



AUSTRALIAN CATHOLIC BISHOPS CONFERENCE

Bishops Commission for Social Justice, Mission and Service

6 March 2023

Committee Secretary
Select Committee on Cost of Living
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Parliament House
Canberra ACT 2600
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Dear Sir/Madam

Select Committee on the Cost of Living

This submission from the Australian Catholic Bishops Conference (the Conference), as prepared by the Bishops Commission for Social Justice, Mission and Service (the Commission), is made to contribute to this inquiry into the cost of living.

More than one in five Australians identify as Catholic. The Catholic Church and its agencies contribute in various ways across the spectrum of Australian society. As an integral part of its core mission, the Church seeks to assist people to experience the fullness of life. It is concerned with all that impacts on human dignity and wellbeing for the common good.

The Australian Catholic Bishops Conference is a permanent institution of the Catholic Church in Australia and the instrumentality used by the Australian Catholic Bishops to act nationally and address issues of national significance.

The Commission is one of several commissions established by the Conference to address important issues both within the Church and in the broader Australian community. The Commission has responsibility for commenting on social justice.

The Conference seeks to participate in public debate by making reasoned arguments that can be considered by all people of goodwill.

Cost of living

Financial pressures on low- and middle-income families have made responding to the cost of living one of the most important and urgent policy issues for many Australians.¹ Every day, thousands of Australian families feel the effects of international crises, insecure job markets, inflation, rising

¹ Ipsos, 'Ipsos Issues Monitor January 2023', 2023, Accessed 13 February 2023, https://www.ipsos.com/sites/default/files/ct/publication/documents/2023-02/IM_Nat_Jan23.pdf

interest rates and slow wage growth. As a result, many families find that basic household necessities, such as groceries, fuel, energy and housing, have become increasingly unaffordable.

The Conference responds to social issues with a vision of the needs of the whole person and what helps people to flourish. Whenever there are issues of material poverty, we maintain that people only flourish when provision for material needs is woven through with the bonds of "cultural, social, economic and political interdependence ... that unite the human family."² Responding to cost of living pressures must involve more than just the allocation of resources. Instead, policy responses must strengthen existing networks of loving families and healthy communities.

Economies exist to serve people and the bonds of family and community that make life meaningful. As a result, we focus our response to this inquiry on strengthening families affected by pressures on the cost of living. Raising a family is not a lifestyle choice, like buying a car or taking on a hobby. It is, instead, a fundamental commitment to the development of human persons, both of ourselves and our children. Australia's future depends on the social, psychological and material flourishing of its next generation, which is best facilitated through strong, loving families.

By looking at cost of living issues through the lens of their effect on families, we can see how today's economic issues affect people in their everyday lives and shape the development of Australia's next generation. Children impacted by poverty in childhood are more than three times more likely to experience poverty as an adult.³ Their long-term physical and mental health suffers from poor nourishment, insecurity and stress.⁴ The stress caused by struggling with the cost of living can also be a catalyst for family breakdowns, further hindering children's mental health and overall development.⁵

The government has a predominant role in supporting families through its policy responses to cost of living pressures. We have limited our submission to four areas where targeted government policy can benefit low and middle-income families struggling with cost-of-living pressures: housing affordability, job creation, living wages, and family-based taxation.

Many other policy avenues could be considered to help alleviate the cost of living for families. For example, in the Conference's 2022 election statement, we called for a rise in JobSeeker payments to at least meet the poverty line. Just as housing affordability meets the human needs for shelter, energy affordability is necessary for families to power their homes. There is also a desperate need for investment in regional areas, where transportation costs and inaccessibility to basic needs have heightened the difficulties of dealing with the cost of living.

All systemic changes to help with the cost of living should work in cooperation with the tireless work of charities and agencies that support thousands of struggling and vulnerable Australians.

² Pontifical Council for Justice and Peace (2004), *Compendium of the Social Doctrine of the Church*, Libreria Editrice Vaticana, n. 33.

³ Vera-Toscano E and Wilkins R, "Does poverty in childhood beget poverty in adulthood in Australia?", Melbourne Institute, October 2020, accessed 20 February 2023, https://melbourneinstitute.unimelb.edu.au/__data/assets/pdf_file/0008/3522482/Breaking-Down-Barriers-Report-1-October-2020.pdf

⁴ Huston, AC, "Children in poverty: Can public policy alleviate the consequences?", *Family Matters*, 2011;87 13-26.

⁵ Coleman, L. and Glenn, F. (2010), The Varied Impact of Couple Relationship Breakdown on Children: Implications for Practice and Policy. *Children & Society*, 24: 238-249

We continue to urge Catholics and all people of goodwill to support their neighbours and fellow Australians who may be in need.

Housing affordability

Housing is a fundamental human right. Not only do people need shelter, but stable housing is crucial for raising a family and providing a secure environment for children to grow up in.⁶ Insecurity and deprivation caused by unaffordable housing can have flow-on effects for generations, negatively affecting children's psychological and social development and making them less likely to achieve housing and financial stability in adulthood. Easier access to affordable housing is also vital for survivors of domestic violence, providing them and their families a place of safety.

Many Australians are under housing stress. Although housing affordability is an issue for all Australians, it is particularly so for families. Studies conducted by the Australian Institute of Family Studies found that a couple family with dependent children in 2018 were likely to pay up to \$250 per week more in housing costs on average than Australians without children.⁷ Likewise, single parents with dependent children spend the highest average percentage of their income on housing.⁸ Not only is housing becoming less affordable, but housing is becoming less accessible as low supply has meant that many families find it increasingly difficult to pass strict lending criteria or to get their rental applications approved. It is reported that “almost three-quarters of young Australians believe they will never be able to buy a home”.⁹ Governments have tended to avoid policy changes that may affect the investment value of housing. However, governments' primary aim for housing should be to help people enter the market and work to own their own home.

Because affordable housing is growing out of the reach of many Australians, governments must support Australian families through policies that ease the cost of housing. The supply of affordable housing needs to be expanded, with a particular focus on setting aside a higher percentage of new residential developments as housing for low-income earners. Despite the recent softening of housing prices in Australian cities, housing affordability policies have heightened demand, thereby increasing property prices. In response, the federal government has a particular role to play in supporting efforts from the states to build more affordable housing. Additionally, rental assistance payments should be expanded to help low-income families afford housing.

Another solution is to increase support for the many agencies across Australia, including several Catholic agencies, that are working to provide affordable housing, often in cooperation with government. For instance, launched the Archdiocese of Hobart, Evolve is a very successful model that provides affordable housing in Tasmania. Evolve manages over 2,700 properties across Tasmania as part of several programs, including one that caps rent at 25 per cent of household

⁶ Australian Institute of Family Studies, ‘Housing and children's wellbeing and development’, 2012, Accessed 6 March 2023, <https://aifs.gov.au/research/family-matters/no-91/housing-and-childrens-wellbeing-and-development>

⁷ Australian Institute of Family Studies, ‘Families Then & Now: Housing’, 2020, Accessed 13 February 2023, <https://aifs.gov.au/research/research-reports/families-then-now-housing>

⁸ Australian Institute of Family Studies, ‘Families Then & Now: Housing’, 2020, Accessed 13 February 2023, <https://aifs.gov.au/research/research-reports/families-then-now-housing>

⁹ Anthony Galloway and Jim Malo, More than 70% of young people believe they'll never be able to buy a home. *The Sydney Morning Herald*, 26 February 2023. Accessed 3 March 2023, <https://www.smh.com.au/politics/federal/more-than-70-percent-of-young-people-believe-they-ll-never-be-able-to-buy-a-home-20230223-p5cn01.html>

income, another that caps rent at 80 per cent of market price and programs that help to rapidly rehouse people suffering from family violence. Evolve also uses donations to build social housing and has used this opportunity to pair the need for social housing with a program that helps job seekers gain employment in the construction industry. This program is an example of the kind of policy that has received government support and could be a template for social housing reform into the future. The proposed Housing Australia Future Fund is a promising development in this area.

Job creation and stability

Work is not just for material sustenance but has an inherent dignity that comes with expressing God-given talents, providing for families and engaging in community with others. Meaningful work helps people to be active and responsible actors in their own self-development, capable of taking care of themselves and the people they love. Because of this, ensuring the availability and stability of work opportunities is always a priority in helping people with the cost of living.

However, many Australians are finding it increasingly difficult to find work that provides the sufficient hours and stability to enable them to provide for their families. Although unemployment figures have been low in the last few years, the number of people working more than one job or in unusual and unstable working hours is a sign of the difficulty people have in finding and holding employment.¹⁰ Families in low-paying jobs or multiple jobs are also more likely to have to manage long, unsociable hours and unpredictable schedules.

We strongly encourage efforts that help Australians find reliable and meaningful work. Since production systems change, political systems must continue supporting everyone in developing their skills, especially among the poor and marginalised. This means making accessible training opportunities to people at all stages of life that do not require university tuition. Additionally, investing in jobs will only benefit families if policies support a healthy work and family life balance through generous parental leave, flexible hours when possible and other entitlements.

Living wages

In addition to ensuring job creation, people must be justly compensated for their work. Justice requires that wages provide more than just the means for subsistence living, but what is necessary for a life in keeping with human dignity and supporting families. Raising the minimum wage would significantly benefit low-income families by helping workers earn enough to care for their families.

In the last twelve months, Australians have experienced the biggest fall in real wages since records began in 1998.¹¹ A family living on the minimum wage in Australia does not earn enough to clear the poverty line.¹² This has been exacerbated by the removal of penalty rates, which fails to compensate for the time parents spend away from their children and fails to discourage

¹⁰ Australian Bureau of Statistics (14 September 2022), [Record number of people with multiple jobs in June quarter](https://www.abs.gov.au/media-centre/media-releases/record-number-people-multiple-jobs-june-quarter#cite-window2), ABS Website, accessed 6 March 2023. <https://www.abs.gov.au/media-centre/media-releases/record-number-people-multiple-jobs-june-quarter#cite-window2>

¹¹ Gareth Hutchens, 'Australians experienced their largest real wage decline on record in 2022', *ABC News*, 22 February 2023, Accessed 6 March 2023, <https://www.abc.net.au/news/2023-02-22/wages-growing-at-3-3-per-cent-december-quarter-2022/102007390>

¹² Australian Catholic Council for Employment Relations on behalf of the Australian Catholic Bishops Conference, Annual Wage Review 2021-22 Submission, April 2022, <https://www.fwc.gov.au/documents/wage-reviews/2021-22/submissions/accer-sub-awr2122.pdf>, page 12.

businesses from asking employees to work unsociable hours that put extra strain on families. Additionally, overall inflation has increased twice as quickly as wage cost inflation since the end of the Covid recession.¹³ The combination of instability and insufficient earnings makes providing for the material and emotional needs of a family that much more difficult, forcing parents to choose between spending time with their families and making ends meet.

As the Conference demonstrated in our submission to the 2021-22 Annual Wage Review, the current minimum wage-dependent single-earner two-parent family of four now lives 18 per cent below the poverty line.¹⁴ This is partly because the minimum wage is only calculated to provide a living wage for an individual adult and does not consider the needs of children.¹⁵ Calculating the minimum wage by factoring in the needs of families, instead of just individual adults, is a matter of justice for struggling families and will help alleviate the difficulties caused by the slow growth of wages. As a result, lifting the minimum wage is a critical path to easing cost of living pressures and addressing slow wage growth.

As the Conference demonstrated, the minimum wage can be raised without threat to the Australian economy.¹⁶ This submission also calculated an affordable way for the Fair Work Commission to move the minimum wage over several years back to its original real value, as inflation has eaten away at the real value of wages. This means that the gap created by inflation and the current definition of the minimum wage could and should be closed incrementally over the next 5-10 years without destabilising the economy.

Family-based taxation

Because wages are insufficient to support a family for many low-income earners, the tax system results in the erosion of 'horizontal equity' for families. This means that Australians with children are significantly worse off than those with the same income but no dependents.

Another policy avenue that can assist families with the cost of living is re-evaluating the taxation system so that it provides more benefits for families. One possibility to consider is income splitting or family-based taxation. Family-based taxation allows a person with a higher income to "share" their earnings with a lower- or zero-income spouse before tax or among dependents in their household. Just as family payments are based on total family income, this system shift would base income taxation on total family income. A couple where one spouse earns \$80,000 a year and the other earns \$40,000 a year would be taxed as if they both earned \$60,000 yearly. Some form of

¹³ Australian Catholic Council for Employment Relations on behalf of the Australian Catholic Bishops Conference, Annual Wage Review 2021-22 Submission, April 2022, <https://www.fwc.gov.au/documents/wage-reviews/2021-22/submissions/accer-sub-awr2122.pdf>, page 33.

¹⁴ Australian Catholic Council for Employment Relations on behalf of the Australian Catholic Bishops Conference, Annual Wage Review 2021-22 Submission, April 2022, <https://www.fwc.gov.au/documents/wage-reviews/2021-22/submissions/accer-sub-awr2122.pdf>, page 14.

¹⁵ Australian Catholic Council for Employment Relations on behalf of the Australian Catholic Bishops Conference, Annual Wage Review 2021-22 Submission, April 2022, <https://www.fwc.gov.au/documents/wage-reviews/2021-22/submissions/accer-sub-awr2122.pdf>, page 12.

¹⁶ Australian Catholic Council for Employment Relations on behalf of the Australian Catholic Bishops Conference, Annual Wage Review 2021-22 Submission, April 2022, <https://www.fwc.gov.au/documents/wage-reviews/2021-22/submissions/accer-sub-awr2122.pdf>, page 5.

family-based taxation is present in eighteen developed countries, including France, where total family income can be split between everyone in a family.

This approach can be valuable for all families, especially low-income families or families where spouses find it difficult to get full-time work. Family-based taxation can also provide flexibility for parents needing to juggle income and working hours with the needs of their children. The savings made through income splitting would also go a long way to easing cost of living pressures.

Conclusion

Summarising our policy proposals in response to cost of living concerns, we recommend the following:

- Increasing the supply of social housing through collaboration with the states and civil society to build houses, including programs such as Evolve in Tasmania that provide more social housing, cap rent payments in social housing and assist survivors of family violence to find a home
- Rental assistance payments should be expanded to help low-income families to afford housing
- Move the policy balance away from seeing housing as an investment and towards helping families enter the market, so they can work to own their own home
- Strengthen penalty rates for unsociable hours
- Introducing and strengthening programs that help people to develop their skills so that they can find work
- Introducing policies that support a healthy work and family life balance through generous parental leave, flexible hours when possible and other entitlements
- Redefining the calculation of the minimum wage by the living requirements of a family, rather than an individual
- An increase to the minimum wage, including incremental increases over the next 5-10 years to recover the full value of the wage, and
- Introducing family income-splitting in the tax system.

Strong and loving families are fundamental for essential human development and wellbeing. The common good is dependent on strengthening families struggling with cost-of-living pressures so that they can provide for their children and raise the next generation of Australians.

Yours sincerely

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