Catholic Social Services Australia

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Committee Secretary
Senate Standing Committees on Community Affairs
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Sir/Madam,

Thank you for the opportunity to make a submission to the Inquiry into the ***Social Services Legislation Amendment (Payment Integrity) Bill 2017*** **(the Payment Integrity Bill)*.***

Catholic Social Services Australia (CSSA) is the Catholic Church's peak national body for social services. Our vision is for a fairer, more inclusive Australian society that reflects and supports the dignity, equality and participation of all people. Our 52 member agencies are the frontline service providers caring for and directly assisting some 450 000 people across 650 sites nationally.

CSSA does not support any legislative measures, which will have the effect of reducing payments to the most vulnerable families and individuals in our community, especially given the current payments are not adequate to meet the living costs of recipients.[1] As such, CSSA is opposed to the measures in the **Payment Integrity Bill** for the reasons outlined in this submission.

CSSA is concerned that the rate of poverty is growing with an estimated 2.5m people or 13.9% of all Australians living below the internationally accepted poverty line.[2] The explanatory document accompanying the **Payment Integrity Bill** provides no analysis of the financial impact on families and individuals, nor consideration of the other recent changes to payments. Overall, the proposed **Payment Integrity Bill** would save the government more than $800m over the forward estimates period – money taken away from those that can least afford it.

At a time when utility costs are rising and the increases in general costs of living are higher than wages growth,[3] we question the merits of putting financial pressure on vulnerable households and further widening the economic gap.

We also urge members of this Committee to ask for the public release of government modelling showing the impact of these measures on the social and economic wellbeing of Australians, especially the poorest and vulnerable in our society.

CSSA remains concerned about the growing income inequality in Australia and its impacts on poor and disadvantaged communities. The OECD's publication *Income Inequality: The Gap between Rich and Poor, OECD Insight* [4] shows that while Australia remains mid-range in terms of income inequality, inequality itself has grown since 2013. The IMF's June 2015 paper titled *Causes and Consequences of Income Inequality: A Global Perspective* states - "widening income inequality is the defining challenge of our time".[5] The IMF has previously found that income inequality matters for economic growth and sustainability and in its latest analysis finds that if the share of income of the top 20% (the rich) increases, then GDP growth actually declines over the medium term.[6].

CSSA provides the comments below on the specific measures:

Schedule 1 – Enhanced residency requirements for pensioners

This measure will affect about 2 400 people a year.[7] CSSA believes that the rationale for the waiting period is overly harsh and has little bearing on whether a person is in need of income support.

Schedule 2 – Stopping the payment of pension supplement after 6 weeks overseas

CSSA is not opposed to this measure as long as there are safeguards in place for people who can apply for exemptions where circumstances permit.

Schedule 3 – Taper rate for Part A rate of Family Tax Benefit (Method 2)

CSSA is opposed to this measure which could result in as many 100 000 families becoming worse off - especially families with three or more children or two high school age children.

Almost 25 000 families with an average household income of $125 490 will lose their payments entirely under the proposed measure and 71 800 families with an average income of $107 622 will have their payments reduced by an average of $50 a fortnight ($1 300 year).[8] This is in addition to other recent changes to payments, such as loss of supplements and losing FTB Part B if they earn over $100k.

Schedule 4 – Liquid assets test waiting period

CSSA regards this measure as a cynical attempt to impose increased waiting periods for those needing to access income support.

CSSA understands this measure could affect up to 11 000 people and would likely affect older workers, for example those receiving a redundancy payout.

Even with savings of $36 000 (proposed new upper limit of liquid assets) for a person with dependents it would not take long to expend these savings. For example, using the Household Expenditure Measure, a person with 2 dependents in the ACT, renting and having a basic lifestyle would need a minimum of $21 792 over a 6 month period.[9] This assumes there are no contingencies such as medical bills, costs of retraining or vehicle repairs and maintenance. After 6 months, over 60% of the savings would have been spent just with basic household expenditure. This leaves this household financially vulnerable with a small buffer to manage contingencies whilst on income support.

Recommendation:

For the reasons above, CSSA opposes those measures that reduce the level of income support to poor and vulnerable families and individuals. Our tax and transfer system is critical to ensuring a fairer Australia and yet the **Payment Integrity Bill** seeks to reduce the welfare payments payable to vulnerable and disadvantaged members of our community. Placing the burden of budget repair on those who can least afford it, while providing tax cuts to the wealthy and businesses, is wrong morally and economically.

CSAA has and will continue to argue for the establishment of an Independent Commission[10] to advise government on the appropriate level of welfare payments to ensure that the adequacy of payments are determined on the basis of need rather than budget repair. Payment levels should be determined by evidence and not politics.

We believe that budget repair can and should be achieved without unfairly placing the burden on the most vulnerable and disadvantaged in our society.

Please contact Liz de Chastel, Director Social Policy [redacted] if you would like to discuss any of these issues further.

Sincerely,

for Fr Frank Brennan sj AO
Chief Executive Officer

1Senate Education, Employment and Workplace Relations Inquiry *The adequacy of the allowance payment system for jobseekers and others, the appropriateness of the allowance payment system as a support into work and the impact of the changing nature of the labour market* accessed on 5th October 2016

2 ACOSS 2014 *Poverty in Australia* Report

3 The Australian 25th February 2016 "*Weak real wages growth sends workers backwards*" http://www.theaustralian.com.au/business/economics/weak-real-wages-growth-send-workers-backwards/news-story/0aedaaa24d6cd168f1b97528bf9e6d37

4 Keeley, B. (2015), *Income Inequality: The Gap between Rich and Poor*, OECD Insights, OECD Publishing, Paris. p34

5Dabla-Norris E, Kochhar K, Suphaphiphat N, Ricka F, and Tsounta E, Causes and Consequences of Income Inequality: A Global Perspective, IMF Staff Discussion Note SDN/15/13, June 2015

6 Ibid

7 https://www.theguardian.com/australia-news/2017/jun/21/coalition-says-it-will-make-migrants-wait-up-to-15-years-for-pension

8 The Australian 10th May 2017 "*Budget 2017: big family welfare cut down to size to save $415m*"

9 https://www.homeloanexperts.com.au/mortgage-calculators/living-expenses-calculator/

10 CSSA Position Statement *Income to Live*