



Australian Council of Social Service

RECOMMENDATIONS FOR THE FEDERAL BUDGET
2006/7



30 Recommendations for the Federal Budget

Despite being named the 'lucky country' with some of the most liveable cities in the world, Australia has two million people who do not have an acceptable standard of living.¹ Some of these people are born into families which are struggling, others are people whose lives have been turned upside down by illness, disability, loss of a job or family separation.

These disadvantaged Australians have trouble getting the bare necessities: stable housing, secure work, adequate income, education, health care and community services. Their daily struggle to make ends meet takes its toll on their health and life chances. It is unfair that:

- Child care has become like a lottery with some areas facing long waiting lists for services, price rises and inconsistent quality of care.
- Despite good economic times, 300,000 long term unemployed people cannot access the training and support they need to be able to get a job.²
- An unemployed single person on Newstart Allowance must live on as little as \$200 a week in payments. (People on Austudy and Youth Allowance face even lower levels of payments than people on Newstart Allowance.)
- At least one third of Australians cannot access basic dental care because these services are not covered by Medicare.
- Indigenous health and early childhood care and education remain underfunded leading to widespread disadvantage – for example, Indigenous babies are four times more likely to die before their first birthday largely due to preventable diseases.
- Access to health services, including waiting times for essential treatments, vary according to a person's income and capacity to afford private health insurance.
- Housing is increasingly unaffordable leaving one million low income renters spending more than 30% of their income on rent and 105,000 people currently homeless.
- Rural and remote areas often lack access to doctors and mental health counselors.
- The income of families receiving payments drops substantially when children turn 16. This contributes to lower rates of completion of high school among low income families. Currently 11.3% of people who have not done Year 12 are unemployed compared to just 3% of people who have done a bachelor degree.

Meanwhile, near the centre of Australian cities, many people own their own homes, have career options and access to good quality services. Unless we act now, this gap between rich and poor will grow. Our society will be divided between the lucky and unlucky.

¹ ACOSS estimates that two million people live in poverty today – one in ten Australians – (based on a poverty line of 50% of average disposable income, as used in UK & Europe).

² This figure does not include people who are on disability or parenting pension payments – only people who have been on unemployment payments for more than a year.

To make Australia a fairer place, we need to urge Government to make choices that help disadvantaged people. These choices have often been described as unaffordable. On the contrary, if the Government curbed tax breaks for high income earners, there would be adequate funds for helping the two million Australians who are struggling, but it is a question of priorities.

ACOSS's Budget submission *Fair Choices: 30 Recommendations for the Federal Budget* involves only minimal spending of the budget surplus – \$546 million – and instead are paid for by recommended savings made by curbing tax concessions for high income earners.

ACOSS has costed its key recommendations for the Federal Budget which would achieve needed reforms and funding boosts to areas such as health, community services, family payments, employment assistance, legal aid, education, housing and indigenous disadvantage.³ The sum of ACOSS's recommendations in all of these areas is \$1.6 billion in 2006-7.

The majority of this cost could be met if the Government curbed just six of its tax breaks and concessions to higher income earners worth \$1.1 billion. This could fund better services and begin long overdue reform of areas like our Medicare and welfare payments systems. Balancing this tax reform with new spending leaves the Budget in surplus as insurance against economic risks in the future.

In light of the large surplus, there have been proposals for more tax cuts, especially by those on the top tax rate. ACOSS believes this will further endanger fairness in Australia and leave the country in an economically vulnerable situation. The people who stand to gain from a cut to the top tax rate of 47% earn over \$125,000 a year and represent only 3% of the Australian population. Meanwhile, around 10% of Australians are living in poverty.

Most Australians, when polled, indicate they would prefer more spending on essential services like health and education rather than tax cuts.⁴ Such investment in services can provide more lasting benefits to all Australians while tax cuts reduce the money available for spending on services and usually lead to spending cuts in future years.

ACOSS is urging the Government to make spending in this year's Federal Budget sustainable and equitable. Now is the time to put all Australians on a more equal footing by investing in lasting solutions to service shortfalls and disadvantage in our society. In delivering the Budget on May 9, the Government must make sure its choices for spending and savings are fair choices.

³ All recommendations are costed, with the exception of those for Rural and Remote Communities.

⁴ Survey data over time as reported in Shaun Wilson and Trevor Breusch, *After the Tax Revolt*, Australian National University, 2004.

Key Budget Recommendations

Community Services

At some point in their lives, most Australians will use community services such as aged care or child care. There is a need for better funding and planning of community services by the Commonwealth and States to ensure that people can access services. As priority matters, ACOSS's recommendations below address community care, child care and the care of Indigenous children.

Community Care

Community Care programs support older people, people with disabilities and their carers. The number of older people likely to need assistance has been projected to rise by 160% between 2001 and 2031. Faced with this demand, Australia requires a better planned system that spends funds effectively to respond to consumer needs.

Recommendation 1 – Strengthen Community Care

- (i) The Government should work with providers, consumers, carers and other levels of government to implement the blueprint for community care outlined in their *A New Strategy for Community Care – The Way Forward*. Released in 2004, this presents a framework for integrated planning and delivery of community care that responds to needs.
- (ii) The Home and Community Program is the largest source of funding for community care with combined federal and state funding for 2006-7 estimated at \$1.4 billion. The Government's baseline contribution to Home And Community Care funding should be raised by 20 per cent in 2006-2007, from \$858 million to \$1029 million as an initial injection, to enable a more appropriate level of care. This should be followed by a minimum of 8 per cent growth of the program per annum to help meet rapidly increasing need.

Cost: \$158 million (\$76 million in 2007-08)

Child Care

While the Government has invested significantly in the number of child care places, parents still face waiting lists for services, difficulties with the cost of care and variable quality and access to child care and preschool education.

Recommendation 2 – Make Child Care Fairer and Simpler

Key elements of the ACOSS plan for child care, detailed in *Fair Start: 10 Point Plan for Early Childhood Education and Care* include:

- (i) The Government should negotiate with the child care industry and introduce a Schedule of Government Recommended Fees which reflects the actual cost of providing child care services, and link these with Child Care Benefit.
- (ii) The 30% Child Care Tax Rebate should be abolished and replaced with a 30% Child Care Benefit guarantee. All families using approved child care would be entitled to at least the minimum rate of Child Care Benefit which would cover 30% of the recommended government fee for each child in care, up to a maximum of 85% of the recommended fee for low income parents.

Total cost of implementation of 10 Point Plan: \$145 million (\$700 million in 2007-08)

Employment, Education and Training

Despite good economic times, 1.5 million Australians are jobless. Around 300,000 people on Newstart or Youth Allowance have been without work for 3 years or more. Under the Welfare to Work changes, an extra 20,000 people with disabilities and 30,000 parents on payments will be required to seek work. They have a low level of education and work experience and often face other barriers to work such as disabilities, child care costs and lack of access to training. The Job Network and other employment assistance providers require greater government assistance to meet these complex needs. Countries that have been successful in moving more people from welfare to work have been those which have invested heavily in education and training for unemployed people.

Recommendation 3 – Invest in Specialist Assistance for Disadvantaged Jobseekers

Places in specialist programs to help overcome barriers to work for people with disabilities, parents, and mature age and very long term unemployed job seekers should be progressively boosted, over and above the increases in the Welfare to Work package, progressively so that by 2008-09 there are:

- (i) 15,000 additional Wage Assist places for very long term unemployed people
- (ii) 2,000 additional Disability Open Employment Services places and 3,000 additional Rehabilitation places
- (iii) 5,000 additional Vocational Education and Training places
- (iv) 5,000 additional Personal Support Program places, a 50% increase in payments to Personal Support Program providers and a participant account worth \$900 for each participant (\$1,450 in rural and remote areas) for each person.

Cost: \$100 million (\$200 million in 2007-08)

Recommendation 4 – Encourage Jobseekers to Undertake Education and Training

There should be greater financial incentives for jobseekers to undertake education and training that their employment assistance providers consider will improve their likelihood of finding a job. The Job Network and other assistance providers also need greater financial incentives to encourage this education.

- (i) Outcome payments for Job Network providers whose clients complete education should be extended (via Intensive Support Intermediate and Outcome Payments) to cases where part time courses are completed by people required to seek part time employment only. The age restriction (20 years or under) for Outcome payments should be removed for people lacking Year 12 qualifications.
- (ii) Jobs Education & Training (JET)⁵ child care subsidies should be made available, on a rolling 6 month basis, for people engaged in approved full time education courses for up to two years, where the employment assistance provider considers the course would substantially improve job prospects.

Cost: \$10 million (\$20 million 2007-08)

Recommendation 5 – Boost Intensive Support for Disadvantaged Jobseekers

Intensive Support Customised Assistance (ISCA) is provided after a person has been unemployed for a year or immediately to highly disadvantaged jobseekers. It includes a Job Seeker Account to fund services such as special training to prepare for work, counseling, work experience and support while settling into work. Currently this assistance is typically worth less than \$1000 per jobseeker and needs a boost through:

- (i) Increasing funds for employment assistance providers by \$350 per rural/remote job seeker.
- (ii) Making the same funds available for the second round of ICSEA the same as the first and extending this to people who have undertaken a second round of ICSEA in the past.
- (iii) Increasing the 26 week Outcome Payment by 50% and reducing the existing 13 week Outcome Payment to reward longer term employment outcomes
- (iv) Removing Outcome Payments for subsidised employment (subject to the expansion of the Wage Assist program proposed above).

Cost: \$100 million (\$150 million 2007-08)

⁵ JET provides flexible child care assistance to jobless parents wishing to undertake study, work or job search activities to help them to enter or re-enter the workforce. Parents who wish to apply for JET Child Care must see a JET Adviser or a Personal Adviser to discuss their eligibility.

Health

Health is a basic necessity yet the current system of private and public health means that those who can afford to pay for high quality services can obtain them while others struggle to pay health costs.

Recommendation 6 – Increase Access to Dental Care

- (i) The Government should co-fund with State and Territory Governments immediate targeted dental care for those groups that are most disadvantaged by the current system and where dental health needs are clearly demonstrated by worse dental health outcomes than those in the broader community.
- (ii) Additional dental care services should be targeted towards nursing home residents, Indigenous people, Australians living in rural and remote areas, people with a disability, people who are homeless, people with a mental illness and people on social security benefits.

Cost: \$75 million (\$80 million in 2007-08)

Recommendation 7 – Establish a Charter of Medicare Entitlements

The Government, in consultation with State and Territory governments and the wider community, should develop:

A Charter of Medicare Entitlements which sets out:

- the principles which underpin a universal health insurance system in which the private sector has a major role
- the services that the Commonwealth will fund for Australians whether public or privately insured
- the maximum time that individuals should have to wait for service for major services (regardless of whether privately insured)
- the additional benefits, entitlements or privileges that are available to privately insured persons.

Recommendation 8 – Establish a Charter of Mutual Obligations for Health Services

The Government, in consultation with State and Territory governments and the wider community, should develop:

A Charter of Mutual Obligations which requires:

- the public and private sector to work together to ensure that services are allocated according to need and within the times specified regardless of insurance status
- public and private health service providers who receive Commonwealth funding to meet efficiency and other standards
- public and private sector health service providers to keep fees and charges to agreed levels (the Australian Health Care Agreements already defines this for public sector providers)
- mechanisms by which the Commonwealth, States and Territories, and private sector providers will ensure that the elements of the Charter of Medicare Entitlements and Charter of Mutual Obligations will be implemented and enforced.

Cost: \$1.0 million

Housing

With the rise of housing prices in most parts of Australia, especially major cities, many people are struggling to pay rent or mortgage repayments. People on low incomes are particularly worse off – paying more than 30% of their income on rent and often forced to live in low-rent areas where jobs and transport are scarce. National action is needed to address the housing affordability crisis and to alleviate the conditions of Australians needing Rent Assistance and public housing.

Recommendation 9 – Adopt a National Affordable Housing Agreement

The Government should work toward the adoption of a National Affordable Housing Agreement (NAHA) to take effect upon the expiration of the current Commonwealth State Housing Agreement (CSHA).⁶ As part of this strategy the government should:

- (i) Establish a National Housing Advisory Council to inform the implementation of the NAHA.
- (ii) Develop housing affordability measures, including the setting of affordability benchmarks.

Cost: \$0.9 million (\$0.9 million in 2005-06)

Recommendation 10 – Help Low Income Earners with the Cost of Rent

The Government should address the significant affordability problems low income earners face when accessing or living in, private rental housing by:

- (i) Raising the maximum Rent Assistance payable by at least \$10 per fortnight.
Cost: \$80 million (\$142 million in 2007-08)
- (ii) Extending Rent Assistance to single students 25+ on Austudy payment.
Cost: \$36 million (\$39 million in 2007-08))
- (iii) Extending Rent Assistance to 16 and 17 year olds living in the parental home and regarded as dependent for the purpose of Youth Allowance (as they should similarly be regarded as dependent for Rent Assistance calculations under family payments).
Cost \$80 million (\$160 million in 2007-08))
- (iv) Reviewing the 'sharer's initiative', which pays less rent assistance to people sharing rent accommodation, and reviewing the breach penalty for 'moving to a lower employment area'.

Cost: Neutral

Total cost: \$180 million (\$339 million in 2007-08)

Recommendation 11 – Improve Public Housing Stock

The Government should progressively increase the level of public and community housing to a minimum benchmark of 6% of national housing stock.⁷ This would include facilitating an effective mix of public and private investment options that: upgrade and renew housing stock (including maintenance), increase the supply of new stock and address the operational viability of State Housing Authorities.

Cost: \$300 million (\$400 million in 2005-06)

⁶ The 2003 CSHA, effective from 1 July 2003 to 30 June 2008, will provide more than \$4.75 billion for housing assistance such as public and community housing, Indigenous housing, crisis accommodation, home purchase assistance and private rental assistance

⁷ The number of public housing dwellings as a percentage of national housing stock is 4.7%.

Indigenous Communities

While Australia is a relatively wealthy country, many Indigenous Australians are living in poverty and have poor health and housing. On average Indigenous men die 21 years before other Australian men and Indigenous women die 20 years before other Australian women. Indigenous babies are four times more likely to die before their first birthday – largely due to preventable diseases. Urgent action is needed to address these problems and give Indigenous children a better start to life.

Recommendation 12 – Create a Plan for Better Housing for Indigenous Communities

The Government should work with Indigenous controlled and other relevant organisations to develop and implement a staged, appropriate, and fully funded 10 year plan to improve Indigenous housing. The plan would take into account the findings of the Grants Commission report on Indigenous funding and other reports which have estimated the cost of addressing unmet housing and infrastructure needs at approximately \$4 billion. It would determine the level of direct and indirect subsidies that will be required in order to address unmet demand and meet benchmarks and outcomes set in mainstream housing services and fund a peak Indigenous housing organisation to advise Government.

Cost: \$200 million (\$300 million in 2005-06)

Recommendation 13 – Support Community-Controlled Health Services to Improve Indigenous Health

The Government should continue to boost resources to Aboriginal and Torres Strait Islander community-controlled health services and determine the allocation of these resources through a process of consultation with the other signatories to the Aboriginal and Torres Strait Islander Health Framework Agreements, consistent with Aboriginal Health Regional Plans.

Cost: \$250 million (\$255 million in 2007-08)

Recommendation 14 – Establish more services for early childhood education and care of Indigenous children

To meet current demand, funding should be provided for the establishment of an additional 35 community-based Indigenous child-care services which are multifunctional and responsive to community needs.

Cost: \$15 million (\$15 million in 2007-08)

Law and Justice

Legal services are an important part of ensuring fair treatment of people tried in court and people involved in other legal matters such as family separation and domestic violence. Services for disadvantaged Australians are not funded to meet need and, as a result, people from non-English speaking backgrounds and Indigenous Australians are often not given adequate help to navigate the legal system. ACOSS proposes greater funding of services for these people and for people living in rural, remote and regional Australia who have the greatest problems accessing services.

Recommendation 15 – Increase funding to Indigenous Women’s Legal Services to Provide Greater Access to Legal Assistance

The Government should allocate sufficient funding to Indigenous Women’s Legal Services to enable adequate provision of effective legal services for Indigenous women in family law and family violence matters, including funding for additional culturally sensitive services in areas of highest need.

Cost: \$7 million (\$7 million in 2007-08)

Recommendation 16 – Expand funds to Community Legal Centres

Community Legal Centre Program funding should be boosted to attract and retain skilled and experienced staff, provide extra loadings for regional, rural and remote centres and to meet increased overhead costs.

Cost: \$24 million (\$25 million in 2007-08)

Recommendation 17 – Trial Integrated Legal and Interpreter services

The Commonwealth and State/Territories should jointly fund a pilot program in each jurisdiction to assess the viability of a ‘one-stop-shop’ interpreter service for community legal centres and legal aid services, to be administered by the legal aid commissions.

Cost: \$0.4 million (\$0.4 million in 2007-08)

Rural and Remote Communities

Australia's geography means that the country faces some unique challenges in providing services to people in rural, regional and remote areas. ACOSS calls on specific funding for these areas to ensure people living there are not disadvantaged in key areas such as employment, access to essential services and key resources such as telecommunications and transport.

Recommendation 18 – Create a Rural Infrastructure Program

A rural public infrastructure program should be created, in partnership with all levels of government and across portfolios, to improve investment in rural Australia to meet key infrastructure needs. Key areas for investment should include public transport and a national water access plan as part of a national water strategy.

Cost: to be developed

Recommendation 19 – Review Status of Doctors and Counsellors in Rural and Remote Areas

To address key labour shortages in occupational areas including health and community service professions, Commonwealth incentives for doctors practising in rural and remote areas should be reviewed. Resources for rural counsellors should be boosted to assist individuals, families and communities cope with and respond to change.

Cost: to be developed

Recommendation 20 – Use Community Service Obligations & National Competition Policy to Address Disadvantage

- (i) Community Service Obligations (CSOs) for services such as telecommunications should be used to address economic and social disadvantage in rural and remote communities (including pricing differentials)
- (ii) Where States and Territories receive National Competition Policy payments, a proportion of these funds should be directed to the reinstatement of CSOs in appropriate areas, including transport and telecommunications. The adequacy of CSOs should be monitored and adjusted as needed.

Cost: to be developed

Social Security

The current system for social security payments is complex and unfair because people in similar circumstances can be put on different payments with different rates – the lower allowances such as Newstart Allowance and Austudy Payment or the higher pensions such as the Disability Support Pension or Parenting Payment. Students above the age of 25 years are on the lowest payments – Austudy Payment – which provides a disincentive for further education and payments of around \$35 per week less than unemployment payments. There are also problems with payments for families with teenagers as these often drop significantly when a child turns 16 years old – the time most teenagers are completing high school.

ACOSS recommendations below are first steps towards simplifying the system so that some disincentives to work and study are removed and the extra costs facing people with disabilities are recognised.

Recommendation 21 – Increase Payments to Students Aged Above 25 Years

Payments for unemployed people and students of workforce age should be streamlined to simplify the system and remove disincentives to study, by combining payments for unemployed adults, trainees and students into a single payment, as is the case for young people. This payment should have:

- (i) Activity requirements that are flexible enough to encompass job search, education, training, and participation in programs such as work experience, voluntary work, rehabilitation or combinations of these;
- (ii) Rates of payment set at Newstart Allowance levels.

Cost \$30 million (\$41 million in 2007-08)

Recommendation 22 – Establish a Cost of Disability Supplement for People with Disabilities on Payments

Consult over the costs of disability for people who work and study and develop a 'Cost of Disability Supplement', including a mobility component to broaden and replace the existing Mobility Allowance and a communication component to help with additional costs of communication.

Cost: to be developed

Recommendation 23 – Strengthen Payments for Children Aged Over 16

Payments for families with children aged over 16 should be rationalised to simplify the system and to prevent low income families from becoming financially worse off as their children grow older. As a first step, dependent rates of Youth Allowance should be increased by \$10 a week for 16-17 year olds and \$10 a week for 18-20 year olds.

Cost: \$65 million (\$128 million in 2006-07)

Poverty

With two million Australians not having a decent quality of life despite economic growth, ACOSS and its members have been calling on the Government to consult with the community to create and implement a National Anti-Poverty Plan.

National Anti-Poverty Plans have been implemented in several countries to take a holistic approach to reducing poverty and the causes of poverty. The Plans work across government departments to meet anti-poverty targets and lower measurable levels of disadvantage in society such as unemployment, lack of education and poor housing standards.

Britain and Ireland in the late 1990s devised and implemented national anti-poverty plans. Key elements of these plans were:

- an agreed definition of poverty
- analysis of causes of poverty and groups most at risk
- an overall target to reduce poverty
- Specific targets to address causes of poverty including targets on educational disadvantage, unemployment, health, housing and income.

Recommendation 24 –Create a National Anti-Poverty Plan in Australia

The Australian Government should collaborate with the States and Territories, plus the non-government and private sectors, to develop a comprehensive National Anti-Poverty Plan. The strategy should be developed over a 12 month period of consultation including a National Anti-Poverty Summit. Independent research on causes of poverty and provision of resources to support the relevant infrastructure needs to enable this.

Cost of development: \$5 million (\$10 million in 2007-08)

Tax – Recommendations to finance all Key Budget Recommendations

The income system is unfair and inefficient in collecting public revenue, due to a range of tax shelters and loopholes used by high income earners to avoid tax. If these were curbed or cut there would be adequate funding to implement ACOSS's key recommendations to improve essential services such as health, education and community services for all Australians as well as improve the situation of jobless people, Indigenous communities and others.

Recommendation 25 – Tax 'Golden Handshakes' for High Income Earners as Earnings

Lump sum payments by employers to high income earners (other than superannuation) on the termination of their employment should be taxed like other earnings rather than at the current lower 15% and 30% maximum tax rates for Eligible Termination Payments and unused leave.⁸ Subject to this, 'tax free thresholds' that currently apply to redundancy payments should apply to annual and unused long service leave entitlements.⁹

Revenue: \$220 million (\$250 million in 2007-08)

Recommendation 26 – Cap Claims for Luxury Work Expenses

Deductions for work related expenses should be rationalised to cap claims for 'luxury' expenses. Funds spent on current work-related training, mainly accessed by professionals, should be redirected to skill up people on low incomes. Compliance where work related expenses overlap with personal consumption should be increased by for example imposing a flat annual dollar cap on claims for 'luxury' work related expenses such as overseas conferences.

Revenue: \$150 million (\$400 million in 2007-08)

Recommendation 27 – Make Tax Expenditures More Transparent

As recommended by the OECD, Australia should subject tax expenditures to the same rigorous cost-benefit assessment and approval processes as direct expenditures, by:

- grouping them together with equivalent direct expenditures in budget papers
- incorporating tax expenditures in any expenditure caps
- assigning expenditure to relevant departments with annual review compared to expenditure with input from the Finance and Treasury departments.

Revenue: \$100 million (\$500 million in 2007-08)

Recommendation 28 – Reform Fringe Benefits Tax

The treatment of fringe benefits in the tax and social security systems should be rationalised to remove major advantages to employees in sacrificing salary for fringe benefits and to simplify Fringe Benefits Tax (FBT) with regard to minor fringe benefits, by:

- (i) Tightening the statutory formula to eliminate the concessional treatment of company cars.
- (ii) Removing the FBT exemption for employer-provided child care services (the revenue saved should contribute to the increase in Child Care Benefit).

Following the full implementation of these measures, meal and entertainment expenses should be non-deductible but exempt from FBT.

Revenue: \$450 million (\$700 million in 2007-08)

Recommendation 29 – Remove Tax Breaks for Four Wheel Drive Vehicles

Import tariffs for four wheel drive vehicles used as family cars should be imposed at the same rate as for other passenger motor vehicles, unless the vehicle is predominantly used for primary production and other genuine off road business purposes.

Revenue: \$200 million (\$150 million in 2007-08)

⁸ These payments should be taxed at the appropriate marginal rate unless they are rolled over into a complying superannuation fund.

⁹ An extra tax free threshold will benefit those on low incomes who receive redundancy payments and unpaid leave.

Recommendation 30 – Curb Use of Trusts and Companies as Tax Shelters

The sheltering of personal income from tax using discretionary trusts and private companies should be curbed by:

- (i) Tightening the tax treatment of the income of discretionary trusts by either taxing trust income as company income¹⁰, or by applying the Capital Gains Tax to untaxed and concessionally-taxed income distributed to beneficiaries.
Revenue: \$400 million in 2007-08
- (ii) Tightening the exemptions for personal services businesses, which derive their main income from the owner's labour, so that this income is taxed at the appropriate rate.¹¹
Revenue: \$300 million in 2007-08

¹⁰ This proposal involves introducing a withholding tax and imputation system along the lines of the corporate income tax (taking account of proposed changes to that system in (iii) below).

¹¹ This change should be implemented via the 'Alienation of personal services income' legislation.

