



St Vincent de Paul Society
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Submission to the Inquiry into the Social Security Amendment (Supporting More Australians into Work) Bill 2013

The St Vincent de Paul Society (the Society) is a respected lay Catholic charitable organisation operating in 148 countries around the world. In Australia, we operate in every state and territory, with more than 50,000 members, volunteers, and employees. Our people are deeply committed to our work of 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 who are homeless and insecurely housed, migrants and refugees, people living with mental illness, and people experiencing poverty.

On 3 June 2013, the Senate Standing Committee on Education, Employment and Workplace Relations invited the Society to make a submission to its inquiry into the *Social Security Amendment (Supporting More Australians into Work) Bill 2013*. The Society welcomes the opportunity to contribute this submission.

Summary

The Society believes that every Australian has the right to adequate income, to education, and to housing.

The Society has serious doubts that the current legislation is securing the long-term, sustainable fulfilment of the duties that the government holds to the people in this regard, for the following reasons:

- 1) The reforms may be thought of as a substitute for the proper, wide-scale social reforms necessary to achieve the inclusion of our most disadvantaged. The first such reform is a \$50 per week increase to the base rate of Newstart.
- 2) It is discriminatory to withhold study support to some Newstart recipients, only on the basis that they do not have full-time dependent children. All recipients have the right to assistance in accessing education that will help them into work.
- 3) The threshold for the 60% taper rates of Newstart should not be decreased, as it is the current legislation.
- 4) The 60% taper rate must be indexed, as the 50% taper rate will be.
- 5) The rate of indexation should be relative to average weekly earnings. Indexing only to CPI ensures that those on Newstart will fall further and further behind the minimum wage, and further behind the average Australian income.

Background

The Society believes that every Australian has the right to adequate and secure income. Financial sufficiency is clearly essential for individuals and families to survive and thrive. Children who are raised in poverty, or in a household where adults have been unable to obtain secure work, are at high risk of becoming even more socially excluded themselves.

Indeed, as the Explanatory Memorandum points out, the *International Covenant on Economic, Social and Cultural Rights* recognises a right to social security, as well as to health, and to education.

The three measures in the Bill seek to improve on the fulfilment of some of these rights, by extending the income free area for Newstart recipients by \$38; extending eligibility for the Pensioner Education Supplement to single parents on Newstart; and extending qualification for the Pensioner Concession Card to single parents recently moved onto Newstart as a

result of their oldest child turning 8. These three measures will achieve a very small amount of short-term alleviation of poverty, for those unemployed people lucky enough to receive them.

However, in Australia today around 20% of citizens live below the poverty line, or nearly 3 million people.¹ This Bill does almost nothing to directly tackle the structural barriers that current social policy is creating. In fact, there are some aspects of the Bill that appear to reinforce entrenched poverty.

For these reasons, the Society has several strong concerns about the legislation.

1. Reforms must not delay Newstart increase

There is an overwhelming body of evidence that suggests that the current rate of Newstart, including various benefits, is far too low.² It is too low to afford adequate accommodation.³ It is too low to afford to pay ever increasing power bills.⁴ It is far too low to cover the cost of a fortnight's worth of healthy food for a household.⁵ It is definitely too low to enable people to afford medical treatment for themselves or their children, or time off their casual jobs due to illness.⁶

Relevantly for the Bill, one of the purposes of which is to get people into work, current allowances are often too low for people to have enough money left over to afford a haircut, a new shirt, to take the morning off their casual job and to catch two buses to get to a job interview: the current payment is too low to enable people to get into work.

It is clear that the base rate of Newstart needs to be increased, to protect the human dignity of those on the payment, and to help them into work, with all the benefits for individuals and for society that that will bring.

The Society's primary concern with the current Bill is that it may seem as an alternative to addressing Australia's incredibly low unemployment allowance. This low allowance is a significant cause of poverty, and ironically of unemployment, and Newstart must be increased.

Recommendation: The rate of Newstart be increased by \$50 per week. The current base rate of \$35 per day is not enough to survive.

¹ Australian Council of Social Services, *Poverty in Australia* (2012), at http://www.acoss.org.au/uploads/ACOSS%20Poverty%20Report%202012_Final.pdf.

² In fact, there is good evidence that it might be so low as to violate the human rights of those who are on it. The Parliamentary Joint Committee on Human Rights conceded that the government has failed to demonstrate that that rate is compliant with the government's basic duties with regards to the human rights of its citizens, at http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Committees?url=humanrights_ctte/reports/2013/5_2013/index.htm.

³ Anglicare, *Rental Affordability Snapshot 2013*, at http://www.anglicare.asn.au/site/rental_affordability_snapshot.php.

⁴ See, for example, St Vincent de Paul, *The National Energy Market: In a Bit of a State?* Report (2012) p 3, at http://www.vinnies.org.au/files/The%20NEM%20-%20In%20a%20bit%20of%20a%20state_%20November%202012.pdf.

⁵ See, for example, Paul Ward et al, "Food Stress in Adelaide: The Relationship Between Low Income and the Affordability of Healthy Food", *Journal of Environmental and Public Health* (2013) at <http://www.hindawi.com/journals/jep/h/2013/968078/>.

⁶ See, for example, The Salvation Army, *National Economic and Social Impact Survey* (May 2013) p 22, <http://www.salvationarmy.org.au/Global/ESIS2013/The%20Salvation%20Army%20ESIS%20Report%202013.pdf>.

Failing this, the government must explain why it has not been able to provide any evidence that the current rate fulfils the human rights of its citizens, including to the UN who requested this be investigated.⁷

2. All Newstart recipients should receive study support

The Bill makes single parent carers eligible for the Pension Education Supplement. With education uncontroversially being recognised as one of the most effective paths out of poverty and into the workforce, this is a worthwhile initiative, which we believe will help many single parents who have now found themselves on Newstart.

The Explanatory Memorandum emphasises the purpose of the amendment is to assist with the costs of study, and thereby improve employment prospects.⁸ As such, this amendment is not aimed directly at recognising the children of single parents. This makes sense, since the presence of children is accounted for by the increased base Newstart rate payable to single parents.

However, this raises the question of whether this amendment is discriminatory, by not explaining why the remaining 600,000 or so Newstart recipients, who are not single parents, have been excluded from receiving support with their study. The stated aim of the Supplement – improving job prospects – surely applies to *all* Newstart recipients. We see no justification for withholding educational opportunities from certain types of Newstart recipients, just because they do not have children. By withholding the Pensioner Education Supplement from all Newstart recipients, as the Explanatory Memorandum itself acknowledges, the Bill is putting adults without fully dependent children at a distinct employment disadvantage.

Recommendation: Any additional educational support provided to people on Newstart must be extended to all people on that payment, so that some are not discriminated against regarding their future employment opportunities.

3. The 60% taper threshold should not be decreased

The Bill increases the income-free area for those on Newstart by \$38 per fortnight. This means that the threshold at which the 50% taper rate applies is at earnings of \$100 per fortnight through paid work, instead of the current minimum of \$62. By itself, this reform should deliver an increase in allowance of up to a maximum of \$22.80 per fortnight for those earning over \$100 per fortnight.

However, the Bill also reduces the threshold at which the 60% taper rate applies, to only \$150 of income above the 50% threshold, instead of the current \$188 difference between the two thresholds.⁹ Apparently, this is being done to maintain the “status quo” regarding the

⁷ Office of the United Nations High Commissioner for Human Rights, 19 October 2013, at [https://spdb.ohchr.org/hrdb/22nd/public-UA_Australie_19.10.12_\(2.2012\).pdf](https://spdb.ohchr.org/hrdb/22nd/public-UA_Australie_19.10.12_(2.2012).pdf).

⁸ Explanatory Memorandum to the Bill, p 2.

⁹ Bill, Schedule 1, Items 3 and 6.

current gross amount of income one can earn before the 60% taper rate applies (\$250 of work earnings per fortnight).¹⁰

First, no reason is given as to why maintaining the “status quo” is desirable. The levels of earnings before the taper rates apply have always incredibly low, and maintaining a cut-off of \$250 per fortnight before the 60% taper rate applies probably still only means a maximum of one shift at a casual job per week is permitted before recipients are penalised.

More importantly, the Explanatory Memorandum assumes that the “status quo” is that the gross amount one can earn before the 60% threshold applies should be \$250. The Society believes that this is incorrect. A more sensible interpretation of the “status quo” is that the amount of the *difference* between the two thresholds has been set at \$188, which happens to have resulted in the current higher threshold is \$250. Taper rate thresholds are presumably not set independently of one another, but relative to one another: where the lower threshold is increased by a certain amount, one would therefore expect the upper threshold to also increase, rather than to remain at the same point. As such, preserving a fixed \$188 “step” between the two taper-rate thresholds would maintain the current system’s level of cost-benefit analysis that those working while on Newstart undertake.

In addition to this theoretical, or policy, anomaly there is an obvious practical detriment to reducing the 60% taper threshold’s position of being \$188 above the lower threshold. The practical effect of the choice to decrease the 60% taper threshold is that Newstart will be a cut by 60 cents in the dollar (as opposed to the current 50 cents) for an additional \$38 of work income (\$38 is the difference between the expected \$288 threshold for the 60% taper and the reduced \$250 threshold that the Bill imposes). For workers earning over \$250, this amounts to \$3.80 per fortnight less from Newstart allowance. The maximum amount that the current reform will benefit any recipient is thus reduced, from \$22.80 per fortnight to \$19 per fortnight.

While it may be argued that this effect is small, in the Society’s experience sometimes it is as little as \$4 per fortnight that can make the difference between sending children to school with breakfast or without, being able to afford to catch a bus to a job interview or not, or having the money to buy a second-hand blanket in winter.

Recommendation: The threshold at which the 60% taper rate begins remain at \$188 above the 50% taper threshold, instead of being reduced to \$150 above it.

4. The 60% taper threshold must be indexed

As foreshadowed above, in a graded system where different incomes lead to different taper rates, the assumption should be that if the lower threshold is raised (in recognition of cost of living increases) so too should the threshold above. For this reason, since the 50% taper threshold is being raised by this Bill, so too should the 60% taper threshold.

The logical and practical argument to maintain the \$188 difference between the two thresholds, above, also applies to the Consumer Price Index (CPI) indexation that the Bill applies to the 50% taper threshold. To support the purpose of the system, the difference between the thresholds should remain the same, which both thresholds increase with the CPI. However, the Bill does not do this: there is no mention of the 60% threshold being

¹⁰Explanatory Memorandum, p 3.

indexed to CPI. That is, while the 50% taper rate is now linked to CPI (\$100, to rise by say 3% per annum), the threshold for the 60% taper rate appears to be tied to a static amount of \$250 in gross fortnightly earnings.

Over time, as the cost of goods pushes the 50% threshold higher and higher, fewer and fewer people will fall into that 50% taper category, while more and more fall into the 60% taper category (still kicking in at maximum earnings of \$250 per fortnight). The ultimate result is that, in around 31 years,¹¹ the 50% taper area will disappear entirely.

The gradual erosion of the 50% taper area, and replacement by the 60% taper area, would be a major policy change. In real terms, it would obviously result in benefits being reduced. This is a distortion of the current graduated taper system, and such a change should require significant public debate, and sector input. For these reasons, we believe this outcome was unintended by the current legislation.

Recommendation: The 60% taper threshold must be indexed, as the 50% taper threshold will be.

5. Indexing should be relative to average weekly earnings

The proposed indexation of the new income-free threshold for the 50% taper makes sense, and as argued above the 60% taper threshold must also be indexed.

However, like Newstart itself, the Bill only indexes to the Consumer Price Index (CPI) and not to wage movements. This is in contrast to the aged pension.¹² By not indexing the income-free threshold to average wages, this legislation ensures that people on Newstart will continue to fall further and further below the poverty line each year, as their income inevitably represents a smaller and smaller percentage of the mean weekly salary in Australia.

The Society supports the view of the Australian Council of Social Services,¹³ that all payments should be indexed to average wages, as well as to CPI.

¹¹ Assuming CPI increases by an average of 3% per year.

¹² See <http://www.fahcsia.gov.au/our-responsibilities/seniors/benefits-payments/more-pension-increases>.

¹³ Australian Council of Social Services, *2013–2014 Budget Priority Statement* (April 2013) p 32 http://acoss.org.au/images/uploads/ACOSS_2013-14_Budget_Priority_Statement_final.pdf.

The Society believes that the current reforms will have minor benefits for some Newstart recipients, and particularly single parents, in the short term. However, we are deeply concerned that the reforms only paper over the gaping cracks in Australia's welfare system. The small benefits they add are not distributed equally, and the inadequate indexation of Newstart taper rates will continue to add to all recipients' sinking deeper below the poverty line. For the long-term health and wellbeing of those millions of Australians for whom extremely limited income make each day a struggle, and for the impact their exclusion has on society more broadly, we need deeper and more systemic change. Increasing Newstart by \$50 per week is one step in that direction.

Given the very short timeframe to examine the legislation and write this submission, the Society notes that we are more than happy to provide any further written information that is desired, or to appear in front of the Inquiry to respond to any questions.