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Inequality, hardship and social change

An Anglicare Australia submission to the:
Senate Community Affairs References Committee
inquiry into the extent of income inequality in Australia

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About 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 faith that every individual has intrinsic value. Our services are delivered to one in 45 Australians, in partnership with them, the communities in which they live, and other like-minded organisations in those areas. In all, over 13,000 staff and more than 7,000 volunteers work with over 420,000 vulnerable Australians every year delivering diverse services, in every region of Australia.

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Contribution to this inquiry

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”. Consequently, Anglicare Australia makes its contribution to the Committee’s inquiry primarily on the basis of evidence drawn from the work of its members.

A number of documents and reports produced by Anglicare Australia and/or its members are referred to in this submission, as it works through the terms of reference. They are all available through our websites, with links included in text, and in the reference list at the end of the document.

Addressing the terms of reference

a. Evidence that income inequality is increasing

The key evidence Anglicare Australia has of increasing income inequality lies in the everyday experience of those whose main source of income are the Newstart and Youth Allowances. As committee members would know, growth in these allowances has been pegged to Consumer Price Index since 1993. Other incomes, ranging from pensions to average weekly earnings to income growth for the top 10 or 20%, have increased at a significantly faster rate.

Furthermore, over the past few years, there has been an increase in the number of people eligible only for these much lower level income supports. Many thousands of supporting parents with children over 8, for example, are no longer eligible for the supporting parent’s payment. A higher proportion of those living with some degree of illness or disability are now cast as jobseekers. So there is a growing number of people in Australia who are living on lowest incomes.

We may be seeing that reflected in the call on our services. [Locked Out](#) is Anglicare Sydney’s 2014 State of Sydney report. It used extensive longitudinal data on Emergency Relief Services, almost 36,000 service users, to provide an analysis of deep and persistent disadvantage in Sydney. Very low income is one of the risk factors for people trapped in these circumstances. Others are to be without work, a single parent, Indigenous, and living in insecure housing or housing stress (pp16-25). Over the past seven years, there has been an increase in the main presenting issues of household budgeting, unemployment and health. And there has been an even sharper rise in issues relating to housing which ‘appears to mirror the growing problem of rental affordability in Sydney and the Illawarra’ (p3). They all reflect income inadequacy and inequality.

There is also evidence that income inequality will continue to increase. Measures in the current Budget may soon shift thousands of young people from the already too low Newstart to the even lower Youth Allowance (Other). In addition, the proposed six month exclusion periods for job seekers

under 30 years of age, stricter compliance measures for all jobseekers, tighter assets testing and, for the other government payments, lower indexation will all ensure that people relying on income support will fall further and further behind those on average incomes, let alone the very well off.

Finally, the nature of the job market itself is adding to inequality. University of Sydney Workplace Research Director Professor John Buchanan recently pointed out that there are only 146,000 job vacancies for the 727,000 people unemployed and 922,100 under-employed [1]. In other words, there is a problem of jobs supply. Furthermore, for many jobseekers the work that is available is low-skilled, of low quality and with low security and few benefits or training. They simply cycle in and out of short-term episodes of work, finding themselves pushed further into financial hardship when unexpected events and expenses hit, and trapped in a spiral of disadvantage and poverty.

b. Impacts on access to health, housing, education and work, and their outcomes:

It is not a real understanding of the impact of income inequality – and the consequent poverty – if each of these factors is seen separately. They do in fact impact on and compound each other, as the discussion of key Anglicare projects below makes clear.

By the same token, however, the Anglicare Network has a more detailed understanding of some specific factors. Access to affordable housing, for example, is an area Anglicare Australia is well informed of, through feedback from Anglicare services and, most particularly, the national [Rental Affordability Snapshot](#) it has been conducting for five years.

In April each year Anglicare agencies across Australia test the private rental market for affordability as it applies to people on low incomes. Rent assistance, family tax benefit, income support and other allowances are all taken into account. To be deemed affordable, a property needs to be the appropriate size, and cost no more than 30% of disposable income. This year there were more dwellings surveyed than ever before but there were no more properties that people on low incomes could afford. Of 63,000 properties across regional and metropolitan Australia (p 10) only 100 would have been affordable for a parent on Newstart with a child, only 25 for someone living alone on Newstart, and for someone living on the Youth Allowance - only 12!

This perception of a growing crisis in housing affordability is reinforced by Anglicare member organisations which, as reported in the [Anglicare Australia Review](#) (2013, 2014), have given affordable housing the highest priority in addressing disadvantage.

The impact of housing stress is very clear. An Anglicare Tasmania exhibition about public housing waiting lists (2007) reported a family in private rental accommodation having to move 13 times, and a child of eight already in his seventh school. There is no doubt that continually changing schools,

^[1] Sydney Morning Herald, 2014, *Tony Abbott's work for the dole scheme doesn't add up*, 2 August 2014, accessed on 5 August via <http://www.smh.com.au/national/tony-abbotts-work-for-the-dole-scheme-doesnt-add-up-20140801-zzc8u.html>

along with the stigma of poverty, makes school itself both less effective and less attractive to many young people.

Former Anglicare Central Queensland CEO Philip Shade, in his article [Roof Over Head – the New Australian Dream](#) – pointed to the wider ranging impact of housing unaffordability, with foster parents no longer able to pay for homes large enough to take in foster children, and the cascade of consequences this entails for our community and for the young people unable to live with their families themselves.

[When there's not enough to eat](#), was Anglicare Australia's 2012 national survey on the experience of food insecurity among recipients of emergency relief, led by Anglicare Sydney. A key finding was that the proportion of respondents in receipt of Newstart Allowance and the Disability Pension was very high. That is not – perhaps – in itself surprising. What the survey did draw out was the complex interactions of poverty, food insecurity, and financial uncertainty. People, including children, do miss meals and go hungry. They lose contact with friends and relations. They become unwell. They become ashamed and embarrassed, and lose confidence and capacity. They live with stress and anxiety. These effects all impact on education, health and employment outcomes.

The Brotherhood of St Laurence, an Anglicare Network member, has set up a [Social Exclusion Monitor](#) which offers a broad framework through which to understand how the different factors compound. Its most [recent bulletin](#) (2013) identifies the most prevalent indicators as low wealth, education, income, volunteering activity, and long-term ill health or disability. In other words, the people with the lowest incomes and the least connections to our society are more and more excluded because of their circumstances.

Finally, we can look specifically at the household income and expenditure patterns of people on the lowest incomes through [Going Without: Financial Hardship in Australia](#) (2012), a research report commissioned from the National Centre for Social and Economic Modelling (NATSEM) by Anglicare Australia, UnitingCare Australia, Catholic Social Services Australia and the Salvation Army. Its key findings in regard to people on the lowest benefits, such as Newstart and Youth Allowance, were:

- that one in six go without meals due to financial constraints
- that one in seven cannot afford to heat their home
- that half continuously live with housing stress, and significantly more of those in private rental housing
- that when basic expenditure – such as food, rent and transport – is taken into account, they have on average \$22 a day for relative necessities (such as childcare costs, internet access and computers) as well as discretionary items
- that people with Newstart and Youth Allowance as their main source of income spend 122% of their income; in other words their circumstances are continually becoming more difficult.

Clearly the most basic elements of life in modern Australia are out of reach for those on the lowest incomes, such as the Newstart and Youth Allowances. And the impact that has on access to health, housing, education and work is both obvious and devastating.

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:

The mix of Anglicare services right across Australia links specifically to these population groups, and they are all over represented in Anglicare Network analyses above of hardship and poverty, food insecurity and social exclusion. That is clearly evident in BSL's most recent [Social Exclusion Monitor Bulletin](#), 2013, which identifies these very groups.

The heart of the challenge here is to ensure no member of our society is precluded from contributing to or being active within it. And the growing inequality of income so many groups face certainly adds to the barriers they confront.

One way to look at this question is to consider the particular barriers each group may face: People living with mental illness or disability, for example, can be limited by their condition; by the stigma they confront every day in areas as diverse as relationships, housing and seeking work, and the significant additional costs they have to bear in order to participate. To make another generalisation, Aboriginal and Torres Strait Islander people and refugees, both face stigma in terms of housing and employment, and may well be carrying family and cultural responsibilities that have a very real impact on their finances. In this context, diminishing income – in a real and a relative sense – will accentuate the exclusion they experience.

Anglicare Sydney's 2011 report on women and housing, [Home Truths](#), identified the poverty and housing stress experienced by many women over fifty living alone, and its correlation with Newstart. It also points to young single mothers, now also more likely to find themselves on Newstart, and older parent carers.

Other insights can be gained by considering barriers or limitations that are common across these population groups. [When there's not enough to eat](#) deals in some detail with the impact of food insecurity on Newstart and Disability Support Pension recipients, single parents, Aboriginal people and non-English speaking new arrivals. (pp50, 51, 55-60). It casts a light on the interplay between rental stress, family responsibilities, the dependence that comes with age and disability, food insecurity and poverty (pp44-46).

Transport can be a significant barrier to participation for the aged, those living in rural and remote locations, young people graduating from out of home care, people living with an enormous range of chronic conditions including disability, supporting parents and indeed almost anyone on a low income. Affordable accessible public transport can be found near the centre of our big cities, but even that can be inadequate and too expensive for many. Of course, most people living on relatively low incomes live further from accessible transport, while the cost of cars and fuel is infamously problematic for those on very low incomes. When Anglicare undertook to record Anglicare service user experiences of Centrelink earlier this year; travel and transportation was highlighted as a critical issue, as described by one support worker:

As from July 1st, any recipient who lives less than 90 minutes away from a Centrelink office (not Centrelink agent) must attend that Centrelink office in person for the interview. The 90 minutes equates to approx 150kms. Many Newstart recipients either do not have access to a vehicle, or cannot afford to pay for the fuel. In most regions there are no public transport options outside of the major centres.

Access to technological equipment and services is another indicator. Not only does it provide people who are isolated or disadvantaged with opportunities to better connect to family, access health and public services, and maintain their cultural identity; but it can offer a key pathway to social and work opportunities. [Keeping Connected](#), an Anglicare national project (2009), looked at socially isolated older people and identified technological responses to the challenge of isolation and exclusion. It almost goes without saying, however, that access to technology and telephony has a continuing cost, which becomes increasingly significant to people as their relative income falls.

[Telstra's Access for Everyone program](#), of which the Anglicare Network is a part, provides emergency bill assistance and a number of other products. The support for many of the population groups above – new arrivals, youth, the aged, supporting parents, the unemployed, women and children escaping domestic violence, the homeless – in keeping that connectivity alive is vital. But no other service provider offers that kind of assistance.

Finally in this section, we can also see that the critical shortage of affordable housing, as tracked through our [Rental Affordability Snapshot](#), has impacts right across these population groups. It's important to bear in mind that identifying one of the very few homes which could be affordable is no guarantee you will get it. And for Aboriginal and Torres Strait Islander people, new arrivals such as refugees, young people leaving care, single parent families and people living with disability, the chances of being awarded the lease, any lease, are much diminished. This means, in effect, the availability of affordable housing for these people is even lower than the survey would indicate, with the result that they live in unaffordable housing – with all the food insecurity, family dysfunction, alienation, personal safety issues and anxiety which that brings on.

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

In a prosperous, highly developed, technological and consumer society, the price of participation and engagement is high. And in considering the effect of growing inequality, it can't go unremarked that the more affluent Australians will feel very little of the impact of the 2014-15 Budget.

Furthermore, as Anglicare Australia's pointed out in [Pathways to Participation](#), its submission to the Senate Inquiry into the Budget's social service measures, the discourse around the Budget lays the groundwork for further inequity and inequality.

The narrative that demonises people on income support, and the nature of welfare itself, has a strong presence in and around key elements of this Budget.

The government argues for the need to cut costs in the short and long term, in order to shape more sustainable fiscal policy. The impact of many decisions encapsulated in these Bills will fall heavily on the least resilient, most disadvantaged and excluded members of society.

Linking the future, Australia's economic wellbeing, to the hardening of our national response to citizens on the margins is destructive. It runs counter to the belief that every one of us has a value. It implies that people who are reliant on the safety net are likely to be undeserving. It suggests we should distrust those who may need support.

Anglicare Australia offers brief comments on specific Budget measures which accentuate the inequality confronting Australians living on low incomes; and a reflection on the equity of this approach.

The six months exclusion period for jobseekers under 30

This initiative appears to be inspired by the notion that young people in receipt of the Newstart and Youth Allowance are perfectly able to win employment, but are choosing instead to live comfortably enough on these allowances instead.

The supply of jobs however belies this notion. Whilst an emphasis on transition into work is important, for many young people, given there are five jobseekers for every job, it is close to impossible.

It nonetheless reflects the implication that it is simply a question of being a lifter or a leaner, and the less income support you offer people, the more likely it is they will chose to lift instead of lean. However, analysis of Anglicare network experience tells a different story. [*Beyond Supply and Demand*](#), a research paper prepared for Anglicare Australia by the Australian Centre for Community Services Research, identifies a nuanced and positive engagement with disadvantaged jobseekers is the most effective pathway to sustainable employment.

No argument has been put by government as to what outcome we could reasonably expect from this measure. It is clear to experts across the network that denying income support to people, or taking income away from them completely, more or less on the basis that they are unemployed will undoubtedly damage their health, confidence and wellbeing. It will put extraordinary pressure on their family lives. In the terms of this inquiry, it merely accentuates income inequality - infinitely.

In conclusion, it is important to address the range of exemptions that are raised as a defence to this initiative. The list of people who will not face six months exclusion include young people who are parents, are homeless, have caring responsibilities, live with a disability themselves or are classified as tier three jobseekers. Anglicare Australia has made the point that care leavers and those in transitional housing also need to be exempt groups. The exemption period will also be affected by the amount of work or approved training job

seekers may or may not have done over previous months. But the underlying point here is that this raft of necessary inclusions adds enormous complexity to the situation. It casts jobseekers as categories for bureaucratic convenience, and pitches the poorest and least enfranchised members of society against each other, and will have – without doubt – countless unexpected negative consequences.

Shifting people under 25 from Newstart to the lower Youth Allowance

Pushing more jobseekers off the grossly inadequate Newstart onto the even lower Youth Allowance is clearly a cost cutting measure. No other rationale has been offered. It may be that government policy makers are seeking to recognise and capitalise on the apparent extension of youth in modern life, but the obvious result in this instance is merely increased income inequality. For young people lucky enough to be in receipt of youth allowance for a whole year, but affected by this measure, NATSEM estimates a Budget income cut of \$2,871. For people already spending the bulk of their income on basics such as housing, transport, food and clothing, this will create very real hardship.

Changes to Family Tax Benefit (FTB)

Child poverty, especially in single parent families, is both high and growing in Australia, a fact reflected in the latest analysis of the BSL Social Exclusion monitor – [Who experiences social exclusion?](#) – which shows single parent families as most likely to experience deep exclusion. It is important then that the changes made in the Budget do not leave families worse off. Unfortunately, there are a number of items within the two schedules relating to FTB that will achieve exactly that outcome, notably:

- freezing the value of payments for two years
- reducing the value of supplements and ceasing indexation
- limiting FTB Part B to families with children under 6 years of age
- for sole parents, replacing FTB B with a lower Sole Parent Supplement

Changes to the indexation of income support

Reducing the indexation of Age and Disability Support Pensions and the Supporting Parent's allowance to the CPI ensures they will fall further and further behind middle and average incomes. While the Youth and Newstart allowances were arguably too low in the early 1990s, pegging the increase to CPI has ensured they have fallen to a rate that business and welfare interests (let alone those living on these allowances) agree is now entirely unsupportable. Government has, ironically but somewhat contemptuously, addressed the argument of inequity in the income support system by introducing a mechanism to slowly cut pensions as well. While this may be arguable in the media context to suggest it is about fairness, it is simply an expenditure saving measure which makes the poor and powerless even poorer. In essence, it accentuates the division between those who are and those who are not included in our society.

Changing the retirement age

The decision by government to reflect our changing life expectancy and move the retirement age incrementally to 70 is understandable. But it doesn't take into account the varied circumstances of Australians as they grow older.

The growth areas of work for people with fairly low education or skills include aged and community care, cleaning and retail work; all of which are physically difficult and demanding, and hard to sustain past 60 yrs, others depending on casual and part time work become less attractive to employers, and even those with more sustainable skills face considerable workplace discrimination if they find themselves in the job market. So while there's been significant public discussion about keeping older people actively engaged in the workforce, for many it won't be possible.

A broader analysis here would also be helpful. Government would be well aware of links between ill health, poverty and social isolation among people with a history of low paid, insecure work and/or unemployment. While the Age Pension, and for some the Disability Support Pension (DSP), is not a solution to these problems, it often provides some added security and improved wellbeing.

For those who find themselves out of work, or are physically unable to continue in later years, this change in the retirement age may sentence those already living on relatively low incomes to increased poverty, frailty and demoralisation.

Further, it is worth noting that the tighter income and wealth tests that this Budget will impose on people applying for Newstart Allowance – in their sixties perhaps – will simply eat away at their independence and resilience.

'Sharing the pain'

Those who are relatively secure and or well-off are often blind to the significance of cuts to the income of those with very little coming in.

Modelling of the Budget impact on this cohort ([NATSEM Independent Modelling of 2014-15 Federal Budget](#)) puts a number to these cuts as they take effect over the next three years. An individual now eligible for Youth Allowance rather than Newstart, which is around \$14,500, would be \$2,871 pa worse off. A supporting parent on Newstart with two children would be \$4,243 pa worse off.

A relevant comparison would be to look at these cuts as the loss of discretionary income. Most of us spend about a third of our disposable income on basics, such as housing, transport, food and clothing; a third on relative necessities such as child care, phones and computers; and a third on discretionary items such as holidays, drinks, games and outings. On that basis, the impact of this Budget on a person living on Newstart would be at least a \$25,000 pa cut in discretionary income for an average MP. It would be the equivalent of a \$47,000 pa cut for someone on the Treasurer's salary. The loss of \$4,243 pa to a supporting parent and her children would be \$16,900 to a backbencher and at least \$31,500 to the Treasurer.

Except of course, things will be tougher again for these people on benefits: [Going Without](#) shows that almost two thirds of their income goes on the basics alone. And, as our study on food insecurity – [When there's not enough to eat](#) – makes clear, people who are living on such low incomes rarely have discretionary incomes to start with (p54).

This inquiry's terms of reference relate to income inequality, but underpinning that are also questions of morality. The Budget measures discussed here were launched under a banner of sharing the pain. But it is not fairly shared. And many of the most marginalised members of our society will be made profoundly more unequal as a result. It is hard to imagine even a business rationale for the creation of an impoverished underclass, let alone a social or economic one.

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

In its response to the Interim Report of the Reference Group on Welfare Review, Anglicare Australia joined with Baptist Care Australia, Catholic Social Services Australia, The Salvation Army and UnitingCare Australia to make the following, widely applicable, statement regarding the provision of social security payments in Australia.

We believe that all people have inherent value, and have the ability to contribute to Australia.

Participation and engagement require access to income, healthcare, education, essential services, and housing. We believe that, as a society, we all have a responsibility – individually, in business, via our government, and through our communities – to enable access to the resources people need to live their lives with dignity and respect.

We believe that there must be a social safety net, which provides an adequate level of income to people who aren't earning enough through paid employment to enable a decent quality of life. This safety net is an important protection against poverty, and should be able to be relied upon by every person in need.

We call on the government to establish a benchmarking process for minimum social security payments that are adequate for all.

[Income, Jobs and Support: a recipe for welfare success](#) is Anglicare Australia's full response to the interim report. It provides a coherent critique of the current system and the Reference Group's proposals; and offers a set of goals and principles that would shape an adequate, fair and effective social welfare system, particularly as it affects people of working age.

Through the comprehensive response, Anglicare Australia points out that income inadequacy is the biggest failure of our current welfare system, and calls for government to establish an independent and transparent benchmarking process for minimum social security payments.

The concept of an 'Entitlements Commission' to be given this responsibility was first proposed by Catholic Social Services Australia, and supported by Anglicare Australia among others. ACOSS has also lent its support to this concept.

But the name and structure of the organisation is not the point. The necessary work could be done by the Fair Work Commission, which sets the minimum wage, or even the Commonwealth Remuneration Tribunal, which sets parliamentary and judicial salaries. Payment levels however, must take into account the reality of life for people reliant on income support.

Anglicare Australia has twice used a national survey to test public support for such an approach [[Anglicare Australia-Welfare payment levels](#)]. On both occasions, around 60% of respondents, across all population groups, were in favour of an independent body setting payment levels, and about 20% favoured the government. Governments of all persuasions, however, have not responded well to this idea. That is why Anglicare Australia is calling for, at the very minimum, an independent and transparent benchmarking process that informs – and be seen to inform – government decision makers.

Along with income adequacy is the notion of fairness. For people of working age and capacity, any obligations regarding employment and training need to be realistic. They need to be framed around the capacities of those people, and need to recognise their strengths and their circumstances. They need to take on board the reality of the job market in which people find themselves. And there are also responsibilities that the wider society has, above and beyond ensuring adequate income for people out of work. Leadership, employment creation and respect for those who are doing it tough are the starting points.

Finally, those who are not in the workforce may well be able to, and want to, participate more broadly in community life. Rules governing social security payments must have the flexibility to allow for those ambitions.

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

Answering the sector's call for an independent benchmarking process to ensure adequate income support (as above) would be the primary response. Whatever the fiscal challenge faced by government, inadequate income support for the most impoverished and disadvantaged at a time when affluent Australians do increasingly well is damaging to the individuals and families affected, and it is damaging to our national culture.

There is a key issue of attitude and stigma which is deeply unfair to people living on low incomes, particularly those relying on benefits, which works against them making their way in our community. An open transparent process which clearly considers the real everyday cost of living as confronted by those on low incomes, in addition to introducing fairness and adequacy into the operation of the

welfare system, would champion to the public those same inclusive values.

There are also national projects which government can lead, such as growing the supply of affordable rental housing and combating the workplace stigma that disadvantaged jobseekers continuously confront. There are initiatives it can take more or less immediately, such as lifting Commonwealth Rent Assistance and developing a plan to combat food security ([When there's not enough eat](#), p.128) and National Plan on Child Poverty, [Locked Out](#) (p.39).

There is also the Budget itself. At time of writing, the Budget measures discussed above have not been passed. It is not too late for government to review its strategy on this front; to step back from penalising the most disadvantaged for their circumstances and negotiate fairer and more effective initiatives which will see the well-off invest in opportunities for those who are not.

Conclusion

Participation in mainstream Australian society is linked to expenditure. The expression 'consumer society' no longer has the edge and novelty it once had, but it still speaks to the intense connection between – the interdependence of – our economy and our communities. In that context, the overwhelming focus of our economy and culture on consumption profoundly disadvantages, and excludes, those without material wealth.

The question for the Committee, and indeed for government, is when does the structural inequality of income become unacceptable? Anglicare Australia is not arguing in this submission to end all income inequality. It is arguing however that the level of inequality is too high and getting higher, and that if we are aiming for a more productive and united society, this is a problem. Too much of the public debate over current government policies demonises those on the margins of our society; while the policies themselves accentuate the disadvantage, ensuring people remain trapped in cycles of hardship and poverty.

We point out, in documents referred to in this submission and referenced below, that there are many actions government can take which would positively improve the opportunities for those on low incomes, improve community life and health, and as a consequence strengthen our society and our economy.

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