistance and social justice, and we run a wide variety of programs around Australia. Our work seeks to provide help for those who are marginalised by structures of exclusion and injustice, and our programs target (among other groups) people living with mental illness, homeless people, young people, migrants and refugees, and people experiencing severe poverty.

On 4 December 2015, the Committee invited the Society to make a submission on the Social Services Legislation Amendment (Budget Repair) Bill 2015. The St Vincent de Paul Society welcomes the opportunity to contribute. We also request a meeting with the Committee to discuss the issues raised in our submission.

The position of the Society has consistently been that provision of income support payments should be based on what the individual needs for an adequate standard of living. That is, regardless of their age, family status, or how they are or aren't employed, Australians deserve support from their government that enables them to enjoy a basic standard of living.

This Bill continues to tear away at this notion, by cutting payments to those who need them the most. Taking away \$170 million from people living in, or at risk of, poverty, the first change (Schedule 1) will decrease the amount of time pensioners can receive a full pension while overseas. Instead of being based on need (an assessment of what that person needs to survive, and adjusting their income support accordingly), this measure will mean that after 6 weeks, regardless of circumstances, Australians overseas will see their old age pension cut. The severity of the cuts to pensions will vary, again not based on need, but on how much of their adult life the person has spent in Australia. From what we see in our work, this is likely to affect those who came here from poorer countries as adults the hardest. It is unfair that a new Australian from a refugee background, who has had to return to their country of origin for a few months, should have their Pension cut significantly more than someone who has lived in Australia their whole life and then permanently emigrated overseas. For these reasons, we oppose these cuts to the Old Age Pension, as they will disproportionately affect those older people overseas who are currently struggling, as well as those with less financial resources to begin with.

At a cost to pensioners of a quarter of a billion dollars, the second Schedule of the Bill seeks to cease the Pensioner Education Supplement. The Explanatory Memorandum argues that the payment is unnecessary at just over \$60 per fortnight, and that the government already supports study by providing student loans. This attempted change is grossly misguided. First, \$60 a fortnight represents a significant amount for those on the lowest incomes who currently receive the Supplement. For the pensioners who receive the Supplement, this represents a 9-12% cut in the income support they will receive. This is clearly significant;

equivalent to a cut of \$22,000 per year for someone on an income of \$200,000. This will have enormous ramifications for these families' ability to feed and shelter themselves, let alone continue to engage in education. This compromises the incomes of an already vulnerable population: Baby Boomers have a higher rate of *long-term* unemployment and hidden unemployment than younger Australians.¹ Secondly, the Explanatory Memorandum is incorrect in stating that our government's system of student loans (HECS) is comparable to the supplement. HECS defers fees that would otherwise be payable, but does nothing to assist with day-to-day living costs for the years that someone is undertaking study. Thirdly, this change, bizarrely, totally undoes the move in 2013 by the same government to include single parents as recipients of the supplement. At the time, it was acknowledged that the payment assisted with the costs of study, and thereby improved employment prospects.² This has not changed. For these reasons, we argue now, as we did then, that this supplement – with its aim of improving access to education, and therefore job prospects, must be extended to *all* people on low incomes: not only pensioners, but also all Newstart recipients. We see no justification for withholding this assistance from people who have been excluded by an unequally resourced education funding model that already favours the rich.³

Costing low-income Australians \$93 million dollars a year, the final change the Bill proposes is to stop the indexation of all income-free areas for working age payments and student payments. This means that, while the cost of living and incomes will increase each year with inflation, income support payments will effectively fall, as they remain tied to past wage levels. The Society has consistently advocated that the indexation of payments – including income free areas – is essential, and that the indexation must be adequate.⁴ When the government does not index its support, or indexation is paused, by definition the real value of support drops. In fact, current indexation according to the Consumer Price Index (CPI) is already below real increases in the cost of living. The CPI is a national average, taken in cities only, of the cost of a wide range of consumer goods. This average does not tend to reflect the prices of the particular goods that those relying on welfare payments are spending most of their income on.⁵ Our research has suggested that the increase in the types of items that make up the vast majority of low income households' purchases – food, education,

¹ Keegan, Cassells and Miranti, 'Unemployment, Income Support and Job Search Activity Among Baby Boomers in Australia', *Beyond the Frontiers: New Directions in Economics, 42nd Australian Conference of Economists* (July 2014) 1-28, at murdoch.edu.au/School-of-Management-and-Governance/document/Australian-Conference-of-Economists/Unemployment-income-support-and-job-search-activity-among-baby-boomers-in-Australia.pdf.

² Explanatory Memorandum to the Bill, 2.

³ OECD, *PISA 2009 Results: Overcoming Social Background — Equity in Learning Opportunities and Outcomes (Volume II)* (2010), 16 at oecd.org/pisa/pisaproducts/48852584.pdf.

⁴ See, for example, St Vincent de Paul National Council, *Submission to Inquiry into Social Security Amendment Supporting More Australians into Work Bill* (June 2013) at vinnies.org.au/icms_docs/168659_Submission_to_the_Inquiry_into_the_Social_Security_Amendment_Supporting_More_Australians_in_to_Work_Bill_2013.pdf.

⁵ Terry McCarthy and John Wicks, *Two Australias: Addressing Inequality and Poverty* (2001), St Vincent de Paul Society, 23.

public transport, housing, and utility bills – is rising at 8.7% higher than CPI.⁶ For example, fuel and power make up 4% of the poorest fifth of the population's expenses, but only 2% of the richest fifth's.⁷ when those costs go up, they hit the poor harder than the rich. In short, "CPI significantly underestimates the true increase in the price of the basket of commodities which these household groups typically consume."⁸ The Society supports the view of the Australian Council of Social Services,⁹ that all payments and income-free areas should be indexed to average wages, so that this support moves in line with average incomes and cost of living.

For these reasons, the Society opposes all of the measures contained in this Bill. Removing income from those who need it most isn't fair, and won't 'help' people into work. The heavy lifting in the Federal Budget should not be done by those who can least afford it. Instead of 'Budget Repair' meaning cuts from those who have already been hit hardest by an uneven economic system, true and sustainable repair requires us to close tax loopholes exploited by the richest individuals and corporations, and invest in the best quality early intervention in all essential social services: health, housing, and education. We urge the Committee to reject this Bill, and look forward to working with the Parliament and the Government on the 2016 – 2017 Budget priorities over the coming months.

⁶ St Vincent de Paul Victoria, *The Relative Price Index*, 15 August 2013, at [vinnies.org.au/content/Document/RPI_Summary_Report_Aus_Dec_2012%20\(21%20August%202013\).pdf](http://vinnies.org.au/content/Document/RPI_Summary_Report_Aus_Dec_2012%20(21%20August%202013).pdf).

⁷ Ian McAuley, *What Are We Complaining About? An Analysis of Cost of Living Pressures*, Centre for Policy Development Occasional Papers, 18, cpd.org.au/wp-content/uploads/2012/05/What-are-we-complaining-about-CPD-formatting.pdf.

⁸ St Vincent de Paul Victoria, above n 6, 35

⁹ Australian Council of Social Services, *2013–2014 Budget Priority Statement* (April 2013) 32, at acoss.org.au/images/uploads/ACOSS_2013-14_Budget_Priority_Statement_final.pdf.