



The Salvation Army Australia

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Submission made on behalf of The Salvation Army Australia Eastern Territory and The Salvation Army Southern Territory

Response to the

Inquiry into the Social Services Legislation Amendment (Budget Repair) Bill 2015

18 January 2016

For further contact:

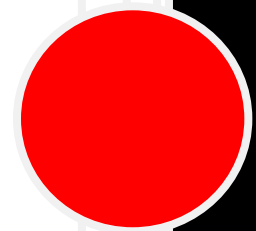
Samuel Pho (Lieut. Colonel)

National Secretary

The Salvation Army National Secretariat

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14 January 2016

Committee Secretary
Senate Standing Committee on Community Affairs
PO Box 6100
Parliament House
Canberra ACT 2600
By email: community.affairs.sen@aph.gov.au

Dear Committee Secretariat,

Re: Inquiry into the Social Services Legislation Amendment (Budget Repair) Bill 2015

The Salvation Army welcomes the opportunity to comment on the Social Services Legislation Amendment (Budget Repair) Bill 2015. This submission will respond in broad terms to the implications of the proposed changes to the Social Services Legislation Amendments (Budget Repair) Bill 2015 - Schedules 2, 3 and 4 as these directly relate to the many people The Salvation Army represents.

The Salvation Army is one of Australia's largest social service providers supporting the most disadvantaged and socially excluded individuals and families in our community. The Salvation Army Australia has an annual operating budget of approximately \$700 million and provides more than 1,000 social programmes and activities through a nation-wide network of social support services, community centres and churches.

In the past 12 months, The Salvation Army Australia provided more than one million occasions of service to people in need. The Salvation Army works with individuals who, due to life experiences and events, often have inadequate education and training, poor health, and a sense of disempowerment that compromises their capabilities and opportunities to fully participate in the community.

The Salvation Army acknowledges fiscal responsibility as an essential attribute of good government and supports a fair and simpler social security system. However, any changes to social security legislation must not adversely impact the people who need it most. The Salvation Army does not support measures that further disadvantage individuals and families on income support and which further restricts their ability to be productive members within our communities.

The Australian Government claims that the Commonwealth budget is in need of repair. However, 'repair' appears to be defined only in terms of potential expenditure savings and does not sufficiently consider revenue measures. The Salvation Army strongly recommends the government ensures any reforms to balance the budget focus on both revenue and expenditure and not unfairly focus funding cuts on vulnerable groups who can least afford to be further marginalised.

Removal of education supplements

Education is a crucial pathway to employment and all reasonable assistance provided to people who receive income support to further their education should be maintained. Removing the pensioner education supplement (PES) (schedule 2) and the education entry payment (schedule 3) will further reduce already inadequate levels of income support for disadvantaged people trying to make ends meet while furthering their education.

The Salvation Army is concerned that many income support recipients, who are seeking to enhance their opportunities for employment through education are already living below the poverty line^{1,2}, even with other supplementary payments added to total income. Current rates of income support are already inadequate and do not meet daily costs of living. This inadequacy of income support compounds issues of deprivation and entrenched poverty for disadvantaged people³. The Salvation Army's 2015 Economic and Social Impact Survey (ESIS)⁴ confirms this inadequacy of income support payments.

ESIS 2015 is the fourth consecutive report by The Salvation Army exploring the levels of deprivation and disadvantage experienced by those who access our Emergency Relief (ER) services. A detailed analysis of 2,406 responses to the survey distributed through 262 Salvation Army ER and community support services across Australia during February 2015 revealed a bleak picture of entrenched and persistent poverty and disadvantage.

The study showed that 88% of respondents received some form of income support. Among this group, a major theme for those receiving Newstart, Disability Support Pension and Parenting payments was the inadequacy of income support and insufficient financial resources. Many of these individuals and families accessed Emergency Relief assistance as the last-resort to meet their basic needs. These people had \$125 per week (median per week) to live on after accommodation expenses (\$180 median per week). This equates to just \$17.86 per day to meet all other living expenses. Within the constraints of this extremely tight financial environment, PES and the education entry payment represent a critical payment towards the additional costs associated with education.

The current PES rate at \$62.40 per fortnight (full-rate received by 92% of current recipients) or \$31.20 per fortnight (part-rate, 8% of recipients) can, for those having to meet the costs of education and study make a significant difference. If the PES is removed, over 41,000 existing recipients are set to lose between \$811 and \$1,622 per year. Abolishing PES will affect approximately 47,000 people each year⁵.

¹ McLachlan, R., Gilfillan, G., and Gordon, J. (2013) Australian Government Productivity Commission Deep and Persistent Disadvantage in Australia.

² Australian Council of Social Service, 2015, *Payment adequacy: a view from those relying on social security payments*, available at: http://www.acoss.org.au/wp-content/uploads/2015/06/COSS_Network_Payment_Adequacy_Report_1.pdf

³ Australian Government Productivity Commission 2013. Deep and persistent disadvantage in Australia, available at <http://www.pc.gov.au/research/staff-working/deep-persistent-disadvantage/key-points>

⁴ The Salvation Army Australia, 2015, Economic and Social Impact Survey (ESIS), Melbourne. Available at http://www.salvationarmy.org.au/Global/Who%20we%20are/publications/2015%20ESIS/ESIS_2015_The_Salvation_Army_ME_D.pdf

⁵ National Welfare Rights Network, 2014, Submission to the Senate standing committee on Community affairs, July 2014. Available at

The Salvation Army recommends the Australian Government not remove these education payments and consider the impacts that any cuts will have on the people who need it most. Any changes should not further disadvantage people who already face multiple barriers to participation in education.

Indexation

The Salvation Army does not support changes outlined in Schedule 4 - Indexation changes which seek to freeze for three years the income free areas for all working age allowances and for parenting payment single; including the student income bank limits.

Freezing income free areas for three years essentially reduces the adequacy of private income for people affected by the means testing and income thresholds. It is a measure that reduces incomes solely for the purposes of budget savings and is essentially punishing people who are on income support.

These freezes also have complex interactions for many income support recipients, who because of their payment structures, may be subjected to a range of means testing and thresholds, together with the cumulative impacts of other social services amendments (eg the pensioner education supplement and the education entry payment). This results in a 'stacking' of income tests. Those who are subject to more income tests will be disproportionately impacted by freezes to thresholds.⁶

These measures also reduce the incentives to work because freezing income free areas reduces the value of the income free area over time, preventing people who can only work part-time or casually from supplementing income. They do not encourage people to work or to work more.

The Salvation Army recommends that income free areas and payment thresholds be aligned with the rises in costs of living, and indexed to movements in the national average wage and not the CPI. Indexation based on the CPI is not effective or equitable for recipients of income support payments because households on low, fixed incomes are disproportionately affected by the rising costs of essential goods.

Conclusion

The Salvation Army continues to support government efforts towards a fair and equitable Australia and maintains a strong commitment to advocate for vulnerable members of our community. Accordingly, The Salvation Army supports policy directions that remove barriers and provide resources that allow individuals to build their skills and increase their economic participation. This includes policies that enable individuals to gain education or skills and increase their capability and willingness to maximise and sustain employment.

http://www.welfarerights.org.au/sites/default/files/field_shared_attachments/policy/NWRN%20Submission%20on%202014%20Social%20Services%20Budget%20Bills.pdf

⁶ National Welfare Rights Network, 2014, Submission to the Senate standing committee on Community affairs, July 2014. Available at

http://www.welfarerights.org.au/sites/default/files/field_shared_attachments/policy/NWRN%20Submission%20on%202014%20Social%20Services%20Budget%20Bills.pdf

As such, The Salvation Army does not support changes that will further disadvantage those already struggling. The Salvation Army urges the Australian Government to take into full account the needs and circumstances of vulnerable and disadvantaged Australians and to invest in appropriate measures that seek to ensure that all Australians are enabled to contribute and participate fully in society.

The Salvation Army does not support changes to the Social Services Legislation Amendments (Budget Repair) Bill 2015 - Schedules 2, 3 and 4 as these changes will directly and negatively impact on many of the individuals and families that The Salvation Army already supports. The changes proposed in the Social Services Legislation Amendments (Budget Repair) Bill 2015 will only further reduce the critically low incomes of income support recipients and unnecessarily create further barriers to participation in increased employment.

The Salvation Army National Secretariat welcomes the opportunity to appear before the committee to provide further information about this submission as required.