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## **Pre-Budget Submission 2016-17**

Budget Policy Division  
Department of the Treasury

Feb 2016

*[www.anglicare.asn.au](http://www.anglicare.asn.au)*

## Anglicare Australia

Anglicare Australia is a network of over 40 independent local, state, national and international organisations that are linked to the Anglican Church and are joined by values of service, innovation, leadership and the Christian faith that every individual has intrinsic value. Our services are delivered to one in 40 Australians, in partnership with them, the communities in which they live, and other like-minded organisations in those areas. In all, over 12,000 staff and almost 7,800 volunteers work with over 930,000 vulnerable Australians every year delivering diverse services, in every region of Australia.

Anglicare Australia has as its Mission “to engage with all Australians to create communities of resilience, hope and justice”. Our first strategic goal charges us with reaching this by “influencing social and economic policy across Australia...informed by research and the practical experience of the Anglicare Australia network”.

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Anglicare Australia is pleased to make this submission to the Treasurer in regard to Australian government's Budget for 2016-2017. It is based on the insight and expertise of Anglicare Australia's member organisations, and addresses the interest and experience of the people with whom they work.

## Our Goal

Our aim in this document is to point to some broader arguments regarding the choices government can make if it:

- seeks to support a society which is equitable
- sees innovation, risk and opportunity as a part of the everyday options for all
- looks to draw on the strength and richness and diversity of its people
- and recognises the benefits of taking action to improve global health and wellbeing.

In the context of a Budget submission, that might read perhaps as overblown. But it makes clear our view the exercise of government – its funding and revenue-raising – ought not to be seen as the mere servant of the economy. Firstly, the economy is not an entity in itself. It is a measure or description of the financial interactions of people (rich and poor, black and white) and the entities they have created. And secondly, focusing on the idea of the economy *per se* is a way of avoiding real goals, such as those we have identified above.

## National and global context

It would be facile to frame a Budget simply in terms of current economic trends within Australia. Global issues of climate, conflict and security all have multiple impacts on this country and its people, and demand a moral response from its government. And such a response needs to be evident in the Budget. It is helpful to acknowledge, however, there are pressures on the global and Australian economy, and specifically on the funding of public services.

It is important to reject at the outset simplistic arguments that lowering tax and regulatory burdens in order to increase business profitability will, in and of itself, address those pressures. But it has become clear the importance of this year's Budget will be seen in how it begins a process of broad tax reform, and the revenue and expenditure goals that it sets, as much as it will in the particular programs it commits to funding.

## Tax reform – Tax White Paper Taskforce

In the context of this Budget, issues of funding an economic and social expenditure plan are deeply interwoven with the projected reform of Australia's tax system and, along with that, its tax expenditures.

We direct you to Anglicare Australia's two submissions to the Tax White Paper Taskforce: *Common Wealth*, our initial submission in response to the government's *Re:think* tax discussion paper and *Addressing Inequity*, our supplementary submission on retirement income.

The key points that we make in these papers are that:

- ensuring adequate revenue for public expenditure is the principle task of the taxation system
- issues of inequality and equity permeate the raising and expenditure of public funds
- cutting the rates of business and income taxation are not, in and of themselves, an unalloyed good
- the modes and levels of taxation have specific social and environmental impacts that ought to be carefully considered when taxes are introduced, amended or removed. The GST and the Carbon Pricing mechanism are two such matters considered
- people dependent on pensions and allowances have inadequate – and diminishing - income on which to live, and in impartial transparent process for setting the level of income, support ought to be instituted
- the shortage of affordable housing is in part the consequence of state and national tax regimes; it is profoundly damaging and requires a national response
- home ownership, and wealth overall, underpin retirement income and wellbeing in old age
- current tax and superannuation arrangements advantage the most advantaged and further disadvantage the poor.

These papers, which are appendices to this Budget submission, include a number of specific recommendations.

## **The current tax debate**

Since these papers were submitted to the Tax White Paper Unit in the Department of Treasury, the debate on tax reform and the Budget has changed and the tax white paper process has been abandoned. That is unfortunate.

Our expectation of the White Paper process was that there would be an open and comprehensive exploration of tax reform - providing an opportunity for people with very different perspectives to be heard and for different interests to be weighed up. Such an inclusive debate would have allowed Australian citizens, and their representatives, to connect their priorities and values to any proposed new directions much more clearly than the current ad hoc promotion of a few specific tax reform ideas through the media and parliament.

More than 800 submissions were made to the White Paper project and there has been no public analysis, reflection or collation of that work since it was completed around the middle of last year. By abandoning that process now the government appears to be putting its own political imperatives and the economic interests of its key supporters ahead of the national interest.

In responding then to this current, simplified debate, Anglicare Australia makes the following points.

The public sector in Australia does have a revenue problem. It can significantly be addressed by

focusing any new measures on increasing the equity of our taxation regime.

In considering expenditure, government and the public need to include tax expenditures such as subsidies and concessions rather than – merely – focussing on the disbursements of program funding and income support

Australia does not have an over generous or expensive welfare system. However, the changing nature of work and Australia's ageing population point to the need for inclusive growth that creates opportunities for sustainable employment and community participation for those currently on the margins of the workforce.

A general increase in the Goods and Services Tax would undoubtedly add to the hardship faced by the people Anglicare members work alongside: those living on low incomes, with illness or disability, experiencing family breakdown, and without secure work or housing. It should not be seen as an acceptable solution to the other problems or challenges identified above.

## **Inequity and inequality**

Anglicare Australia takes the view that growing inequality in Australia, as across the world, is a fundamental problem for our society, and which this Budget must begin to address.

It is no longer contested that growing inequality at an international level is economically as well as socially corrosive. The IMF and OXFAM have recently added to a long history of analysis and commentary (Stiglitz, Piketty, Obama).

Anglicare Australia is not alone in drawing the same conclusions about economic trends in Australia. While people on the highest incomes in Australia are doing well, gross national income per capita in Australia has been falling since 2011 (McAuley 2015).

### **LIVING STANDARDS**

Research commissioned from NATSEM by Anglicare Australia last year – *Living Standard Trends in Australia* – found that population groups on low incomes, including the most vulnerable and marginalised, face falling living standards over the next 10 years. After its election in 2013, the government promised to leave no one behind. However, Anglicare Australia's most recent State of the Family report, *Who Is Being Left Behind?* makes it very clear that this is not how it's turning out.

Anglicare Australia cannot accept the simplistic argument that the answer to this problem is merely to somehow make it easier for businesses to create more jobs. Many of the households facing falling living standards and diminishing real incomes have work. Having some work is not in and of itself a guarantee that one will not live with increasing hardship and be further excluded from the mainstream more affluent Australia. Recent evidence regarding the homeless employed and the changing mix of people seeking emergency relief from Anglicare services are testament to that.

### **QUALITY OF WORK**

More to the point, if 40% of households face diminishing incomes and falling living standards into the future, whether they have work or not, Australia faces a more complex problem. Not all jobs are equal. Jobs growth since the 2008 has been greater in part-time rather than full-time positions, and in insecure employment rather than permanent positions with potential for growth and achievement. The result for many is sporadic indeterminate periods of hardship and uncertainty. That is

compounded by the growing pressure to cut back on penalty rates; a move that will undeniably affect people on low incomes - ranging from students in hospitality to health workers (Mckell Institute, 2016)

Recent instances of worker exploitation in Australia, including foreign students working as cleaners or in 7/11 franchises, are evidence of emerging business practices reliant on unsustainably low staff costs. There is also growing evidence of similar flexibility pressures on people earning a living in the sharing economy (Callaway), with the added danger that these are high risk businesses in themselves offering potential windfall profits for the large scale investors (Vita).

We are seeing the entrenchment in Australia, as in many other parts of the developed world, of a 'precariat', a term coined by British economist Guy Standing in 2011, and used by Brian Howe in his 2012 *Lives on Hold* report of his inquiry into insecure work in Australia. A government program which ignores or accepts this growing divide is not to the advantage of Australia in the long-term, nor to its citizens living with that exclusion.

### HOUSING UNAFFORDABILITY

The crisis in housing unaffordability is also more about inequity and inequality than anything else. The commitment of Commonwealth and state governments to work together to grow the supply of social housing across Australia is most welcome. In the context of this Budget, and taxation reform, government must recognise the long-term driver of unaffordable housing, for rent and purchase, include a tax mix which privileges home owners and high level property investors. In addition to any concerted action on urban design, transport, zoning and land release – initiatives often championed by housing developers – government needs to accept that major changes to the negative gearing and capital gains tax rules need to be made if the balance between investors and existing home owners, on the one hand, and renters and new home owners on the other, is ever to be reset. As Professor Keith Jacobs wrote this month:

*The vast proportion of government money spent on housing directly benefits the well-off at the expense of private renters and public housing tenants.*

*Government policy has not, on the whole, failed. It has been a huge success insofar as protecting the opportunities for speculative investment and profit for homeowners and private landlords.*

What that means too, is that unless government acts on these settings, wealth will continue to aggregate to the wealthy at the expense of private renters; people struggling to pay a mortgage and social housing providers.

## Opportunities

### IN THE WORKFORCE

Anglicare Australia argues that the Australian government needs to develop a more sophisticated approach to employment creation and community development. Beyond Supply and demand, a research paper prepared for Anglicare Australia by the Australian Centre for Social Services Research, draws on Anglicare network experience working with people not attached to the workforce. The evidence of that research is that it is through recognising people's circumstances and capabilities, providing real support and a line of sight to meaningful employment for people who are presently on the margin, we can meaningfully grow the economy and strengthen our society.

A strategy to invest in the creation of meaningful work, with long term social and economic benefits, would have immensely greater value than an approach focussed on increasing the returns to all business in the expectation that some employment and opportunities will open up for those excluded from the work force.

### **EDUCATION AND CONNECTION**

At the heart of the Budget purpose there must be a general consideration of the opportunities that come from (and depend on) fundamental investment in the self-evident underpinnings of a fair and sustainable society, such as health, education and access to services.

The proposed restructure of child care funding in Australia has been widely welcomed for the encouragement and support it gives people, particularly mothers re-joining the workforce. As Anglicare Australia makes clear in our submission to the Senate inquiry into the Jobs for Families Child Care Package, the government's strategy doesn't guarantee adequate childhood education for children most at risk, and so ignores the fundamental opportunity for early intervention and support that child care offers those young people and their families.

Similarly, while the vital importance of a needs-based approach to school funding is now acknowledged by all sectors, government funding plans do not direct resources accordingly. The long-standing commitment of a series of federal governments to maintain the real level of funding to all non-government schools certainly creates a roadblock on that path. But the disparities in both resourcing and educational outcomes also exist across the public education systems in Australia's states and territories.

If Australia want to create an education system fit for purpose in the 21st century, which provides the scaffolding into full participation in society for young people living with disadvantage, the federal government – at the very least - needs to continue the investment of what is known as the “Gonski” model, and ensure those resources are targeted where they are most needed and effective.

### **INCLUSION**

More generally, inclusion is participation. There is a way in the healthiest societies for everyone to contribute, to be a part of the whole; even if it be through dissidence and divergence. There are tensions around the world relating to community and belonging. If people know there is a place for them – in their conformity or non-conformity – social coherence can come with autonomy. This kind of inclusion is reflected in the language government uses in describing the purposes of its intervention and policies. It is also reflected in the policies themselves.

## **The Actuarial Approach**

One area where government is making an important investment is in data collection and analysis. The Department of Social Services is building a comprehensive data set, which it expects will deliver real insight into the impact and effect of public funding and social programs. Anglicare Australia calls on the government to guarantee the full data set is made publicly available so that academics and communities can shape effective and efficient interventions that assist in drawing our society, and our economy, together.

## **Conclusion**

This year's Budget is being framed as the government's vision of Australia's economic development. That is to a degree the role of all Budgets. However, in the context of

- significant international economic, environmental and political uncertainty,
- Australia's ongoing shift away from reliance on a resources boom to an undetermined mix of sophisticated industry and services, and
- a federal election at the end of the first year of a new more positive sounding government

the revenue and expenditure targets, and the economic directions of this year's budget are being loaded with great importance.

A speech on this year's budget which John Fraser Secretary to the Treasury, gave to the Sydney Institute is worthy of note. It has generally been reported as a call for cuts to government expenditure in order to improve Australia's fiscal balance, but it's more subtle than that. Among the measures Mr Fraser identified as factors in the fiscal imbalance were "the carbon compensation package and the outcomes of negotiations around the repeal of the Minerals Resource Rent Tax." These were both iconic issues in the Coalition's last election campaign strategy. But there is no evidence that either the carbon price itself or the minerals resource rent tax was damaging economically. The carbon compensation package has become a cost simply because it there is now no carbon price to be compensated for; just a government program to purchase carbon abatement instead.

Similarly, general talk about cutting government expenditure means many things to many people. Anglicare Australia has worked strenuously with government, and in the public domain, to resist mean spirited cuts in expenditure which simply make the day to day life of the most vulnerable members of our society. We make the point that equating Australia's welfare "bill" with the contribution of eight out of ten taxpayers is both untrue and divisive. As we have argued on many occasions, most Australians are recipients of direct welfare support at different times in their lives, and all benefit greatly from an enormous range of public services.

On the other hand there are many government expenditures where the benefits accrue almost invisibly - in the form of concessions, subsidies and allowances - that could be looked at more carefully - as was evident in the public debate generated by the Tax White Paper process over the past year. Anglicare Australia notes that the Treasury itself has recently highlighted the significant cost to government of the tax expenditures relating to capital gains and superannuation concessions.

The other argument used in this speech, as elsewhere, is that an increase in taxes will lessen international competitiveness. We note the scrutiny global corporation are now receiving in respect to the way their business is organised to ensure low tax payments. An argument that lower tax will lead to greater levels of business activity simply points to a race to the bottom, with no assurance of increased government revenue nor more sustainable work for employees at the end.

The argument can be simplified even further. In 2014 the Australia Institute estimated the wealth of the seven richest Australians is greater than the poorest 1.7 million. On a global scale this year, on Oxfam's figures, the richest 62 people have combined wealth greater than the poorest 3.7 billion.

How things appear to those who are struggling is an important measure of a fair and equitable society. If Australian government's economic plan for Australia is to provide real opportunities for all citizens, then that plan needs to be focussed on the wellbeing of those who are doing it tough rather

than those whose wealth and influence is both substantial and growing.

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