



St Vincent de Paul Society
NATIONAL COUNCIL *good works*

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Submitted via electronic upload

Submission to the Inquiry into the 2014 Budget Measures Bills Nos. 1 and 2

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 60,000 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 living with mental illness, people who are homeless and insecurely housed, migrants and refugees, and people experiencing severe poverty.

On 19 June 2014, the Senate referred the Social Services and Other Legislation Amendment (2014 Budget Measures No. 1) Bill 2014 and Social Services and Other Legislation Amendment (2014 Budget Measures No. 2) Bill 2014 for inquiry. The Society has consulted nationally, and we welcome the opportunity to make this contribution. We would also be very happy to provide any further information, either in writing, or at a public hearing.

1. Executive summary

These Bills seek to enact a range of measures, the majority of which will reduce the value of cash payments that people receive from the government.

While the rationales for different removals of payments are different (or non-existent), the Society is deeply concerned by any move to remove income from people already experiencing severe poverty. We cannot agree with measures that will drive people even deeper into poverty, above all in an environment where there simply aren't enough jobs for the numbers of people looking for work.

The Society strongly opposes these measures in the Bills.

2. The Bills

The Bills enact a range of changes, the vast majority of which will result in decreasing the value of a range of social security payments. We believe that many of these changes will have severely negative impacts on the people who are currently receiving these payments. These changes will be dealt with below, grouped by the effects that they have.

3. Indexation

The Bills seek to change many of the processes by which payments are indexed. Some indexation rates are being lowered (parenting payment single;¹ pensions),² while other payments are having their indexation paused for a fixed period. These include the income free areas and asset value limit for all working age allowances, and parenting payment single;³ Family Tax Benefit free areas;⁴ FBT payment rates;⁵ income free areas and assets value limits for student payments;⁶ income and assets test free areas for all pensioners (other than parenting payment single); and the deeming thresholds for all income support payments.⁷

The Society has consistently advocated that the indexation of payments is essential, and that the indexation must be adequate.⁸ 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. Similarly, we have argued that the Consumer Price Index does not reflect real indexation, as it does not reflect the real 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.⁹ 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.¹⁰ 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:¹¹ when those costs go up, they hit the poor harder than the rich. In short, "CPI significantly underestimates the true increase

¹ Social Services And Other Legislation Amendment (2014 Budget Measures No. 1) Bill 2014, (Bill 1), Schedule 3.

² Social Services And Other Legislation Amendment (2014 Budget Measures No. 2) Bill 2014 (Bill 2), Schedule 1.

³ Bill 1, Schedule 3.

⁴ Bill 1, Schedule 3.

⁵ Bill 1, Schedule 7.

⁶ Bill 2, Schedule 1.

⁷ Bill 2, Schedule 1.

⁸ 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 http://www.vinnies.org.au/icms_docs/168659_Submission_to_the_Inquiry_into_the_Social_Security_Amendment_Supporting_More_Australians_into_Work_Bill_2013.pdf.

⁹ Terry McCarthy and John Wicks, *Two Australias: addressing inequality and poverty* (2001), St Vincent de Paul Society, page 23.

¹⁰ St Vincent de Paul Victoria, *The Relative Price Index*, 15 August 2013, at [http://www.vinnies.org.au/content/Document/RPI_Summary_Report_Aus_Dec_2012%20\(21%20August%202013\).pdf](http://www.vinnies.org.au/content/Document/RPI_Summary_Report_Aus_Dec_2012%20(21%20August%202013).pdf).

¹¹ Ian McAuley, *What Are We Complaining About? An Analysis of Cost of Living Pressures*, Centre for Policy Development Occasional Papers, page 18, <http://cpd.org.au/wp-content/uploads/2012/05/What-are-we-complaining-about-CPD-formatting.pdf>.

in the price of the basket of commodities which these household groups typically consume.”¹²

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

The Society strongly opposes stopping, pausing, or reducing indexation. These moves will have very negative effects on some of Australia’s most vulnerable.

¹²St Vincent de Paul Victoria, above n 10, page 35

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

Case study – many people on DSP already struggling (from Bathurst Region)

Today Mr X told us that, due to combined cost pressures, he has decided to move into what we think is barely habitable accommodation in a remote location.

Mr X, aged 64, lives alone. He had been a truck driver, who had supported the economy with his taxes his whole life.

We first met him at St Vincent de Paul in June 2013 just after being discharged from hospital following a heart attack and 11 days of being in intensive care. His world had changed, and he could no longer drive a truck even on a casual basis. He said 'I've become everything I was scared of.'

On his first visit to us, he brought in medical prescriptions (he has to take 18 pills each day) to ask for assistance in paying for them. These cost about \$40 a week. He is on a Disability Support Pension, and after rent and power costs being deducted, lives on \$135 a week.

Mr X has come to Vinnies several times in the past 12 months, asking for help with buying food and paying bills. He went to such lengths as reducing power consumption by fitting 12 volt light globes. He pays extra rent to the government because the house he found to rent has three bedrooms, but he is the only occupant. He has also taken the guidance of financial counselling, yet the underlying problem is insufficient income rather than mismanagement, and he is losing the struggle to pay his bills. **The proposed changes in the Federal budget would make it even harder for him because the Disability Support pension's indexation is to be lowered to growth in the Consumer Price Index.**

Today he said that he has decided to move out to a shack on a small bush block that he owns, 35 minutes and 38 km out of town. He says that he doesn't want to move, but because his income is not meeting his expenses, he feels under huge stress. His blood pressure levels are up; in his words his situation 'is wrecking me'. Relocating will take the cost of rent out of his budget, and allow him survive. However, his shack having no power or water connected; he will have to use lanterns and a battery radio, and work out ways to heat water and keep food cool. He is willing to live there even though it is not designed or insulated to be a home, and every time it rains the roof leaks, so that he is obliged to put out buckets to catch the drips. The move takes him further away from his beloved daughter and grandchildren.

Mr X feels that the only way that he can cope with the cost pressures on his small income is to quit town and move to barely habitable accommodation in a remote location.

4. Moving people from a higher to a lower payment

The Bills also seek to move some people from higher to lower payments. The first Bill enacts the review of disability support pension recipients under 35 against revised impairment tables, while the second Bill extends youth allowance (other) to 22 to 24 year olds in lieu of Newstart allowance and sickness allowance.

The removal of income is a very worrying move. People with a disability, and young people on Newstart, risk losing significant income as a result of these changes. 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 an allowance of \$383 a week¹⁴ to just \$207 a week.¹⁵ 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.

On top of this, young people are paying the financial costs of jobseeking. It has already been identified that the rate of Newstart, at \$255 per week (single, no children),¹⁶ is a barrier to employment.¹⁷ The rate of youth allowance is 20% lower than this, creating no doubt that it will pose a significant barrier to many young people's ability to engage in job-seeking activities. And these activities do cost money: petrol or public transport to attend interviews and trial shifts, buying professional clothing or getting a haircut for interviews, refusing casual shifts in order to attend interviews, buying a printer to print resumes, etc.

This is not to mention the less direct ways in which people's job prospects will be negatively impacted by a very low income: inadequate access to healthcare, meaning that people are less physically healthy; not being able to afford to live in safe, secure, permanent housing; being pushed to the physical outskirts of cities, where jobs and public transport are more scarce; etc.

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 far more 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 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

¹⁴<http://www.humanservices.gov.au/customer/services/centrelink/disability-support-pension>

¹⁵ <http://www.humanservices.gov.au/customer/enablers/centrelink/youth-allowance/payment-rates>

¹⁶ <http://www.humanservices.gov.au/customer/enablers/centrelink/newstart-allowance/payment-rates-for-newstart-allowance>

¹⁷ See, eg, Business Council of Australia, submission to Submission to the Senate Education, Employment and Workplace Relations References Committee Inquiry into the Adequacy of the Allowance Payment System for Jobseekers and Others, August 2012.

basis of blaming them for their own exclusion from the labour market. This is neither rational nor fair.

Case studies – Newstart is not enough (from Wilcannia Forbes region)

We have had a few cases of couples with a number of children between them, both on Newstart and managing to get by, then one partner leaves the relationship for one reason or another so income is halved. Assistance is then needed for this family, in a lot of ways, whether it be rent, food or utility bills. **Newstart needs to be reviewed as it is far too low.** It is difficult for anyone to live on this even if they are not experiencing any extra hardships.

We had a single client who went from full time work to sickness benefits and then Newstart due to non-related work accident. She is struggling to pay her mortgage and utility bills. We have been assisting with EAPA and TELSTRA vouchers and occasional food parcels. This is another case of Newstart not being nearly enough to live on.

5. Reduce deeming thresholds

Bill 2 seeks to reduce the deeming thresholds for all social security payments and veterans' entitlements.¹⁸ If a person is single, and receiving a pension, for example, the deeming threshold is currently \$46,600. This is indexed to CPI.

The deeming threshold is the level of financial assets at which those assets are assumed to begin returning a higher rate of income. As such, the lower the deeming rate is, the greater proportion of one's assets will be presumed to be generating a greater return, and thus the higher the overall income for that person is presumed to be. The higher a person's assumed self-generated income, the less government pension or allowance they will be entitled to. This change will therefore reduce the income of a large number of people who receive a government payment, but nevertheless have some financial assets (such as pensioners).

Broadly, the Society believes that the development of any policy must be supported by evidence and sound argument. This is particularly the case where changes will negatively impact on disadvantaged Australians. However, there is no explanation given as to why the deeming thresholds need to be reduced. This is part of broader approach within these Bills, and within the Budget as a whole, to identify at a high level a "need for cuts", and to then jump straight to implementing specific measures that will save money, with no argument or rationale provided in between about why this particular means of saving money is preferable to another.

¹⁸ Bill 2, Items 14 - 19, and see also <http://www.humanservices.gov.au/corporate/publications-and-resources/budget/1415/asures/older-australians/62-000807>.

The Society finds this approach very troubling. First, there is a very strong body of evidence showing that Australia's spending on income support and supplement payments is perfectly sustainable – there is no “need for cuts”. Our current levels of public and social spending are already low by international standards,¹⁹ and the amount of cash benefits we pay (income support payments) is about 35% lower than the OECD average.²⁰ Moreover, the best 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.²¹

Secondly, 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). Superannuation concessions, for example, cost the government around 20% of its revenue from income tax – around \$24.6 billion in 2009.²² These tax concessions overwhelmingly go to the wealthy: the top 5% of earners receive 37% of the concessions, while part-time workers (including many single parents) receive no benefit.²³

Finally, any cuts to payments must be explained strategically, in the context of other government cuts and spending. It is not enough to say “we need to spend less”, and then cut benefits from the people who are experiencing the deepest poverty, while other expenditures (for example enormous spending on defence, or a niche Medical Research Fund) are acceptable.

6. Work for the Dole

Bill 2, Schedule 9, introduces a requirement that Australians under 30 years old who receive the unemployment benefit will be required to work at least 25 hours a week in “Work for the Dole” programs.

This is another piece of policy which is unsupported by any real rationale or evidence. There is no evidence that there are large numbers of young people who are currently unengaged and uninterested in work, and there is no evidence that Work for the Dole style

¹⁹ As a proportion of GDP, we are 5% below the OECD average. http://www.oecd.org/social/expenditure.htm#socx_data

²⁰ At 8% of our GDP, compared to the OECD average of 12.5% of GDP. <http://www.oecd.org/els/soc/OECD2012SocialSpendingDuringTheCrisis8pages.pdf>, page 5.

²¹ http://archive.treasury.gov.au/igr/igr2010/report/pdf/IGR_2010.pdf

²² The Australia Institute, research paper 61, page 1. <https://www.tai.org.au/index.php?q=node%2F19&pubid=540&act=display>.

²³ The Australia Institute, research paper 61, page 2. <https://www.tai.org.au/index.php?q=node%2F19&pubid=540&act=display>

programmes really help anyone find work. In fact, due to the menial nature of many of the tasks; the fact that attendance is compulsory rather than optional; the fact that so much time must be spent “working” for no pay, rather than seeking paid work; the absence of structured training or education components; and the stigma attached to the program, it seems likely that this program will **decrease people’s ability to find paid work**.²⁴

It is unclear why a program which creates a lot of stigma, humiliates young people, interferes with their jobseeking activity, and risks replacing paid jobs in the economy with unpaid labour, is being reintroduced.

This is particularly true in an economy where there is only one job for every five job-seekers on Newstart.²⁵ When we add the number of people already working low hours, but actively looking for more work, we find there is only one job for every *ten* job seekers.²⁶ Of these ten job-seekers, presumably, the most qualified and experienced will be able to win that one available job.

With well over a million people competing for 150,000 jobs, there are simply not enough jobs to go around. Hundreds of thousands of Australians, particularly young jobseekers, who are unlikely to have significant relevant experience for many jobs, are simply not seen by employers as being as desirable as the many candidates who don’t face these barriers.

Our fundamental position is that Australia does *not* have a problem of entitlement mentality, or ballooning welfare costs. These claims are simply untrue when we look at the numbers. Instead, what we have is an economy that is not creating jobs at a rate that keeps up with population growth, and an income divide that is growing, making it harder and harder for those born into disadvantage to enter into and succeed within the labour market.

These challenges call for a real look at the structural causes of disadvantage and poverty, rather than merely trying to punish the disadvantaged, under some misguided ideological assumption that this will help them into jobs that do not exist.

7. Waiting time for Newstart

Bill 2, schedule 9, sets a 26-week waiting period before young people can receive Newstart payments. This means that young people who need to access Newstart will have to first

²⁴ See, for example, https://www.melbourneinstitute.com/downloads/labour/6_wfd_FinReport.pdf.

²⁵ May 2014, ABS data (<http://www.abs.gov.au/ausstats/abs@.nsf/mf/6354.0>); May 2014, DSS data (http://www.dss.gov.au/sites/default/files/documents/06_2014/labour_market_and_related_payments_may_2014.pdf).

²⁶ September 2013, ABS data on underemployment (those seeking more hours) (<http://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/6265.0Main%20Features3September%202013?opendocument&tabname=Summary&prodno=6265.0&issue=September%202013&num=&view=>).

spend 6 months waiting, by definition without work income, and receiving no government income.

For the Society, this suggestion has been one of the most troubling elements of the Budget. We find very concerning the idea that the government would intentionally remove *any* semblance of a social safety net for a particular group of people (job-seekers aged up to 30, for a period of 6 months). Unlike other cases in which someone may not be entitled to social security, because they earn too much, they are not a citizen, or they are deemed to have failed to comply with Centrelink requirements, this is a wholesale denial of any right to government support to a group of people for reasons completely outside their control, and who are highly vulnerable, being both young and unemployed. This raises a very real risk of breaching these individuals' right to social security, and an adequate standard of living.²⁷

The explanatory memorandum's statement of compatibility with human rights argues that "there is a need to provide greater encouragement to jobseekers to make a genuine effort to enter suitable employment, including if necessary by moving to a different area, rather than remaining on income support." No evidence is provided as to why the government believes that large numbers of young people are not "making a genuine effort" to find work. Centrelink already has rigorous systems for ensuring that people do engage in job-seeking, with penalties for non-compliance. Moreover, the evidence shows that, within this strict system, the vast majority of people on Newstart do comply with their jobseeking requirements – of the cases that Centrelink investigates following tip-offs, data-matching, etc, non-compliance is only found in 15%.²⁸

The new scheme claims to create this (unneeded) encouragement by "provid[ing] incentives for young unemployed Australians to either acquire employment or the required skills to obtain gainful employment", and thus "seeks to ensure that more jobseekers experience the benefits of employment".²⁹ This, it seems, is believed to support people's human right to work.³⁰ This sentence shows a misunderstanding of the word "incentive", which – in behavioural psychology – is a "positive reward" (such as paying people a bonus when they find work). What the Bill in fact does is remove a positive condition (income), precisely because people are in need of this income, namely because they are unemployed. This is both punitive and irrational, bearing no relationship to the structural causes of unemployment.

²⁷Art 9, 11 of *International Covenant on Economic, Social, and Cultural Rights*.

²⁸ Australian Institute of Criminology, *Welfare Fraud in Australia: Dimensions and Issues*, No 421, June 2011, at http://www.aic.gov.au/media_library/publications/tandi_pdf/tandi421.pdf

²⁹ Ex Mem to Bill 2, page 20, http://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r5274_ems_c038c930-76a9-460b-a67e-ea158764d47d/upload_pdf/395544.pdf;fileType=application%2Fpdf.

³⁰ Art 6, ICESCR

The explanatory memorandum continues, “This Schedule, in focusing on young persons, acknowledges that young persons often have access to family support to enjoy an adequate standard of living”. This may be true for some young people. However, it is certainly not true for all. Many young people, for a range of reasons, will not have families able to easily support them for a 6-month period of zero income.

Low income is a barrier to participation

The explanatory memorandum also states that “A person will be required to register as a jobseeker in order to commence the new waiting period. They will then have to comply with their activity test and participation requirements while they are subject to the new waiting period and non-payment period. These requirements are to look for work, attend appointments with employment services providers and accept any offers of suitable work.”

This is a mutual obligation requirement *before the person is even entitled to a payment*. It is a coercive measure, forcing young Australians to act in certain, government-mandated ways, all to “win” a payment at some future point. This is troubling in itself. On top of this is the fact that these young people, by definition, will not have any income. For some, who live on the outskirts of the city, who don’t have family support, who don’t already have any casual work, there will be financial costs to engaging with Centrelink in the prescribed ways. Compliance costs money: catching buses to interviews, filling up the car to go to Centrelink appointments, buying clothes suitable for a job interview, etc. When many people with no income already having to pay for their rent, food, bills etc, it seems unconscionable that the government would also require them to spend money complying with strict obligations, all in the hope that in six months they may “earn” the meagre Newstart allowance.

Where will they turn?

The next question which troubles our members is that of where will people get the basic resources they need, if their payments are cut off. Particularly for those without family supporting them, and without personal financial resources, the Society believes that this measure will **increase reliance on charities**, and possibly increase crime rates, as desperate people try to feed themselves and their dependents.

Whether young people will be “encouraged” to look for work or not, or whether this will fix the “entitlement mentality” for which there is absolutely no evidence, the fact of the matter is that surviving for 6 months with no financial aid from the government, particularly for young people without work and without family support, is going to be extraordinarily hard, and for many people impossible.

Without any source of income possible for this six-month period, and no way or having their payments reinstated, some people will have to turn to friends for support. However, in our experience, many disadvantaged people do not have a strong support network around them, and will be forced to ask charities. Charities will always do what we can, and gladly,

but our resources are already facing a huge drain due to many other government cuts. Moreover, we do not believe that charities should become the default providers for people abandoned by the government – a move we already see happening in other areas, for example refugees living in the community who receive absolutely no government assistance.

8. Conclusion

These two Bills contain a range of measures that will have negative to severely negative effects on millions of Australia's most marginalised people.

No good evidence has been provided as to why the government believes that the Budget is unsustainable, or why the poorest should have to pay the price for this. Moreover, there are many other ways that government revenue could be increased, or spending cut, which will not involve forcing people into deeper and deeper poverty.

We in Australia have a labour market problem, not an “entitlement mentality” problem. There are simply far too few jobs for the number of job-seekers.

Removing income from some of Australia's poorest people is not the answer. It risks violating citizens' human rights, will not help people into jobs, and will force people into even deeper poverty.

The Society supports policies that are developed to build social justice and to reduce inequality, rather than stigmatising and blaming those living on the margins for their poverty. We therefore strongly oppose the above measures in these Bills.