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2014–2015 Pre-Budget Submission

Contents

1. Executive Summary.....	2
2. Values	3
1: Human rights basis	3
2: The role of government.....	3
3: The focus of the budget must be people.....	4
4: Long-term, sustainable fixes.....	5
5: Evidence-based policy.....	5
3. Revenue Priorities.....	6
4. Spending Priorities	7

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 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.

Treasurer Joe Hockey has invited submissions on individuals', businesses', and community groups' priorities for the 2014–2015 Budget. The Society welcomes the opportunity to make this contribution.

1. Executive Summary

The Society believes that the 2014–2015 Budget must, fundamentally, be based on values. One such value is pragmatism: how much can Australia afford to spend, and how can we make sure revenue and expenditure are sustainable? We must also, however, recognise the universal human rights that all people share in Australia, and we must believe that government has a responsibility to help people develop their strengths and their potential. We must look to long-term programs to empower our communities, rather than short-term patches, and the Budget must be firmly rooted in evidence.

Based on these values, the Society has identified several key areas that the Budget must address. First, revenue needs to be increased. This can easily be effected by closing several of the tax loopholes that wealthy Australians are currently able to access. Second, the Budget must address the urgent issue of housing in Australia. This includes homelessness, high rents, and totally inadequate housing in detention centres of asylum seekers under Australia's jurisdiction. Thirdly, the government's provision of income support must be better targeted so that it goes where it is needed. This relates to better means-testing of pensions (as recommended by the Henry Tax Review), as well as increasing support to those currently trying to get back into the workforce, and those who are banned from working (asylum seekers). It also means stopping the harmful policy of compulsory income management.

2. Values

1: Human rights basis

The Society's vision is to offer a "hand up" when needed, and to respect shared human dignity, and our mission is to help shape a more just and compassionate society.¹ Ours is fundamentally a human rights perspective, in which all people are seen as equally worthy of compassion, respect, and help to achieve the basics of a good life: no matter who they are, where they're from, or how they got to where they are today. We believe the crafting of the Budget must take account of the fundamental equality of people, and their equal entitlement to the things that make life worth living.

2: The role of government

Given governments' resources, their power and influence, their democratic and legal legitimacy, and their status as representative of the people, we see government as having the fundamental responsibility to ensure that all people have access to the goods and services they need. This is especially true when it comes to equitable and affordable access to the essentials of life such as housing, healthcare, education, income support and employment assistance.

We were therefore concerned by the assumption in the Terms of Reference of the Commission of Audit that government-run programs are basically and fundamentally undesirable, and must be limited as much as possible. For example, under 'Phase 1', the Commission is asked to look at opportunities for the Commonwealth to cease undertaking some activities, and to shift responsibility to the private sector, non-for-profit sector, and State and local government. This is very similar to the policy of "Big Society" promoted by David Cameron in the UK: a policy that has been an almost unmitigated failure.²

Another concerning premise on which government appears to be operating is that the market, and not governments, is best-placed to meet the needs of individuals.

¹ See the Society's Constitutional document - The Rule, at http://www.vinnies.org.au/icms_docs/168122_The_Rule.pdf.

² See, eg, Cameron Elliott, 'Whatever Happened to the Big Society' (Centre for Policy Development, 2013)

For example, at the World Economic Forum at Davos,³ the Prime Minister recently called on countries to move towards smaller and less interventionist governments, and focus on removing obstacles to free market and business in order to promote prosperity and growth.

This ideology, like 'Big Society', is deeply flawed. First, prosperity and growth do not always alleviate poverty and disadvantage. For example, despite enormous growth in prosperity over the last 30 years, Australia today is far less equal than it was in the 1980s. Those on low incomes are doing even worse relative to those on high incomes, and those below the poverty line are by and large significantly more disadvantaged, especially in terms of inequality of access to the essentials of life. Secondly, the claim that the only way to promote prosperity is to reduce government involvement is simply incorrect. While there will be contexts in which state-lead intervention damages the economy, there are many countries that are very economically stable, despite high taxes and high levels of government service provision. The Scandinavian countries come to mind. The solution is obviously complex, but it is certainly not as simple as reducing government size for its own sake, and trusting that the market will be able to step in.

For these reasons, the Society believes that a fundamental principle of the Budget must be that neither markets, nor the community sector, are an appropriate or adequate substitute for government action in ensuring that people's fundamental human rights are protected.

3: The focus of the budget must be people

Following from the importance of human rights, and the necessity of government's moral responsibility for ensuring that rights such as education, housing, health, employment and community-participation are fulfilled, we believe that the central purpose of the Budget must be, and can only be, ensuring better lives for people.

For that reason, we have been concerned that the vast majority of government discussion around the Budget has focussed on "balancing the budget", "paying back debt", "economic restraint", "living within government's means", etc. All of these things are important, to be sure. But, like all conversations about finances, the purpose of money cannot simply be to have it: the point of the Budget cannot be

³ <http://www.weforum.org/sessions/summary/australias-vision-g20>.

simply to make sure that Australia's money is well-managed. The purpose must be to help achieve a long-term, strategic goal of a strong, diverse and inclusive society.

Therefore, the Society believes that the focus of this Budget must be how best to maximise the wellbeing of people living in Australia, rather than focussing only on trying to save money. Government fiscal responsibility is an important tool to increasing quality of life, but it is only a tool rather than the end goal.

4: Long-term, sustainable fixes

One of the core values of the Society is advocacy. We advocate because we believe that the Society's assistance programs are not the ultimate solution to poverty and disadvantage in Australia, but that we must mobilise community and government to stand behind longer-term and more sustainable changes to the way our society is structured. Longer-term planning enables us to provide a hand *up* to those in need, rather than just 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.

5: Evidence-based policy

The final point that the Society wishes to make is that all policy changes should be supported by robust evidence, showing that they are likely to achieve the desired outcomes. This is in contrast to empty rhetoric or ideology that can sometimes drive policy.

In the context of the budget, evidence-based policy means funding programs that are proven to truly realize the aims they seek to achieve, and that have been formed after consultation with experts in the particular field. For example, the notion that lowering unemployment benefits will help people into work is simply not supported by the evidence: experts argue that the very low rates are actually making it much

harder for people to find work, but instead trap people in poverty.⁴ Similarly, the suggestion that charging a \$6 fee to access a doctor will improve healthcare overall is refuted by good evidence that these types of co-payments are likely to decrease use of medical services by those who are experiencing financial hardship.⁵

The Society believes that government has a responsibility to spend money on programs that will really improve the quality of life of people in Australia. This means spending should only occur if there is good evidence it will achieve its aim.

3. Revenue Priorities

The Budget can and must consider not only government expenditure (which the discussion by government and the media has mostly been about to date), but also revenue, or the amount of taxation government can levy. Indeed, these are really two sides of the same coin: expenditure can be seen as revenue foregone, and revenue foregone can be turned into revenue proper.

Revenue is not fixed and, as identified in the Society's recent report 'Two Australias',⁶ there are a wide range of ways in which government could increase its income without damaging the economy or business confidence. ACOSS has also done a lot of work on taxation reform.⁷ Simple measures that could increase revenue include cutting tax exemptions on large superannuation contributions along with other measures that would rein in some of the government hand-outs (revenue foregone, and expenditure itself) to the rich, including pensions being paid to people who are already very wealthy.

Similarly, some types of improved efficiency – and therefore cheaper expenditures – will in fact be best addressed by changes to taxation. For example, there is a grave shortage of affordable housing in Australia, which is a key element of the level of homelessness. Re-visiting the effects of Capital Gains Tax and Negative Gearing as

⁴ See, eg, Business Council of Australia, *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) 1.

⁵ See, eg, Carolyn Tuohy et al, 'How Does Private Finance Affect Public Health Care Systems? Marshalling Evidence from OECD Nations' *Journal of Health Politics, Policy and Law* 29(3) 2004, 377(http://www.bupedu.com/lms/admin/uploaded_article/eA.1109.pdf).

⁶ http://www.vinnies.org.au/icms_docs/169073_Two_Australias_Report_on_Poverty.pdf.

⁷ Eg http://www.acoss.org.au/policy/economics_and_tax/.

drivers of demand would be much more significant in addressing the problem than “saving money” by chopping bits of the public service, or by terminating certain housing programs on the basis of accounting inefficiency.

And then there are programs that are very expensive, and simply do not work. For example, the Society has consistently advocated against the imposition of compulsory income management in its various iterations given that it is inherently disempowering, disrespectful and that it fails to address the core issue of income inadequacy. Recent research also shows that income management programmes have not had the intended outcome.⁸ By removing income management the government would save around \$100 million per year.⁹

4. Spending Priorities

1. **Homelessness** must be decreased. Our priority here is that the transitional National Partnership Agreement on Homelessness, which expires in June 2014,¹⁰ must be renewed, and secured for another four years.
2. The lives of nearly a million people on **Newstart** can be better. At \$35 per day, Newstart is simply too low to provide an adequate standard of living. The Society supports increases of at least \$50 per week to Newstart, which will affect the hundreds of thousands of single parents, people with disabilities, and others, many of whom are already working, who are struggling to live on this payment. The cost of around \$1.5 billion per year can easily be offset by the ‘Revenue’ measures outlined above. The Society also supports a change to the way in which income support payments are currently indexed, given that the Newstart payment has now fallen to a mere 40% of the minimum wage.
3. The Australian government has a legal and moral duty to ensure that the human right to housing is met for **asylum seekers** under the government’s control. This includes asylum seekers living in detention centres under Australia’s control

⁸http://www.dss.gov.au/sites/default/files/documents/11_2012/nim_first_evaluation_report.pdf.

⁹ Luke Buckmaster et al, *Income Management: An Overview* (Parliamentary Library, 2012) http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BN/2011-2012/IncomeManagementOverview#_Toc328056521

¹⁰ See DSS website(<http://www.dss.gov.au/our-responsibilities/housing-support/programs-services/homelessness/the-transitional-national-partnership-agreement-on-homelessness>).

offshore, whose rights are currently being breached.¹¹ In this Budget, the government must commit to moving people out of all detention centres, and instead into community detention. This will save several billion dollars.

4. **Rental prices** can become more affordable for those on low incomes. The Society's priority is that the Commonwealth Rent Assistance payment must be increased in this Budget, to reflect the real cost of renting in Australia today. The small cost of increasing this payment could easily be offset by the 'Revenue' suggestions above.
5. Those with **mental illness** should have better access to housing. We believe an immediate step that the government can take is to commission a report into a national approach to 'justice reinvestment' – the practice of channelling more support towards mental health and housing programs, rather than funnelling those with psychological problems towards the criminal justice system. This will cost money in the short term, but has a huge 1:14 ratio of investment to return long-term,¹² or around a \$200,000 saving per offender diverted away from prison.¹³
6. **Asylum seekers** whose visas have expired, but whose status determinations are still pending, currently receive little to no financial assistance from government. This makes the community sector the default provider, and is unsustainable for our sector. Government must fulfil its obligations to these people, and use this Budget to provide them with the basics for an adequate standard of living.
7. All children should be equal, but many **children** from lower socio-economic backgrounds are currently not getting enough educational support to succeed. The Society supports the Student Resource Standard model, whereby students receive additional funding based on disadvantage, in a sector-neutral way. The

¹¹ Australian Human Rights Commission Report (http://www.humanrights.gov.au/sites/default/files/document/publication/HR_standards_immigration_detention%20%284%29.pdf).

¹² See, for example, Federation of Community Legal Centres, *Smart Justice: Investing in Communities Not Prisons* (at smartjustice.org.au/cb_pages/files/SMART_Reinvestment.pdf on 13 March 2013)²; The New Economics Foundation, *Unlocking Value: How we all Benefit from Investing in Alternatives to Prison for Women Offenders* (25 November 2008) (at neweconomics.org/publications/unlocking-value on 13 March 2013).

¹³ In Australia, see for example Deloitte Access Economics, *An Economic Analysis for Aboriginal and Torres Strait Islander offenders: Prison vs Residential Treatment* (at deloitteaccessseconomics.com.au/uploads/File/NIDAC_Deloitte%20Access%20Economics%20Report%281%29.pdf on 13 March 2013) xi.

Budget must provide a plan to provide more funding to disadvantaged schools and students.

8. The Society calls for a rational approach to addressing the underlying structural causes of **unemployment, underemployment and insecure work**. This, rather than a misplaced fixation on cutting social expenditure, will achieve the desired results of long-term economic sustainability and vastly improved levels of employment participation for the people who are currently excluded from the labour market or consigned to its insecure fringes.