



GPO Box 1947
Canberra ACT 2601
Level 2 Favier House
51 Cooyong St Braddon ACT 2612

T 02 6285 1366
admin@cssa.org.au
www.cssa.org.au
ABN 18 810 059 716

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Committee Secretary
House of Representatives
Select Committee on Intergenerational Welfare Dependence
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Secretary

Thank you for the opportunity to make a submission to the Inquiry into Intergenerational Welfare Dependence.

Catholic Social Services Australia (CSSA) is the peak national body for social services of the Catholic Church. We are dedicated to improving social and economic policy for the benefit of all Australians and in particular for the poor and marginalised by working alongside our members – some 50 Catholic social service organisations, who help around 450,000 Australians a year across 650 sites nationally.

CSSA makes its submission through the lens of Catholic Social Teaching principles and in particular the inherent dignity of all people and preference for the poor. These principles have not been adopted for mere theological contemplation and reflection, instead they are the foundation to a fair and just society. Accordingly these principles must be inherent in all our social and economic systems and in particular our social welfare safety net.

While we recognise that work is an inherent part of the human condition, we also hold firm that the value and dignity of individuals must not be defined solely by their ability to participate in paid employment. Our social safety net must therefore be able to support those unable to work to live a dignified life.

While CSSA wishes to participate in this Inquiry in good faith, we have concerns with some of its terms of reference (TOR). The expressed focus of the TORs on familial and parental factors and the absence of any reference to possible systemic drivers that may lead to welfare dependency is concerning. In participating in this Inquiry it is our genuine hope that all factors which contribute to intergenerational disadvantage and therefore welfare dependency are fully canvassed.

It is CSSA's view that intergenerational welfare dependency cannot be addressed without first addressing the factors which lead to intergenerational disadvantage. Joint research undertaken by CSSA and Jesuit Social Services *Dropping off the Edge 2015*¹ shows that factors which drive entrenched disadvantage vary between locality and communities. This suggests that any response to intergenerational disadvantage needs to be tailored for the community in which support is being developed.

¹ Vinson T, Rawsthorne M *DROPPING OFF THE EDGE 2015 Persistent communal disadvantage in Australia*, Jesuit Social Services / Catholic Social Services Australia, 2015

This view is supported by findings in the recent Productivity Commission (PC) Inquiry into Human Services² (the Report) which identified significant shortcomings with existing structures designed to support families. The Commission determined:

Family and community services are not delivering the best possible outcomes for the people who use them. Problems include service gaps, duplication, poor coordination between service providers, excessively prescriptive contracts and short-term funding³.

The Report was provided to the Government on 27 October 2017. As of 20 September 2018, the Government has not publically released a response. The Report makes a number of recommendations with regards to systemic reforms needed to better support families in need. Of particular interest to the Committee should be⁴:

Recommendation 8.1

Build on existing initiatives and data on the characteristics of the service user population and the service provider base. Develop service plans to coordinate services and address community needs. Identify outcomes for family and community services.

Recommendation 8.3

Develop indicators of wellbeing outcomes for family and community services, for use in provider selection, performance management and provider, program and system level evaluations.

Recommendation 8.5

Increase default contract lengths to seven years. (Exceptions could be made, such as for program trials but justification should be published.) Ensure contracts contain adequate safeguards in any cases of failure by providers.

Addressing entrenched disadvantage through the development of stronger and better coordinated social programs is an important piece of foundational work for the Committee to consider. CSSA encourages the Committee to recommend that the Government respond to the relevant recommendations of the Productivity Commission's Report.

CSSA is pleased that the Committee's discussion paper acknowledges the complexity of the welfare payment system, and the many differences of design and delivery between payment types. It is our view that the payments system itself warrants careful consideration by the Committee in seeking to better understand the causes of intergenerational disadvantage and welfare dependency. Australia has one of the most targeted welfare payments systems in the OECD. However, we also know from our joint published research⁵ that low income households, in particular those on welfare payments, do not receive sufficient income to live a frugal but dignified life. The research report *New Minimum Income for Healthy Living Budget Standards for Low-Paid and Unemployed Australians* found that an unemployed couple with two children were some \$126 per week below the minimum budget standard.

The gap between the Newstart payment and the amount needed to raise a family while on welfare is a matter of great concern and one which warrants consideration. Indeed many have stated that the inadequacy of welfare payments is a barrier to employment.

² Productivity Commission 2017, *Introducing Competition and Informed User Choice into Human Services: Reforms to Human Services*, Report No. 85, Canberra.

³ Productivity Commission 2017, *Introducing Competition and Informed User Choice into Human Services: Reforms to Human Services*, Report No. 85, Canberra. p 235

⁴ Id p 236

⁵ Saunders, P & Bedford, M. (2017). *New Minimum Income for Healthy Living Budget Standards for Low-Paid and Unemployed Australians*. (SPRC Report 11/17). Sydney: Social Policy Research Centre, UNSW Sydney

As the Business Council of Australia highlighted in its submission in 2012 to the Senate Inquiry into the Adequacy of the Allowance Payment System for Jobseekers and Others⁶:

“The rate of the Newstart Allowance for jobseekers no longer meets a reasonable community standard of adequacy and may now be so low as to represent a barrier to employment.”

While the quantum of welfare payments is a barrier to employment, we believe that effective marginal tax rates (EMRT) may also influence participation in the workplace. In 2016 the Tax and Transfer Policy Institute from the ANU’s Crawford School Policy released a policy brief⁷ on EMRT in which it suggested Newstart recipients are subject to high effective marginal tax rates which are only able to be overcome when an individual is able to secure full-time employment. We know however that highly disadvantaged communities often have difficulties accessing local full-time employment opportunities and where such opportunities are available they will often be in casualised or insecure work.

Without further examination of the welfare payments system, including those recommendations made in the 2015 Government Report *A New System for Better Employment and Social Outcomes*⁸ it is difficult to ensure that the current policy settings are working as an appropriate safety net for those on welfare.

CSSA strongly supports the Committee moving beyond the misleading dichotomy of behavioural and opportunity approaches to determining possible causes and solutions for welfare dependency. Families are complex. Any successful welfare response needs to acknowledge trauma, disability or discrimination that may be underlying reasons for accessing the welfare support system. Responses need to cross both welfare and service provision to build resilience and strengthen families, not act as a vehicle for additional stigmatisation or penalty. CSSA would encourage the Committee to meet with families who have experienced intergenerational disadvantage and discuss with them directly some of the barriers they and their children encounter.

Finally, CSSA notes that it supports the position of Jesuit Social Services as outlined in its submission to the Committee.

We would be happy to elaborate our position further with the Committee. For ongoing matters, please contact Joe Zabar, Deputy CEO,

Sincerely,

Fr Frank Brennan SJ AO
Chief Executive Officer
Catholic Social Services Australia

⁶ Business Council of Australia, *Submission to the Senate Inquiry into the Adequacy of the Allowance Payment System for Jobseekers and Others*, August 2012

⁷ Ingles D & Plunkett D; Tax and Transfer Policy Institute, *Effective marginal tax rates*, TTPI – Policy Brief 1/2016 Crawford School of Public Policy, ANU, August 2016

⁸ Department of Social Services A
New System for Better Employment and Social Outcomes - Interim Report of the Reference Group on Welfare Reform to the Minister for Social Services 2015