



The Salvation Army

Australia

The Salvation Army Australia

Submission made on behalf of The Salvation Army Australia Eastern Territory and The Salvation Army Southern Territory

Response to the

**Senate Standing Committee on Community Affairs –
References Committee**

Enquiry into the extent of income inequality in Australia

August 2014

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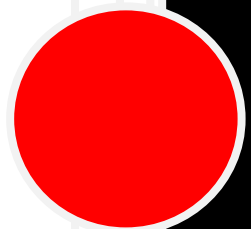
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Addressing the Terms of Reference | Extent of income inequality in Australia

The Salvation Army welcomes the opportunity to comment on the Income Inequality Inquiry and offer its perspective and recommendations for a more just and equitable approach to social welfare and income equality. While recognising that income inequality remains a broad community issue, in this submission The Salvation Army's response focuses on the highly disadvantaged, disenfranchised and marginalised Australians that The Salvation Army helps to support. Specifically, those experiencing homelessness, family violence, addictions and mental illness, people with disabilities, families living in intergenerational poverty and individuals who are unable to gain or participate in employment.

This submission is informed by The Salvation Army's collective experience, knowledge and expertise about the causes, impacts and possible solutions to disadvantage.

Introduction

The Salvation Army (TSA) is an international movement, recognised as part of the Christian church, and one of the world's largest Christian social welfare organisations. Operating in Australia since 1880, The Salvation Army is one of Australia's largest providers of social services and programs for the most marginalised and socially excluded individuals in our community.

The Salvation Army Australia has an annual operating budget of approximately \$700 million and provides more than 1,000 social programs and activities through a network of social support services, community centres and churches across the country. Key services include: material aid and emergency relief, financial counselling and assistance, personal counselling and support, drug and alcohol support and treatment services, family and domestic violence support and accommodation services, out of home care, accommodation and homelessness services, disability services, emergency disaster responses, education, training and employment support services, migrant and refugee services, and aged care services.

The Salvation Army makes the following comments in relation to the Terms of Reference provided for this inquiry.

A. The extent of income inequality in Australia and the rate at which income inequality is increasing in our community;

In Australia, the level of income inequality continues to grow, whereby the ratio of 1:6 Australians (2.2M people) live in poverty and 20% (3.7M people) live below the poverty line.¹ The Salvation Army's experience supports the assertion that recipients of income support live below the poverty line as income supports do not meet daily costs of living. Income support allowances have not increased in line with inflation, which only compounds issues of deprivation, entrenched poverty and the extent of income inequality among disadvantaged groups.²

In April 2014 The Salvation Army Australia released its third national Economic and Social Impact Survey³ (ESIS) of people accessing emergency relief centres. The main purpose of the study was to gain insight into the economic and social impact of cost of living pressures of people seeking emergency relief through The Salvation Army services.

¹ ACOSS (2013). Poverty in Australia 2012 (3rd ed.). (2013). Australian Council of Social Services. http://www.acoss.org.au/images/uploads/Poverty%20Report%202013_FINAL.pdf

² Australian Government Productivity Commission (2013). *Deep and persistent disadvantage in Australia*, retrieved 19 August 2014. <http://www.pc.gov.au/research/staff-working/deep-persistent-disadvantage/key-points>

³ The Salvation Army Australia. No new start, National Economic and Social Impact Survey (2014). http://www.salvationarmy.org.au/about-us_65047/research-media.html

Of the 2,485 individuals surveyed:

- 91% were on an income support payment;
- 46% were single parents with dependent children;
- 36% were couples with dependent children; and
- 76% of adults reported multiple indicators of deprivation.⁴

The study consistently highlighted a significant number of people in the community struggling to meet their everyday expenses and financial commitments. Of concern are those individuals who also experience severe levels of deprivation (access to services and activities), which further compromised individual and family living standards and inclusion in the Australian community.

The Salvation Army is increasingly concerned about the level of disengagement of children due to costs associated with activities. Over half the respondents reported being unable to afford to pay for out-of-school activities for their children (56%), over one third could not afford for their children to participate in school activities and outings (38%) and over one third could not afford annual dental check-ups for their children (34%).⁵ Consequently, sustained levels of disadvantage and deprivation are experienced by marginalised individuals in Australia and the rate of income inequality in our community continues to contribute to their disadvantage.

B. The impact of income inequality on access to health, housing, education and work in Australia, and on the quality of the outcomes achieved;

Over the last three years the national Economic and Social Impact Survey (ESIS) has repeatedly described a bleak picture of the challenges of people with limited economic and social resources, which reinforces the negative impacts of income inequality in our community.

- Economic and Social Impact Survey⁶ data indicated that those individuals on the lower paying allowance rates (i.e. Newstart Allowance), experience higher levels of deprivation and were more likely to be in less secure housing and making significant restrictions on basic living needs. For example, those on Newstart and Youth allowances were more likely than other income support recipients to go without meals, delay payment of rental and utility bills.
- Of significant concern to The Salvation Army is the fact that the highest level of deprivation is experienced in sole parent families on income support payments; these parents who have shifted from single parent income support to the Newstart Allowance and have no current earnings are hardest hit. This cohort is the most disadvantaged in terms of education and employment prospects, economic sustainability and living situations.

⁴ Deprivation is described as a lack of resources that prevent people from accessing goods and activities that are essential, and is measured by using a 26 item list that identifies those who do not have and cannot afford each item. (Saunders, P. Naidoo, Y. and Griffiths, M. (2007) *Towards New Indicators of Disadvantage: Deprivation and Social Exclusion in Australia*. Social Policy Research Centre, Sydney, NSW.

⁵ The Salvation Army Australia. No new start, National Economic and Social Impact Survey (2014).

http://www.salvationarmy.org.au/about-us_65047/research-media.html?s=1962558114

⁶ The Salvation Army. The economic and social impact of cost of living pressures on people accessing emergency relief: A national survey (2013). Australia. http://www.salvationarmy.org.au/about-us_65047/research-media.html

- The Economic and Social Impact Survey⁷ indicated that respondents held a strong desire to work and contribute more effectively to their families and their community. However, numerous social, emotional, financial and health related barriers prevented the majority of respondents in making active and sustainable attempts to secure employment.

C. The specific impacts of inequality on disadvantaged groups within the community, including Aboriginal and Torres Strait Islander peoples, older job seekers, people living with a disability or mental illness, refugees, single parents, those on a low income, people at risk of poverty in retirement as well as the relationship between gender and inequality;

Australian Government Productivity Commission (2013) identified that single parents; Indigenous Australians; people with a long-term health condition or disability; people with low educational attainment; and many public housing tenants were more likely to experience deep and persistent disadvantage.⁸ The Salvation Army directly supports individuals from these marginalised groups, particularly those who are homeless, Indigenous Australians and single parent families who are significantly impacted by income inequality. For example, 15% of respondents identified as Aboriginal and/or Torres Strait Islander peoples in The Salvation Army Economic and Social Impact Survey (2014), which is significantly higher compared to the proportion of the Indigenous population in Australia (3%).⁹

Furthermore, The Salvation Army National Emergency Relief data (2013) revealed that Aboriginal and/or Torres Strait Islander peoples accounted for 12% of emergency relief recipients. Indigenous peoples generally experience lower standards of health, education, employment and housing. Indigenous Australians continue to be over-represented in the criminal justice system, child protection systems and out of home care systems nationally, compared to non-Indigenous people.¹⁰ As a result The Salvation Army is concerned about the impact of income inequality particularly for Aboriginal and/or Torres Strait Islander peoples who continue to endure socio-economic exclusion, marginalisation and entrenched poverty.

Another high risk group affected by income inequality and changes to income support measures are children and dependants of single parent families. The majority of children living in poverty in Australia are from sole parent families, already affected by a number of income support reductions. The Salvation Army firmly believes that children should be protected from poverty and that assistance to low income families with children should be increased. This is fair and just.

The Economic and Social Impact Survey (2014) clearly identified that many children of parents on income support were deprived of learning opportunities through school, including social and recreational activities. If more effective and equitable measures are not taken to support this vulnerable group, The Salvation Army is concerned that these children's prospects are likely to diminish and lead to increased poverty, lack of opportunity and chronic disadvantage.

The Salvation Army supports the notion that education and employment are critical to movement out of poverty and disadvantage. Early childhood research highlights the first five years of a child's life as critical

⁷ The Salvation Army Australia. No new start, National Economic and Social Impact Survey (2014). http://www.salvationarmy.org.au/about-us_65047/research-media.html?s=1962558114

⁸ Australian Government Productivity Commission (2013). *Deep and persistent disadvantage in Australia*, retrieved 19 August 2014. <http://www.pc.gov.au/research/staff-working/deep-persistent-disadvantage>

⁹ Australian Bureau of Statistics 2011, *Estimates of Aboriginal and Torres Strait Islander Australians*, cat. no. 3238.0.55.001, retrieved 19 August 2014, <http://www.abs.gov.au/ausstats/abs@.nsf/mf/3238.0.55.001>.

¹⁰ Australian Human Rights Commission (2012). *Human Rights and Aboriginal and Torres Strait people*, AHRC, Sydney. http://www.humanrights.gov.au/sites/default/files/content/letstalkaboutrights/downloads/HRA_ATSI.pdf

to their learning and development and fundamentally shaping the adults that they will become.¹¹ Gaps in skills and abilities between children from socioeconomically disadvantaged families and more advantaged peers are apparent early in life. Children who have limited access to early year's educational programs and start school with little exposure to education can lead to a cycle of disadvantage that sets a life trajectory of poorer social, education, employment and financial outcomes in later years.¹² Education is fundamental to improving these individual's employment prospects and earning capacity. Furthermore, existing evidence suggests a relationship between education and better health, as well as raised civic and social engagement.¹³

These issues highlight a fundamental question, "What type of civil society does the Australian government and community want to build?" The Salvation Army believes that investing in all Australians, particularly those who are disadvantaged is fundamental to a strong vibrant and inclusive community.

D. The likely impact of Government policies on current and future rates of inequality particularly the changes proposed in the 2014-15 Budget;

While it may be argued that social value judgements are what will determine a fair and equitable distribution of national income, community concerns highlight that the likely impact of the 2014/15 budget changes will create and "promote a less equal and less caring society".¹⁴

The Salvation Army is particularly concerned for young people who do not have social and familial support structures to assist them. Whereas many young people have the support of a family or immediate community providing accommodation in the family home into early adulthood, young people supported by The Salvation Army frequently do not have such a safety net. Young people seeking assistance from The Salvation Army (including Out-of-Home-Care clients over 18) may experience a number of significant challenges that relate to childhood neglect and abuse, entrenched poverty, lack of education and vocational opportunities. These barriers directly impact on young peoples' capacity to remain engaged with education or actively seek and sustain long term employment. As a result, The Salvation Army is concerned by:

- The removal of income support for six months of the year for young people looking for work appears to be predicated on young people having firstly, the option of achieving real employment and secondly, the skills and capacity to obtain employment. It also implies family and/or community support that provides accommodation and ongoing food and health supports.
- The transfer of 22-24 year olds from the Newstart payment to the lower Youth Allowance. The Productivity Commission has also identified that income support payments have not increased in line with inflation and do not meet daily costs of living.¹⁵ Consequently, by severely restricting socioeconomic resources, this will cause greater levels of deprivation. This will ultimately result in

¹¹ Raising Children Network (2014). *Child development the first five years* retrieved 19 August 2014. http://raisingchildren.net.au/articles/child_development.html/context/508

¹² Raising Children Network (2014). *Child development the first five years* retrieved 19 August 2014. http://raisingchildren.net.au/articles/child_development.html/context/508

¹³ Australian Government Productivity Commission (2013). *Deep and persistent disadvantage in Australia*, retrieved 19 August 2014. <http://www.pc.gov.au/research/staff-working/deep-persistent-disadvantage/key-points>

¹⁴ Inside Story (2014). *The budget, fairness and class warfare 2014*, retrieved 15 August 2014. <http://inside.org.au/the-budget-fairness-and-class-warfare/>

¹⁵ Australian Government Productivity Commission (2013). *Deep and persistent disadvantage in Australia*, retrieved 19 August 2014. <http://www.pc.gov.au/research/staff-working/deep-persistent-disadvantage/key-points>

greater demand for service provision and aid from community organisations, who are already struggling to meet demand.

- Changes to family payments which will reduce support to low income families, including sole parent families. This is likely to cause further levels of deprivation and impact directly on the children of parents on income support who are already being deprived of essential items, social, educational, recreational and health opportunities.¹⁶
- The indexation of pensions to CPI rather than wages, including the Age Pension, Disability Support Pension, Carer Payment, Parenting Payment Single and Veterans Pensions, may over time fall behind the standard costs of living.
- Increasing the age pension eligibility from 67 to 70 years (in the absence of any increase to Newstart), will leave many older people struggling to survive on Newstart payments for longer periods, and increased poverty among older members in our community. The Salvation Army is very concerned about the implications of welfare reforms for those who are Indigenous and/or homeless suffering from conditions such as premature ageing.

The Salvation Army supports an investigation into the impact of revenue measures that spread the budget requirements in a fairer manner.

Income inequality continues to be a significant social issue in Australia that needs to be addressed. Without intervention, disadvantaged groups will continue to be at risk of long term unemployment and trapped in entrenched poverty and social deprivation. Without financial and social investment, it is predicted that the economic divide between affluent and lower income earners and the level of poverty and socio-economic disadvantage will grow. Subsequently, this will place further pressure on the already financially strained community support sector to assist and respond to more disadvantaged individuals and communities.

E. The principles that should underpin the provision of social security payments in Australia; and

The Salvation Army has a clear set of values that underpin all aspects of program delivery and organisational operation. These include: human dignity, justice, hope, compassion and community. In order to focus on those people and the community who are disadvantaged and marginalised, the following principles have been considered to embody a fair and non-discriminatory system for the future provision of social security payments in Australia:

- Equity;
- Fairness;
- Dignity;
- Participation;
- Civil society; and
- Sustainability.

The Salvation Army remains committed to investing in people, the community and society; and is dedicated to caring, helping, encouraging and developing social capital in order to foster a civil and equitable society.

¹⁶ The Salvation Army Australia. No new start, National Economic and Social Impact Survey (2014).
http://www.salvationarmy.org.au/about-us_65047/research-media.html?s=1962558114

F. The practical measures that could be implemented by Governments to address inequality, particularly appropriate and adequate income support payments.

The following practical measures are for further consideration by the government to address adequate income support measures and income inequality:

Fairer tax policies

- Eliminate tax loop holes,
- Review privileges for affluent individuals, companies and businesses, i.e. generous tax concessions for investment properties (negative gearing) and generous tax concessions on superannuation. Potential tax receipts for superannuation concessions exceed \$50billion pa. These measures attract 'welfare' by way of tax concession and/or tax minimisation;
- Reduce tax havens; and,
- Provide a fair rate of adequate income support for disadvantaged groups.

Employer/Employee incentives

- Incentive schemes for employers to offer creative, meaningful and sustainable employment development programs;
- Incentive schemes for employees to enter/return to paid employment (e.g. incentives for sustained employment, bonus superannuation); and
- Increased childcare subsidies and options to genuinely support women entering/re-entering the workforce; prioritisation of childcare placements, temporary tax cuts to offset cost of childcare, additional superannuation contributions for women.

Joint government and community approach

As stated in the pre-budget submission for the 2014-2015 federal budget, The Salvation Army strongly supports policy directions and service models that emphasise employability skills and meaningful work experiences that provide employment skills and opportunities, alongside partnerships in local communities that encourage the development of local supports and initiatives.¹⁷

Increased investment in people

The Salvation Army embraces the strongly held theological principle that “work” is vital to a sense of value and self-worth, contributing to society and engaging with others in building community. The Salvation Army invests in the lives of unemployed people to assist them find employment where possible. Unfortunately not everyone can engage in employment. Many people in our community face severe economic and social disadvantage, impacted by complex needs that place them at the margins of our communities.

The Salvation Army recognises that people who are disadvantaged and have complex needs require an investment of time, resources and commitment to support them. As a demonstration of our commitment to investing in people, The Salvation Army contributes nearly \$20 million of internally generated funds per annum (nearly double the funding provided by government) to support people receiving federally funded Emergency Relief support.

Through this investment in services and people we see enormous value and return on investment as people are supported to address their needs and seek ways out of crisis. For The Salvation Army, this demonstrates

¹⁷ The Salvation Army (2013). Statements for the Federal Election 2013, retrieved 19 August 2014.
<http://www.salvationarmy.org.au/en/who-we-are/publications-reports-submissions/reports--submissions/statements-for-the-federal-election-2013/>

the importance and urgent need for an adequate income support system. If payments were adequate, some of these funds could be redirected from Emergency Relief systems into other strategies. For example, further prevention and early intervention initiatives, support for families, increasing financial resilience and many other activities that are demonstrated to work in transforming lives.

A greater investment in people on the lowest incomes will not only save money in the future but will bring qualitative benefits to the whole community and the financial return on this investment is exponential.

Conclusion

The Salvation Army strongly advocates for policy directions and service models that remove barriers and provide resources that allow individuals to build their skills and increase their financial resilience. In addition, The Salvation Army supports policy directions that enable individuals to gain education or skills to increase their capability and competitiveness to actively seek and secure sustainable employment, in the changing employment environment and economic climate.

In addition, The Salvation Army recognises that in the current economic climate, there is a need for trade-offs and tough choices. Nevertheless, we strongly oppose changes that will further disadvantage those who are already significantly marginalised. It is very unlikely that shifting people to lower rates of income support will increase their workforce participation. On the contrary, such a shift may increase the incidence and the entrenchment of poverty, which will further hinder their ability to secure sustainable employment as evidenced in various senate submissions and campaigns from community and business sectors calling, for example, for an increase in the Newstart allowance.

Inadequate income support and restrictions that fail to sufficiently provide for the basic needs of individuals and families risks simply shifting the problem to the community sector. The Salvation Army as a major provider of community support programs would expect to see an increasing demand for services, especially those providing emergency relief and material aid, as a response to these changes and is concerned about the capacity to meet these needs from the current service provision.

The Salvation Army believes that significant research and analysis are already available that indicate the growing extent and increase in income inequity. Therefore, the underlying question that must be answered by all Australians is one relating to the nature of Australian society. In straight forward terms, "What sort of Australian community do we want to live in?" This is both an ethical and a moral question for the community to respond to which provides an opportunity to develop our community to its full potential.