



AASW

**Australian Association
of Social Workers**

*Submission to the Senate
Standing Committee on
Community Affairs
Re: Inquiry into the extent of income
inequality in Australia*

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Introduction

Who we are

The Australian Association of Social Workers (AASW) is the professional body representing more than 8000 social workers throughout Australia.

We set the benchmark for professional education and practice in social work and have a strong voice on matters of social inclusion, social justice, human rights and issues that impact upon the quality of life of all Australians.

The social work profession

The social work profession is committed to the pursuit of social justice, the enhancement of the quality of life, and the development of the full potential of each individual, group and community in society.

Principles of social justice, human rights, collective responsibility and respect for diversities are central to the profession and are underpinned by theories of social work, social sciences, humanities and indigenous knowledge.

Social workers work with individuals, families, groups and communities. Professional social workers consider the relationship between biological, psychological, social, cultural and spiritual factors and how they impact on a client's health, wellbeing and development. Accordingly, social workers maintain a dual focus in both assisting with and improving human wellbeing and identifying and addressing any external issues (known as systemic or structural issues) that may impact on wellbeing, such as inequality, injustice and discrimination.

Our submission

Social workers have an ongoing commitment to social justice for individuals, groups and communities. Therefore, we welcome the opportunity to contribute to this inquiry into the extent of income inequality in Australia. While social workers work with people from every strata of society, we have a particular commitment to those who are most disadvantaged. Social workers are particularly supportive of proposals that would reduce disadvantage and support the most vulnerable.

Responses

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

- 1.1 There is now considerable empirical evidence that both the extent of income inequality and the rate of income inequality is increasing in Australia.^{1 2 3}
- 1.2 Some have argued that this inequality does not pose a problem in society because the accumulation of great personal wealth for the few will benefit poorer members of society by improving the economy as a whole. This process will supposedly lift those in the lowest income stratum out of poverty. Unfortunately, the empirical data for Australia does not support this argument.⁴

¹ Leigh, A. (2013). *Battlers and Billionaires: The Story of Inequality in Australia*, Black Inc.

² Picketty, T. (2014). *Capital in the 21st Century*, Harvard University Press, p. 316.

³ Douglas, B., Friel, S., Dennis, R., & Morawetz, D. (2014). Advance Australia Fair? What to do about growing inequality in Australia, Australia 21 with The Australia Institute. Available at <http://www.australia21.org.au/wp-content/uploads/2014/06/Final-InequalityinAustraliaRepor-2.pdf>

⁴ ACOSS, 2012. Poverty in Australia 2012, http://www.acoss.org.au/images/uploads/Poverty%20Report%202013_FINAL.pdf accessed 14/8/2014.

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

- 2.1 There is a great deal of factual and statistical information on the impact of inequality. Rather than recap that research here, there follows the results of a recent survey of student members of the AASW that sought to better understand the effect of income on the student experience. The survey went to the 750 student members of the AASW and 134 students responded.
- 2.2 In the study nearly a third of students reported having skipped a meal because they had run out of money. This percentage jumped to 48% for students receiving Youth Allowance, Newstart Allowance, Austudy or Abstudy.
- 2.3 In addition the following percentages of students reported that at times they had insufficient money for:
- Medication: 22 per cent of all students and 41 per cent of students on allowances
 - Clothing: 29 per cent of all students and 46 per cent of students on allowances
 - Accommodation: 20 per cent of all students and 37 per cent of students on allowances
 - Transport: 30 per cent of all students and 56 per cent of students on allowances.
- 2.4 Detailed questions about how income affected the students' abilities to complete their studies elicited the following responses:
- 37 per cent of all students did not have enough money to pay for all recommended texts or educational resources increasing to 59 per cent for students on allowances,
 - 33 per cent of all students were overtired from working long hours of paid employment increasing to 39 per cent for students on allowances,
 - 19 per cent of all students had skipped classes to attend a paid job increasing to 24 per cent for students on allowance,
 - 29 per cent of all students had deferred a course or reduced their study load in order to work. This decreased to 20 per cent for students on allowances,
 - 15 per cent of all students had experienced problems with their accommodation caused by lack of income, increasing to 27 per cent for students on allowances.

These results are of great concern. Not only do they show the debilitating effects of poverty on students but also how it reduces the ability of students on very low incomes to make best use of educational opportunities. Encouraging further education is rightly perceived as one of the best ways of escaping poverty. However, this survey indicates the barriers to achieving this goal if the amount paid to students in allowances is set at too low a level.

3. 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 low income, people at risk of poverty in retirement as well as the relationship between gender and inequality

- 3.1 The poverty experienced by Aboriginal and Torres Strait Islander peoples in Australia is among the most extreme, especially for Aboriginal people living in remote areas. A complex series of factors have led to this situation and also reinforces this extreme poverty. A complete analysis of this situation is beyond the scope of this submission. The AASW notes, however, a culture of poverty developing that lacks hope for change. Education is one of the major pathways out of poverty. Yet without the possibility of real jobs, the motivation for education will be low in rural, remote and regional communities. Without hope or a place in society the levels of depression are

high within Aboriginal communities and this is in turn associated with high rates of substance abuse and addiction. Feeding into this hopelessness and low self esteem is the poor level of health care in Aboriginal communities, especially poor dental health support with long waiting lists to see a dentist. Aboriginal people with a disability are doubly disadvantaged. The interface with the child protection system is also problematic because extreme poverty makes it difficult for caring mothers to provide adequate food, clothing and medical care.

- 3.2 In June 2014, 48,987 job seeking older Australians had been on Newstart Allowance for 12 months or more.⁵ The Newstart Allowance was never intended to be a permanent payment and yet it has effectively become so for many older Australians. The rate of Newstart Allowance as a percentage of the aged pension has been dropping since 1997 due to the different ways each are indexed. In 1997, Newstart Allowance recipients received 92% of what was paid to pensioners.⁶ In March 2014 they received the equivalent of only 66% of what was paid to pensioners. The justification for the Newstart Allowance being so low was that it was a temporary payment that encouraged people to actively seek work. However, as of June 2014, 61% of older Newstart recipients had been on the allowance for over a year.
- 3.3 AASW members who work in the field of disability employment report that the low rates of Newstart Allowance are directly affecting the ability of people with a disability to look for work. People with a disability who are on Newstart Allowance are constantly besieged by problems such as how they are to pay the rent, how they will be able to afford food for the coming days or how they will pay children's medical costs. AASW members also report that the stigma associated with disability continues to affect employment possibilities with many employers not prepared to consider employing a person with a disability.
- 3.4 Women are affected unduly by the burden of poverty. Women are more likely to work in jobs that are unstable and of low status, and to take on the unpaid role of carer. Women are much more likely than men to experience violence. The likelihood of suffering depression is also increased by poverty and depression in women is between three and four times higher if they have experienced sexual abuse as a child, or partner violence as adults. Poverty, in addition to contributing as a stressor for many women also acts as a barrier to escaping environments of violence because of the lack of viable alternatives associated with a lack of money. Women carry the burden of poverty into retirement. This is shown clearly in relation to the differing figures on superannuation. Having reasonable superannuation at retirement is one of the most effective ways of avoiding poverty during the latter part of life. In 2011–2012 average superannuation balances at the time of retirement for men was \$197,000 but only \$105,000 for women. Moreover, men held 64 per cent of total superannuation account balances compared to 36 per cent for women. Around 60 per cent of females aged from 65 to 69 reported having no superannuation.⁷
- 3.5 Many refugees have special difficulties in accessing paid employment due to problems with communicating in English and to disruptions in education associated with the refugee experience. As a result many refugees are dependent upon the equivalent of Newstart Allowance for long periods of time. As noted elsewhere, living on Newstart Allowance is equivalent to living in poverty. This is highlighted by the high average percentage of income spent on housing (50–55%)

⁵ Department of Social Services, 2014. *Labour Market and Related Payments June 2014*, <http://www.dss.gov.au/labour-market-and-related-payments-june-2014> accessed 14/8/2014.

⁶ Michael Klapdor, Parliamentary Library, *Adequacy of Income Support Payments* http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BriefingBook44p/IncomeSupportPayments downloaded 21/5/2014

⁷ Clare, R., 2014, "An update on the level and distribution of retirement savings", ASFA Research and Resource Centre. <http://www.superannuation.asn.au/policy/reports> accessed 19th August 2014

by refugees using settlement services. While the situation for many refugees is very difficult, the situation facing asylum seekers in Australia is desperate. They do not have a right to work and government allowances, where paid, are fixed at 89% of Newstart Allowance. As a high percentage of asylum seekers are finally granted refugee status, we are effectively penalising future Australian citizens when they are most vulnerable.

4. The likely impact of Government policies on current and future rates of inequality, particularly the changes proposed in the 2014–2015 Budget

- 4.1 The continuing bipartisan agreement between the Coalition and Labor to fund Allowances below the poverty line is the single largest factor in leading to destructive income inequality in Australia.
- 4.2 The decision foreshadowed in this budget to disengage the indexing of pensions from average male income will quickly lead to greater destructive inequality with pensioners progressively falling into poverty as the new indexation continuously reduces real income.
- 4.3 The decision to create long waiting periods for persons seeking Newstart Allowance and Youth Allowance who are looking for work will further reduce (or actually eliminate for a period) the income of some of the poorest and most disadvantaged in our society.
- 4.4 The decision that from 1 January 2015, young job seekers aged from 22 to 24 years who become unemployed will receive Youth Allowance (other) until they turn 25 years instead of Newstart Allowance will further imbed poverty for the most disadvantaged.
- 4.5 Cuts to the public service and in particular to the Department of Human Services will exacerbate issues of inequality especially for those with complex needs. Research by Hall, Boddy, Chenoweth and Davie,⁸ has shown the efficacy of developing relational service approaches within Centrelink. Such approaches take time, and time for respectful conversations is one of the first things that disappear when cuts are made to frontline Centrelink staff.

5. The principles that should underpin the provision of social security payments in Australia

- 5.1 The AASW believes that the first principle is that no person should be left in poverty, this includes that social security payments are not below the poverty line. This is in line with the recommendations of the Henderson Report from 40 years ago which highlighted the plight of aged pensioners and others when the rates of social security are pitched below the poverty line.
- 5.2 The AASW believes that the best way out of poverty for most people is to find employment. However this does not mean that reducing the social security payments for those of working age below the poverty line is an effective way of encouraging people into the workforce. Rather governments should use other policy settings to achieve this goal.
- 5.3 The AASW supports a much simpler social security system and has argued elsewhere⁹ for a simpler two tier system rather than the multi-tiered system that currently exists.
- 5.4 The AASW believes that social security payments for students should not be so low that students are either forced to live in poverty or work such long hours that their learning is adversely affected.

⁸ Hall, G., Boddy J., Chenoweth L., & Davie K. (2012). Mutual Benefits: Developing Relational Service Approaches within Centrelink, *Australia Social Work*, 65:1, 87-103.

⁹ AASW, 2014, Submission to the Welfare Taskforce Re: Interim Report of the Reference Group on Welfare Reform to the Minister for Social Services. Available at <http://www.aasw.asn.au/document/item/6417>

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

- 6.1 Social Security allowances should be immediately raised to 92 per cent of the pension rate and thereafter indexed to the average male income to avoid recipients falling into poverty. (This is the rate that was actually in place in 1997 when most pensions and allowances were just slightly above the poverty line.)
- 6.2 Greater work needs to be done by government, employers and civil society to increase the number of real jobs that Aboriginal and Torres Strait Islander peoples, the long-term unemployed and people with disabilities can aspire to.
- 6.3 There needs to be more support generally for education in Australia, both in terms of funding education facilities and staffing, as well as addressing the barriers that those who come from disadvantaged families face when attempting to access the various education systems.
- 6.4 The government should maintain a progressive income tax system in which those with higher incomes pay a higher tax rate than those with lower incomes. Indeed there is a strong argument for increasing the tax rate for those with incomes over \$180,000.
- 6.5 Picketty has recently argued for a top marginal tax rate of over 80 per cent for extremely high levels of income.¹⁰ In Australia this would equate to those with incomes of over \$800,000 a year.
- 6.6 There should be an ongoing commitment to addressing tax avoidance and detecting tax fraud especially among the most affluent. Widespread tax avoidance and fraud leads directly not only to inequality but also to a crisis in faith in the tax system. This issue is an important one for society, outwardly committed to both rewarding opportunity but also ensuring low income earners are not contributing disproportionately to national tax revenue. When communities lose faith in government distributing the tax burden appropriately, they may also lose faith in the government to genuinely care for those in need. In a global world the government should work proactively with other countries and international institutions to stop the continuing proliferation of international tax avoidance schemes.

Conclusion

Australia is a relatively rich country. Yet, high numbers of people live in poverty and this affects their lives in a myriad of ways. This is unacceptable in an egalitarian society. There is an urgent need to lift the rates for allowances above the poverty line as a first step to eradicating poverty and to index those payments to the average male income. Related to this measure is the need to ensure that the more affluent pay a fair share of tax so as to contribute to the common good.

Submitted for and on behalf of the Australian Association of Social Workers Ltd

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¹⁰ Picketty, *op.cit.*, pp. 512–514.



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