

6 September 2016

Mr Mark Fitt  
Committee Secretary  
Senate Economics Legislation Committee  
PO Box 6100  
Parliament House  
Canberra ACT 2600

Dear Mr Fitt

Thank you for the opportunity to make a submission to the Inquiry into the ***Budget Savings (Omnibus) Bill 2016***. Our comments on this Bill are restricted to Schedule 21: *Closing carbon tax compensation to new welfare recipients*. In limiting our focus to this issue we are not in any way endorsing the other measures in this 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 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<sup>1</sup>. We remain 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*<sup>2</sup> 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 that "widening income inequality is the defining challenge of our time"<sup>3</sup>. 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<sup>4</sup>.

Our tax and transfer system is critical to ensuring a fairer Australia and yet Schedule 21 seeks to reduce the welfare payments payable to the most vulnerable and disadvantaged members of our community. CSSA concurs with ACOSS<sup>5</sup>, that this measure will have the effect of reducing income support for 2.2M pensioners, allowance and family payments. Removal of the energy supplement will abolish the first above CPI increase to Newstart in over two decades and follows the removal of the \$4p/w Income Support Bonus. The current rate of Newstart is well below the poverty line of \$38 per day.

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. As such we would ask that the Committee recommend the establishment of an Independent Commission<sup>6</sup> to advise Government on the appropriate level of welfare payments.

The rate of poverty is growing with an estimated 2.5M people or 13.9% of all people living below the internationally accepted poverty line<sup>7</sup>. The current level of welfare payments to individuals and families is inadequate and is set and adjusted by the Government based on budgetary priorities rather than evidenced based. Elements of this Bill have little consideration as to what constitutes an adequate payment.

We also note with disappointment the short time frame of four working days for this Committee to consider these 24 measures which individually and cumulatively have an impact on the lives of vulnerable Australians. It is unacceptable that the public has no visibility of the any Government modelling showing the impact of this cut on welfare recipients. And as such we would urge members of this Committee to recommend for greater transparency, through the public release of government economic modelling of all budgetary measures which impact on the economic wellbeing of Australians, especially the poorest and vulnerable in our society.

We believe that Budget repair can be achieved without unfairly placing the burden on the most vulnerable and disadvantaged in our society. We accordingly urge the Committee to reject Schedule 21 of this Bill.

Please contact Liz de Chastel, Director Social Policy on 02 6188 6943 if you would like to discuss any of these issues further.

Sincerely,



**Marcelle Mogg**  
Chief Executive Officer

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<sup>1</sup>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

<sup>2</sup> Keeley, B. (2015), *Income Inequality: The Gap between Rich and Poor*, OECD Insights, OECD Publishing, Paris. p34

<sup>3</sup>Dabla-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

<sup>4</sup> *Ibid*

<sup>5</sup> ACOSS website

<sup>6</sup> CSSA Position Statement Income to Live

<sup>7</sup> ACOSS 2014 Poverty in Australia Report