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*good works*

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Select Committee into the Abbott Government's Budget Cuts  
PO Box 6100  
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**Submitted electronically**

# Submission to the Select Committee into the Abbott Government's Budget Cuts

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The St Vincent de Paul Society (the Society) is a respected lay Catholic charitable organisation operating in 149 countries around the world. Our work in Australia covers every state and territory, and is carried out by more than 60,000 members, volunteers, and employees. Our people are deeply committed to social assistance and social justice, and our mission is to provide help for those who are marginalised by structures of exclusion and injustice. Our programs assist millions of Australians each year, including people living with mental illness, people who are homeless and insecurely housed, migrants and refugees, and people experiencing poverty.

On 18 July 2014, the Senate Select Committee into the Abbott Government's Budget Cuts wrote to the Society, inviting a submission. The Society has consulted our members nationally, and we welcome the opportunity to make this contribution.

## 1. Executive Summary

Every Australian has a right to a place to live, and place to learn, and a place to work, and the government has a concomitant duty to provide an adequate level of social services, and income support payments, to fulfil these rights. Our current spending on social services and payments is sustainable.

As the Society has consistently argued, this Budget risks violating the government's duty to provide this basic level of services and support to its citizens. We are deeply concerned about the scrapping of many excellent programs such as Youth Connections, which have a proven record of helping the most disadvantaged to overcome structural barriers. We have expressed our fear that deep cuts to payments received by young people, and Australians living with a disability, will see them unable to afford the basics of life. Some of these cuts are so severe that they can only lead to an increase in homelessness, and a far deeper exclusion from the labour market. Changing the indexation of pensions will also see older Australians suffer. These sorts of cuts are not only deeply damaging to millions of us today, but will end up costing the Budget more in the long-term, as social cohesion declines, and we must spend more on healthcare, emergency housing, and the criminal justice system.

We fail to understand why the Budget, in seeking to cut expenses and raise revenue, has targeted those at the bottom. There are a very wide range of other measures that could be taken to increase revenue, without violating the human rights of Australia's most disadvantaged.

## 2. Our Values

The Society believes that every Australian has key human rights that our government has a legal and moral obligation to meet. These include a right to a place to live, a right to a decent standard of education, a right to a job if they are able to work, and a right to an adequate minimum level of income for those unable to support themselves.

The Society does not believe that Australia's welfare spending is unsustainable. Our current levels of public and social spending are already low by international standards, and the amount of cash benefits we pay (income support payments) is about 35% lower than the OECD average.<sup>1</sup> Moreover, the best

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<sup>1</sup>At 8% of our GDP, compared to the OECD average of 12.5% of GDP. OECD, *Social Spending During the Crisis* (2012) page 5, at [oecd.org/els/soc/OECD2012SocialSpendingDuring](http://oecd.org/els/soc/OECD2012SocialSpendingDuring)

empirical evidence we have does not support any expectation of a significant increase in government payments over the next 50 years, except in old-age pensions and health.<sup>2</sup> In fact, the latest Household, Income and Labour Dynamics in Australia (HILDA) report shows that the number of households and individuals receiving welfare has fallen to 18.6%, down from 23%, over the past ten years.<sup>3</sup>

This submission will now address the relevant Terms of Reference.

### **3. Term of Reference a) Reductions in access to services provided by the Commonwealth**

**A range of services of crucial importance are being cut or discontinued. This will disproportionately affect the most vulnerable Australians.**

Over a hundred important services, many aimed at assisting vulnerable Australians, are being greatly threatened or removed altogether by funding cuts introduced by the Budget. The Society is concerned that the people who will be most impacted by these cuts are already experiencing disadvantage, and the loss of these important supports will only compound their social exclusion.

One organisation, Reclink Australia, will be forced to close 45 sport and art programs, currently run for more than 10,000 disadvantaged people nationwide.<sup>4</sup> These programs help to build up confidence, health, greater social networks and life skills for people who experience homelessness, mental illness, disability, drug addiction and abuse.

One of our main concerns is the loss of funding for Youth Connections, an organisation supporting young people who cannot attend school. The organisation's services include case management counselling; alternative schooling; trade start pathway training; and employment programs. Youth Connections' at-risk clients include homeless children, those with drug and alcohol issues, and mental health issues. The program has been very successful, and a wonderful example of early intervention that works.

A range of Indigenous programs will also be negatively impacted by funding cuts, including health programs, legal aid commissions, and Indigenous language support.<sup>5</sup> This seems inconsistent with the Government's commitment to 'close the gap', and improve life and opportunities for Aboriginal and Torres Strait Islander Peoples. For example, funding reductions to the Tackling Indigenous Smoking program risks contributing to the early deaths of the two in five Indigenous Australians who smoke.<sup>6</sup>

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[TheCrisis8pages.pdf](#)

<sup>2</sup>Department of the Treasury, *Australia to 2050: Future Challenges* (January 2010), at [archive.treasury.gov.au/igr/igr2010/report/pdf/IGR\\_2010.pdf](http://archive.treasury.gov.au/igr/igr2010/report/pdf/IGR_2010.pdf).

<sup>3</sup>Melbourne Institute of Applied Economic and Research, *Families, incomes, and Jobs: Volume 9* (2014) at [melbourneinstitute.com/downloads/hilda/Stat\\_Report/statreport-v9-2014.pdf](http://melbourneinstitute.com/downloads/hilda/Stat_Report/statreport-v9-2014.pdf).

<sup>4</sup> See [reclink.org/news/reclink-launches-urgent-appeal-save-program-disadvantaged-australians](http://reclink.org/news/reclink-launches-urgent-appeal-save-program-disadvantaged-australians).

<sup>5</sup>See full list as released to Parliament, available at [pennywong.com.au/assets/BUDGET-CUTS-ATTACHMENT.pdf](http://pennywong.com.au/assets/BUDGET-CUTS-ATTACHMENT.pdf).

<sup>6</sup> See ABS, *Australian Aboriginal and Torres Strait Islander Health Survey: First Results, Australia, 2012-13* at [abs.gov.au/ausstats/abs@.nsf/Latestproducts/39E15DC7E770A144CA257C2F00145A66?opendo-cument](http://abs.gov.au/ausstats/abs@.nsf/Latestproducts/39E15DC7E770A144CA257C2F00145A66?opendo-cument).

Australia's aged population will be impacted by an indexation pause being applied to the Aged Care Service Improvement program, which currently supports activities that promote healthy and active ageing, and fund initiatives for greater service delivery in nursing homes.<sup>7</sup> Similarly, the Aged Care Education and Training Incentive Programme, which supports aged care workers to enhance their skills and ability to provide services, faces a detrimental indexation pause under this Budget.<sup>8</sup>

These vulnerable groups all need careful support and attention, to ensure that their opportunities and quality of life are maximised. The Society is troubled to see so many cuts that risk compounding individuals' experience of inequality and disadvantage, and further reinforcing the structural barriers they face to participation.

#### **4. Term of Reference b) The provision of other services, programs or benefits provided by the Government affected by the budget**

**The Society is deeply concerned with a range of cuts to social security benefits that this Budget is effecting.**

People with a disability, previously receiving a Disability Support Pension, risk losing significant income as a result of reassessment of their disability under the Budget. Indeed, a single 23-year-old on a disability pension, living out of home, who finds themselves reassessed as a jobseeker and put onto youth allowance, will go from a DSP allowance of \$383 a week<sup>9</sup> to just \$207 a week.<sup>10</sup> This is a loss of nearly half their income, and will make it impossible to pay their rent and utilities, as well as medical costs associated with their physical or psychological impairments.

Additionally, the move to jobseeker status will mean that many people with a disability will be forced to meet the same criteria as other jobseekers, in regularly searching for work. Many people with a disability will see their time being spent applying for jobs that they will never get, because of limited accessibility (eg to work environments) or discriminatory attitudes of prospective employers. In focusing on the demand-side 'stick and carrot', rather than the real issue of a lack of appropriate employment opportunities, the Budget's reassessment measures do not adequately recognise or respond to the structural barriers to employment faced by people with a disability.

#### **5. Term of Reference d) The fairness and efficiency of revenue raising**

**Revenue is being raised by taking predominantly from those most in need. This is unconscionable, and unnecessary.**

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<sup>7</sup> See [health.gov.au/internet/main/publishing.nsf/Content/budget2011-flexfund-acservice-improv09.htm](http://health.gov.au/internet/main/publishing.nsf/Content/budget2011-flexfund-acservice-improv09.htm).

<sup>8</sup> See [health.gov.au/aceti](http://health.gov.au/aceti).

<sup>9</sup> [humanservices.gov.au/customer/services/centrelink/disability-support-pension](http://humanservices.gov.au/customer/services/centrelink/disability-support-pension).

<sup>10</sup> [humanservices.gov.au/customer/enablers/centrelink/youth-allowance/payment-rates](http://humanservices.gov.au/customer/enablers/centrelink/youth-allowance/payment-rates).

Modelling by NATSEM has made it clear that this Budget is raising revenue by taking income from the poor in far greater proportions than from the rich. As a result of changes to pensions, family allowances, unemployment benefits, and other social security payments, the poorest one-in-five Australian families will be hit for up to 10.8% of their income in 2017-18. By contrast, the richest Australian families can expect to forego a maximum of 1.7% in the same period.<sup>11</sup>

This disparity is reinforced by data released by the Treasury,<sup>12</sup> which highlights the difference in average cash transfers and income taxes that can be expected once Budget changes are implemented. The net impact on the average lower-income Australian in 2016-17 is calculated at \$844 per year, compared to a net impact of just \$517 on the higher-income group. After 2016-2017, when the 'budget repair levy' ceases to apply, the disparity will become even greater.

As well as not being fair, these types of measures are not efficient. As we have identified above, reducing the incomes of those who are already struggling is only going to make it harder for them to participate in the labour market. It is clear that inadequate income is a barrier to participation in paid work. The Society supports the recommendation of the Australian Council of Social Service, Business Council of Australia and Australian Council of Trade Unions, that "improving people's access to decent paid work [...] requires a level of income support for job-seekers that allows them to live decently and respond as job opportunities arise without creating disincentives to work."<sup>13</sup> The Society sees the support for this case every day. For example, we recently met a mother and her children, who came to us for help. The mother had completed a certificate in aged care, and secured a job in that field. However, the job started at 6am every day, and it proved very difficult to obtain reliable, affordable, convenient childcare beginning from that time. Sadly, for this reason, the job did not last, although the employer was happy with her work. If the social security payment that this person received was more adequate, she could have been able to stay in employment.

There are far more efficient and effective means of revenue raising. The Society and many others have already identified a wide range of ways that government finances could be improved, without removing money from people who are already doing it very tough. These measures include undoing the income tax cuts of the last 15 years, increasing taxation on large multinationals and domestic companies making superprofits, and removing a range of very generous payments in the form of tax breaks to the wealthiest Australians (including superannuation, capital gains, and negative gearing).

The biggest costs in revenue forgone come from the capital gains tax exemption on the family home, the 50 per cent capital gains tax discount and superannuation concessions. The Society is concerned that many of these concessions, especially for superannuation, undermine the fairness of the tax system, as it is the top income earners who benefit most from the capital gains tax and super concessions. For example, capital gains tax cuts mean wealthy investors can afford to own second homes and profit from their growth in value, while offsetting the cost of owning the homes against their income. This is not an option for low income Australians. Assets such as shares and owned property, which make the rich richer, are being driven further driven up in value. The top 5% of

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<sup>11</sup>NATSEM, *Budget 2014-2015 Analysis* (May 26 2014) page 10, at [natsem.canberra.edu.au/storage/2014-15%20Budget%20Research%20Note.pdf](http://natsem.canberra.edu.au/storage/2014-15%20Budget%20Research%20Note.pdf), page 10.

<sup>12</sup>Department of the Treasury, Freedom of Information document, at [treasury.gov.au/~media/Treasury/Access%20to%20Information/Disclosure%20Log/2014/1510/PDF/1510\\_Document\\_3.ashx](http://treasury.gov.au/~media/Treasury/Access%20to%20Information/Disclosure%20Log/2014/1510/PDF/1510_Document_3.ashx).

<sup>13</sup> Australian Council of Social Service, Business Council of Australia and Australian Council of Trade Unions, *Opportunity for All* (December 2012) page 2, at [acoss.org.au/uploads/2012-12-04\\_Opportunity-For-All\\_ACOSS-BCA-ACTU\\_Joint%20Statement.pdf](http://acoss.org.au/uploads/2012-12-04_Opportunity-For-All_ACOSS-BCA-ACTU_Joint%20Statement.pdf).

earners receive 37% of superannuation tax concessions, while part-time workers (including many single parents) receive no benefit.<sup>14</sup>

## 6. Term of Reference e) The structural budget balance over the forward estimates and the next 10 years

**The short-termism of the Budget will see the cost of social services increase into the future.**

Longer-term planning enables us to provide a hand *up* to those in need, rather than just a hand *out*. Longer-term changes also save government and the community large sums of money. Investing in education, housing, health, and employment today will see savings in the future, as people's own strengths are socially and economically harnessed.

The Society believes that a core focus of the budget must be programs that aim at prevention rather than cure, and programs that provide the material resources for people to achieve their potential, rather than provide short-term fixes, or stigmatise and humiliate people further entrenching their exclusion.

One area in need of long-term investment is the criminal justice system.<sup>15</sup> The Society encounters service-users who have experienced the prison system from the inside, and who consistently describe the environment as violent and psychologically harmful. The result of this exposure to such a volatile culture, with inadequate mental health supports available, is that people leaving prison often suffer long-term emotional and personal consequences, making it difficult to reintegrate with the community. Moreover, ex-prisoners' criminal records mean that they are heavily stigmatised, including by prospective employers.

All of these factors make it harder for people leaving the prison system to reintegrate into society, and find stable work. The subsequent prevalence of homelessness and unemployment in this group contribute to high rates of recidivism. This issue could be stemmed by introducing carefully targeted support programs for people exiting prisons, such as counselling and workplace training. It has been proven that investment in such early interventions translates to greater savings compared with the cost of recidivism and re-imprisonment.

### **Case study: Oaks Estate**

Since at least 2000, the Oaks Estate public housing units in Canberra were rife with crime. Incidents of assault, break-ins and theft represented heavy costs to the community, in addition to the need for police to perform constant drive-bys of the area.

In 2010, funding from ACT Health allowed The Society to take over the management of many of the units in the estate, and provide a range of support services to residents of the

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<sup>14</sup> The Australia Institute, *Research Paper 61*, page 2, at [tai.org.au/index.php?q=node%2F19&pubid=540&act=display](http://tai.org.au/index.php?q=node%2F19&pubid=540&act=display).

<sup>15</sup> See, for example, St Vincent de Paul, *Submission to the Inquiry into the Value of a Justice Reinvestment Approach to Criminal Justice in Australia*, (June 2013) at [vinnies.org.au/icms\\_docs/168673\\_Submission\\_to\\_the\\_Inquiry\\_into\\_the\\_Value\\_of\\_a\\_Justice\\_Reinvestment\\_Approach\\_to\\_Criminal\\_Justice\\_in\\_Australia.pdf](http://vinnies.org.au/icms_docs/168673_Submission_to_the_Inquiry_into_the_Value_of_a_Justice_Reinvestment_Approach_to_Criminal_Justice_in_Australia.pdf)

units – many of whom are there short-term after they exit prison. These services include training, anger management education, communal activities, employment services, case management and referrals to other programs.

The result has been a remarkable change for the residents of Oaks Estate, who now describe the units as safe, happy, and as a community. The growth of relationships has been another major success of the program, as residents are more likely to communicate with each other than to solve problems with violence. Moreover, they feel valued, and that they add value, within the community. This provides a real opportunity for ex-prisoners to re-integrate back into society. The Society's work at Oaks Estate has been key in breaking patterns of institutionalisation that would formerly see the same people caught in cycles of recidivism and imprisonment.

Since the programs were implemented, instances of crime and arrests around Oaks Estate have decreased dramatically. This has meant great savings for the local criminal justice system and police, who no longer need to patrol the neighbourhood. Additionally, the cost to the broader community has decreased, with residents reporting a significant drop in assaults, break-ins and theft.

## 7. Term of Reference h) The impact of the budget on retirement incomes and pensions

**The Budget will impact negatively on those on old-pensions and disability support pensions, by decreasing the way that their payments are indexed.**

One of the main concerns that the Society has for those on pensions (either old-age or disability) is that the Budget seeks to change many of the processes by which social security payments are indexed. Some indexation rates are being lowered (including pensions), while other payments are having their indexation paused for a fixed period. The Society has consistently advocated that the indexation of payments is essential, and that the indexation must be adequate. When payments are not indexed at all, or their indexation is paused, by definition their real value, and the amount of benefit that they bring people, will decrease each year.

We have argued that the Consumer Price Index does not reflect real indexation, as it does not reflect the actual 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. 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, public transport, housing, and utility bills – is rising at 8.7% higher than CPI. 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: 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."<sup>16</sup>

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<sup>16</sup> St Vincent de Paul Victoria, *The Relative Price Index* (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)

To adequately support Australians on retirement incomes and pensions, the Society believes that all payments (including retirement incomes and pensions) should be indexed to average wages, rather than CPI. Further, the Society strongly opposes stopping, pausing, or reducing indexation. These moves will have very negative effects on some of Australia's pensioners and retirees.

## **8. Term of Reference j) the impact of the budget on young people and students**

**We believe that the Budget will have a particularly severe impact on young people, and students.**

Young people on Newstart risk losing significant income as a result of the changes flagged by the Budget. Under the new six month cycle, Australians under 30 on Newstart will be completely without income for 6 months, in addition to any existing waiting periods. During this time, they will still be expected to meet rigid requirements around job seeking, and after six months of support they will be deprived of income once again, unless they have found work or commenced study. Many young people without family or supports to draw on will face poverty and homelessness as a result of these changes. In a climate of high unemployment, and particularly a shortage of entry level jobs across the country, it will be harder than ever for young Australians to get a foothold in the workplace.

The Budget will also affect young people on Disability Support Pension, who are reassessed under the new rules. As identified above, a young person on DSP could find themselves reassessed as a jobseeker and on youth allowance. This would see a loss of nearly half their income, making their lives significantly harder.

Students will also be affected by the deregulation of HECS fees, and the indexation of debts to the bond price (up to 6%) instead of the CPI. These changes hit hardest for those who cannot pay their loan back quickly, which includes students who remain out of the labour force for a lengthy period. These combined factors mean a very real risk that students end up borrowing more than they can afford to pay back as employed graduates. Once again, the Society is troubled to see the Budget's burden falling heaviest on the most disadvantaged.

For some people, the move from Newstart to Youth Allowance (other), or from Disability Support Pension to Newstart or Youth Allowance (other), will force them to fall back on their families for support. Whether it is the government's desire to force independent young people back into reliance on their families, and possibly moving back into the family home, is unclear. We fail to see, however, how such a move improves the chances of employment or how it is fair to the families who, whilst struggling to make ends meet themselves, are now expected to be the default providers of social security.

What is also highly concerning is the fact that many other young people and people living with disability will not have families who are able to help them once they lose this large portion of their income. In these cases, it is far from clear where they will turn. We believe there is a real risk that many of these young people will have inadequate income to find housing for themselves, let alone pay for the other essentials of life. Some may be able to rely on charity for a time, or on their friends. However, in the mid-term, the government's depriving those who have no other means of support an income can only lead to increased homelessness, severe ill-health, and social exclusion.



We hold grave concerns for all people who will be moved from a higher to a lower payment if these amendments pass. This can only be construed as a direct attack on people on the basis of blaming them for their own exclusion from the labour market. This is neither rational nor fair.

## **9. Term of Reference k) The impact of the budget on households**

**The Budget will impact households in a range of ways.**

The \$7 GP co-charge will mean that families will have to pay more for basic healthcare, and some will have to make the choice to go to the doctor less often. Cuts to optical, dental, hospitals, and mental health will also mean that families are paying more.

Changes to the Family Tax Benefit will mean that families with children over the age of 6 will lose access to this subsidy. As mentioned above, cuts to Newstart and Youth Allowance for young people will see the cost to parents increase, as more young people are forced to move back home.

## **10. Conclusion**

The Society believes in the dignity and equality of all people. Through our work, we assist those who are experiencing disadvantage, and we see their daily struggle to survive, along with their strength and hope for the future.

We are deeply concerned that this Budget will strip away services and payments that many Australians rely on to live with dignity. We believe that many of these cuts do nothing more than push people experiencing disadvantage further down, and will only bolster the structural barriers to participation that many people face.

The Society's vision is of an Australia where everyone has access to housing, education, health, and justice. Where those who don't have as much are empowered and encouraged, rather than humiliated and punished. Where everyone is entitled to an income enabling a decent standard of living, based on their need.

We do not believe that the Budget supports this vision, and so we oppose it.