

A FAIRER AUSTRALIA 2022 ELECTION STATEMENT

POLICY PAPER POVERTY AND INEQUITY



Frederic Ozanam (1813-53), founder of St Vincent de Paul Society



St Vincent de Paul Society
NATIONAL COUNCIL of AUSTRALIA Inc. *good works*



St Vincent de Paul Society National Council of Australia acknowledges the traditional custodians of country throughout Australia; recognises their continuing connection to land, waters and culture and community; and pays its respect to elders past and present and emerging.

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Foreword

There are pockets of entrenched and multi-layered disadvantage that have persisted in Australia for years.

Existing policies are widening the inequity gap, making it impossible to address the root cause of poverty.

Australians should not be forced to live in poverty while looking for a job.

And when they find a job, they are entitled to security, fair pay and safe work conditions. Personal, social and community wellbeing depend on it.

The Australian Government must closely monitor national trends contributing to inequity. It should guarantee decent working age payments that enable people to cover their basic needs.

Employment conditions should be guaranteed by law and closely monitored. Wage subsidies are vital for many workers, along with proper training and educational opportunities. Everyone deserves a fair go.

As our Founder Frederic Ozanam said, "Let us do without hesitation whatever lies in our hands."

Our policies for this election provide a focus for the future actions of the Australian Government.

- *Claire Victory, National President, St Vincent de Paul Society.*

Some people continue to defend trickle-down theories which assume that economic growth, encouraged by a free market, will inevitably succeed in bringing about greater justice and inclusiveness in the world. This has never been confirmed by the facts...the excluded are still waiting. A globalisation of indifference has developed... and almost without being aware of it, we end up being incapable of feeling compassion at the outcry of the poor, weeping for other people's pain, and feeling a need to help them, as though all this were someone else's responsibility and not our own.¹

What the Society does

The St Vincent de Paul Society of Australia (the Society) is a lay Catholic charity that comprises over 60,000 members and volunteers and over 3,000 employees who help and support Australians in need. The Society has been active in Australia for almost 170 years.

The Society assists many thousands of people each year through its visitation program, spending time with people in their homes or at our centres, listening and responding to the needs of families and individuals. We assist by providing emergency relief, housing and other support services. The range of assistance varies depending on local needs and available resources. It includes financial counselling, family relationship services, family and domestic violence services, children's services, addiction services and group sessions that build self-empowerment and social and community connectedness. Where we cannot provide help directly, referrals are made.

The Society's members witness the challenges faced by those living in poverty. Disadvantage is often accompanied with limited access to suitable employment or participation opportunities, inadequate housing, inability to purchase goods or services, poor health outcomes and limited access to education and training and family and community engagement.

This paper summarises the Society's policy position on poverty and inequity and reflects the Society's concerns and recommendations made in its submission to the Parliamentary Inquiry into the Adequacy of Newstart (Sub No 119) and Pre-Budget Submissions (2021-22, 2020-21, 2020).²

Poverty and inequity

Helping people who are living in poverty by offering them a hand-up and encouraging them to take control of their own destiny is central to the Society's work. Our Mission is to serve people living in poverty with respect, justice, hope and joy. We aspire to an Australia transformed by compassion and built on justice.³

This work includes advocating for a fairer Australia, by ensuring that everyone benefits from our country's prosperity through political and economic systems that deliver positive outcomes for all.⁴ This requires getting the balance right between equity and efficiency in the economy.⁵

Thirty years ago, the Australian Catholic Bishops Conference wrote *Common Wealth for the Common Good*, highlighting the increasing inequality of wealth and income in Australia and the presence of serious poverty, unemployment and homelessness. The bishops called for equitable taxation and greater government activity to revive the economy and redistribute wealth and income.

More recently, the International Monetary Fund found that income inequality negatively affects economic growth and its sustainability, while equality-enhancing interventions help growth.⁶

In 2001, the Society's National Council launched *Two Australias*, highlighting the levels of disadvantage and inequality in Australia. The report was updated in 2013. The reports concluded that, whether measured in terms of real income, social exclusion or multiple deprivation factors, the gap between the two Australias was clearly visible, and increasing. The Society called for social investment in the under-employed and unemployed, and changes to government allowances with careful taxation and revenue reforms.⁷ Pathways to employment, such as through job guarantee schemes, and increases to Newstart (now JobSeeker), as well as reforms to superannuation, capital gains tax exemptions, negative gearing, trusts, and overall tax rates, were recommended.

An inability to address the drivers of economic exclusion and inequality means we continue to fail those who are disadvantaged. The Society continues to call on those in power to deliver an economy that serves all in the community, particularly the vulnerable.⁸

Nothing has changed for the disadvantaged

In the 21 years since the first *Two Australias* report was written, little progress has been made.

During this period, Australia has experienced uninterrupted economic growth and living standards have improved for all income levels. Wealth distribution has increased and been greatest for the top income decile, largely due to housing and superannuation. However, entrenched poverty and disadvantage persists, with households in the bottom two income deciles remaining there 15 years later.⁹

Regular socio-economic mapping has found that disadvantage is complex, multilayered and entrenched in a small and disproportionate number of communities in each state and territory, with most of the locations identified as disadvantaged being severely so. For example, in Queensland, nine per cent of locations accounted for 41 per cent of the disadvantaged positions, in Western Australia, 10 per cent of locations accounted for 56 per cent of the disadvantage, while in New South Wales, 13 per cent of locations accounted for 55 per cent of the most disadvantaged positions across all indicators. Common indicators most strongly correlated with disadvantage across the jurisdictions included low income, crime, family violence, early school leaving, poor air quality, lack of post-school qualifications and no internet access. Overrepresented indicators of extreme disadvantage included prison admissions, juvenile convictions, long term unemployment, households with no parent in paid work, and public housing (highlighting the need for wrap-around support services).

The profile has not improved since 2015, with disadvantage persisting mostly in regional and remote locations, except for Victoria and South Australia where there is a proportionate number of highly disadvantaged locations in their capital cities. Community members cite quality and accessibility of education, employment and health services, particularly in remote or regional communities, as common issues and impediments to change.

On a positive note, community members also identified significant strengths within communities and spoke of the need for good community infrastructure, clear communication and coordination of resources, a diversity of providers and accessibility to those resources.¹⁰

Why we need to act now

There are currently 774,000 or one-in-six children living in poverty. These children are more likely to experience childhood development delays which undermine their long-term health and wellbeing and, in turn, increase their likelihood of experiencing disadvantage later in life.¹¹

Forcing people to live in poverty while on a working age payment makes it harder for them to find work. Around 80 per cent, or 897,000 JobSeeker recipients, have been on the payment for more than one year. More than half (547,000 people) have been on the payment for two years. Of these, around one-third have a disability and almost half are aged over 45 years.¹²

Single parent families, First Nations people, people who are long-term unemployed, people with low educational attainment, people living with disability, and children in jobless households are most likely to experience protracted income poverty and are at risk of poverty becoming entrenched. Research shows that the bottom 20 per cent of income earners are more likely to stay there, with less life course mobility than middle income earners.¹³

Entry-level jobs are on the decline, with almost half being filled through part-time and casual placements. The majority (57 per cent) of people in job-active employment services have Year 12 qualifications or less, resulting in 12 applicants for every entry-level job.¹⁴

This lack of progress is against a backdrop of numerous parliamentary inquiries¹⁵ that have made similar recommendations including:

- implementation of a training guarantee/transitional job scheme and case management support for the long term unemployed
- simplification of the income support system
- a review of the adequacy of income support payments, particularly for young people and single parent families and to ensure that recipients do not live in poverty
- establishment of an independent body (such as a social security system expert group) to regularly review payment rates and indexation for allowances, pensions and supplements
- development of a national anti-poverty strategy, including a national definition of poverty
- a review of the earnings threshold of income support payments to ensure it does not impede jobseekers transitioning to work

- a review into the adequacy and effectiveness of employment services and mutual obligation requirements

Government reviews of the taxation and income support systems have also occurred,¹⁶ with recommendations including:

- a review of the income support system with a single payment for working age recipients and removal of the pension/allowance divide
- an increase to the single pension rate which was considered too low by international standards
- an increase to JobSeeker
- implementation of a tiered working age payment for people with some work capacity, a supported living pension for people whose capacity to work is severely limited

In response to calls to review the income support system, the Australian Government implemented its Priority Investment Approach to Welfare Reform in 2015-16. The aim was to identify people at risk of long-term income support dependence and provide early intervention and support to them while simplifying the income support system. From 2015 to 2019, the Australian Government also used an automated 'income averaging' assessment of welfare recipient's tax data to check welfare payments.

The number of long-term unemployed on JobSeeker exceeding two years suggests that the Priority Investment Approach is missing the mark. While a parliamentary inquiry noted merits to the Priority Investment Approach, it recommended that success should be measured not just by reductions in welfare expenditure, but also by improved outcomes for welfare recipients.¹⁷

The Australian Government's 'robodebt' scheme was later found to be unlawful and caused heart-wrenching stories of pain and anguish from debt recovery victims. In 2021, the Federal Court awarded a \$1.8 billion settlement for victims of the Australian Government's 'shameful chapter' in public administration.¹⁸

The people we support

The Society provides over \$30 million each year in the form of emergency relief. This assistance is used to cover the basic costs of the necessities of life.

The reality is the Society's members often have limited options when it comes to addressing long-term poverty.

Low wealth households spend a significantly greater proportion of their income covering basic living costs compared to middle and high wealth households (30 per cent of weekly spending in low wealth households goes on housing costs, compared to 14 per cent in high wealth households). A similar pattern is evident for weekly household spending on communications and domestic fuel/power. Conversely, high wealth households spend more on medical care, education, recreation and clothing and footwear.¹⁹ Lower wealth households have the same needs as high wealth households but are less able to pay for them and have to go without.

As a significant provider of emergency relief, the Society is acutely aware that most people who receive this assistance are on income support, while others are unable to access government assistance at all (such as temporary visa holders). The majority of emergency relief recipients live in chronic poverty and financial stress, as evidenced by their return rates, with almost half seeking assistance three or more times in a six-month period.

The Society supports an inclusive and sustainable economy, with social equity at its heart and businesses that benefit all society, not just shareholders. One that values people and nature and that includes the vulnerable in decision-making.²⁰

Over the last two years, Australia's 47 billionaires have doubled their collective wealth. Collectively they now hold more wealth than the poorest 30 per cent of Australians, or about 7.7 million people.²¹

The fact is that Australia is a low tax country. When compared to other developed (OECD) countries, Australia has the 9th lowest tax to GDP ratio out of 37 nations.²²

We support calls to rescind the Stage 3 tax cuts. These tax cuts are simply unaffordable, they benefit people on high incomes and will cost the Government around \$6.3 billion in 2024-25 and \$42 billion over the first five years.²³ Fifty per cent of the tax cuts will go to the top 10 per cent of taxpayers. Over 70 per cent will go to the top 20 per cent of taxpayers. The bottom 20 per cent of taxpayers, those who are doing it tough, will get nothing.²⁴

The Society has commissioned ANU's Centre for Social Research and Methods to develop three simple policy proposals to improve the financial position of those most in need. The proposed changes add to the equity of the existing welfare system by assisting those who are most likely to be in deep poverty and financial stress. Increases to working age welfare payments such as Jobseeker, parenting payment and disability support are proposed, as well as increases to Commonwealth Rent Assistance for low-income earners. The most generous policy proposal includes increases to family payments.

The additional social assistance is funded through moderate increases in capital gains tax and superannuation taxation and also introduces indexation to income tax thresholds. This initially provides increased revenue until bracket creep in the current system leads to a similar rate of taxation by 2027, and lower taxation beyond that point. The proposals are 'simple' in that they do not introduce new taxes or welfare payment systems, rather they alter existing programs.

In recognition of the fact that we cannot do this alone, the Society supports:

- reforms to the taxation system to restore the balance, as outlined in the commissioned paper, 'A Fairer Tax and Welfare System'.
- [ACOSS' Raise the Rate campaign](#)
- [ACOSS' Guarantee to a Nation](#), to reset the Budget to ensure there is an appropriate benchmark of public investment to meet community needs; and to strengthen public revenue to pay for this in a fair manner.

Recommendations:

There are almost limitless policy options available to the Australian Government to address poverty and inequity. This paper outlines our experiences and focusses on just a few options that, if implemented immediately, would start to address Australia's entrenched poverty and growing inequity.

The Society calls on the Australia Government to:

- monitor poverty and inequity
- establish an independent body to advise the Australian Government on the equity of the income support system and rates of payments and pensions
- increase the base rate of working age payments from \$44 to ideally \$67 per day but even a more modest increase to between \$54 to \$59 a day would lift a significant number of people out of poverty
- index income support payments twice a year in line with wage growth and CPI
- increase the earnings threshold of income support payments, from \$150 to \$300 per fortnight

The Society does not have all the answers. But every day across the country, Society members, volunteers and donors are increasing their offers of help because those in need are falling deeper into poverty.

¹ Pope Francis, *Evangelii Gaudium*, n.54, Accessed at: https://www.vatican.va/content/francesco/en/apost_exhortations/documents/papa-francesco_esortazione-ap_20131124_evangelii-gaudium.html

² St Vincent de Paul Society National Council of Australia, 2021. Submission 119, Senate Standing Committees on Community Affairs, Adequacy of Newstart and related payments and alternative mechanisms to determine the level of income support payments in Australia, Accessed at https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Community_Affairs/Newstartrelatedpayments/Report.2021-22-Pre-budget-Submission, Accessed at: https://www.vinnies.org.au/icms_docs/323604_2021-22-Pre-Budget-Submission.pdf 2020-21 Pre-budget Submission, Accessed at: https://www.vinnies.org.au/icms_docs/320526_2020-21-Pre-Budget-Submission.pdf 2020 Pre-budget Submission, Accessed at: https://www.vinnies.org.au/icms_docs/322121_2020-Pre-Budget-Submission.pdf

³ St Vincent de Paul Society, *The Rule*, 7th Edition 2012. Australia. Accessed at: https://www.vinnies.org.au/icms_docs/168122_The_Rule.pdf

⁴ Zabar, J, 2015, *An Economy that Works for All, Introduction by Frank Brennan SJ AO*, Catholic Social Justice Series, no.8, p.22

⁵ Brennan, F., with reference *Common Wealth for Common Good*, cited in Zabar, op. cit., p.7

⁶ Ostry, J., Berg, A., Tsangarides, April 2014, *redistribution, Inequality and Growth*, IMF Staff Discussion note, SDN/14/02, Accessed at: <https://www.imf.org/external/pubs/ft/sdn/2014/sdn1402.pdf>

⁷ St Vincent de Paul Society, *Two Australias*, October 2013, Accessed at: https://www.dote.org.au/executive-summaryhttps://www.vinnies.org.au/icms_docs/257154_169073_Two_Australias_Report_on_Poverty.pdf, p.6

⁸ Zabar, op. cit., pp.10 – 11.

⁹ Productivity Commission, 2018, *Rising Inequality: A Stocktake of the evidence*, Accessed at: <https://www.pc.gov.au/research/completed/rising-inequality/rising-inequality-highlights.pdf>, p.8.

¹⁰ DOTE 2021, *Executive Summary, Findings*, Accessed at: <https://www.dote.org.au/executive-summary>

¹¹ ANU, April 2021, *Making a difference to children and families in financial stress and poverty*, Commissioned by Social Ventures Australia and the Brotherhood of St Laurence, Accessed at: https://www.socialventures.com.au/assets/SVA_BSL_Making_a_difference_to_financial_stress_and_poverty-WEB.pdf

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- ¹³ Productivity Commission, May 2019, Is Australia becoming more unequal?, Accessed at: <https://www.pc.gov.au/news-media/articles/pc-news/pc-news-may-2019/unequal>; see also, Productivity Commission, 2018, Rising Inequality.: A stocktake of the evidence, p.8
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