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Federal Budget Priorities Statement 2003-2004

Piecing it Together

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Executive summary

Piecing it together: building a fairer Australia

Australia is facing some tough decisions. Do we accept that over 2 million Australians¹ live in poverty? Should we ignore the fact 860,000 children are growing up in jobless families²? Or do we say that just isn't good enough for Australia's children? Should we accept that there are at least 380,000 people who are unemployed for more than a year, the same as seven years ago, despite sustained economic growth? Should we sit by and watch as communities of disadvantage emerge with persistently high unemployment, low educational levels, and inadequate housing?

The nature of contemporary work and the impact of internationalised and deregulated economies bring particular pressures to the policy and program environment. Marginalised communities with low incomes and limited or no work opportunities continue to grow and the gap between the rich and poor is widening.

The prolonged experience of drought across the country has also brought into sharp focus the hardship faced by rural and regional communities. Many of the poorest Australians live outside our capital cities, where economic reform, the changing face of farming and industry, low levels of investment in infrastructure, and the historically poor management of our land and water have contributed to a general decline as well as financial and emotional stress for many families.

In 2002, the year of the fifth anniversary of the sea of hands, progress for Indigenous Australians remained painfully slow, and for some is moving backwards. Unemployment is four times higher than for other Australians (23% in Feb 2001³), infant death rates are three times as high, and life expectancy nearly 20 years lower.

Setting the preconditions for participation

We must look for genuine and lasting solutions to these very real and seemingly entrenched problems. Compensation and residual service responses will not achieve lasting and positive change for disadvantaged Australians. Instead, we must aim to set the preconditions for a society where all people have opportunity and access to resources. In this context, the more equal distribution of resources, supported by a fair tax system, is essential to reducing poverty.

Moreover, our social security system should be seen as a mechanism for recognising the particular and difficult circumstances in which people find themselves, providing assistance with living costs during those times and acting as a platform for participation. In this regard, the low rates of income support, that for students and unemployed people are set at between 23 per cent

¹ Harding, Lloyd and Greenwell: *Financial Disadvantage in Australia 1990-2000*, 2001, examined poverty trends using a range of poverty lines. All but one measure showed poverty increased over the period. Even the most conservative estimate puts one and a half million Australians in poverty.

² Based on ABS data 1999 on dependent children under 15 plus dependent students 15-24, in Dawkins, Gregg and Scutella: *Employment Polarisation in Australia*, June 2002.

³ ABS: *Experimental Statistics: Labour force characteristics of Indigenous Australians*; ABS Cat.6287.

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and 39 per cent below the poverty line⁴, combined with the impact of harsh financial penalties and poverty traps, act as a real impediment to participation.

Social policy is increasingly and rightly seen as being at the core of national economic policy concerns. The development and evolution of welfare reform over recent years and the production of the 2000 Report: *Participation Support for a More Equitable Society* (the McClure report) is a testament to this. It is critical that this process continue so that we can achieve a fairer and simpler social security system - one that is effectively integrated with other systems, supports and services that people need and utilise to participate in work, social activity and family life. The federal Government's recently released discussion paper *Building a simpler system to help jobless families and individuals* is one opportunity to build on the work begun in this area.

Challenges for policy makers

Last year's federal Budget alerted us to some of the potential impacts of an ageing population through the Government's first Intergenerational Report. While it is appropriate to look ahead in terms of identifying the social and economic investments and reforms that will be needed to foster a prosperous and inclusive Australia over the longer term, the Report's focus was on shorter term cost savings measures. As they stand, the most likely immediate impact of the proposals - to increase the co-payment for Pharmaceutical Benefits and to restrict eligibility for the Disability Support Pension - would be diminished welfare and health of people with disabilities and people on low incomes.

It is important that we don't carry through into the future, regressive policies that widen the gap between rich and poor and that continue to polarise households and communities. The baby bonus and the private health insurance rebate are recent examples of such policies.

Another key challenge for social policy makers and researchers is to gain a better understanding of poverty and disadvantage in contemporary Australian society and when and where policy can make a difference. This means collecting and analysing information about the complex nature of poverty and its impact on individuals, families and communities, setting targets for progress and monitoring our performance.

It is also important to recognise the structural causes of poverty - unemployment and underemployment, inadequate income, and lack of access to essential services and supports. In doing this, we acknowledge that the future of sustainable economic and social development rests on the prevention and elimination of poverty. It is completely unacceptable and unsustainable that in a rich society like Australia so many people continue to live on or below the breadline, their capacity to contribute diminished by the structural, financial and social barriers constructed around them. All parts of the community - government, business, the community services and welfare sector and the general public - must acknowledge their role in the creation of poverty, and in the solutions to it, and be prepared to do something about it.

Government and community – working together

Building the capacity of communities, families and individuals is critical to removing the barriers to inclusion. In this context, there is much to learn from the range of initiatives being undertaken around the country at state, local and federal levels. What is clear so far is that any approach needs to involve, empower and transfer resources to the most disadvantaged members of the community; that governments, business, and non-government agencies all need to have a

⁴ Based on ACOSS research, July 2002.

long term view of their involvement as partners in the process of development; and that building an effective system of accessible essential services (both universal and targeted) must be part of the mix.

The quality and health of the community services sector to work effectively in fostering social capital and development, to advocate and to deliver services, is a critical piece of the puzzle. Effective, structured and informed dialogue that encourages diversity of views and voice, and that is separate from service delivery relationships is needed. ACOSS considers that the development of such a dialogue, supported by appropriate infrastructure, would serve as the basis for cooperative planning and strategic action; support the development of community and sector capacity; improve service quality and performance; enable the collection and sharing of information; and provide a mechanism monitor and respond to trends over time.

The budgetary challenge

There are many pieces to the puzzle that need to be brought together in order to effectively tackle poverty and disadvantage. This Budget provides an opportunity to take that agenda forward. In our federated system whole of government, whole of community solutions must be found to challenges such as unemployment, inadequate and unaffordable housing, access to transport, and mental and physical ill health.

Overall, our response must be sophisticated and multi-fold, and include policy reform that strengthens not weakens the position of disadvantaged Australians. It must strike the appropriate balance between rights and responsibilities, incentives and sanctions; facilitate the working together of state, local and national governments; and promote cooperation and dialogue across the community, government and business sectors. Crucially, our response should recognise the changing patterns and nature of work, family and caring, and lead to the creation of real and lasting pathways to inclusion, jobs and participation.

Priorities for the 2003 federal Budget

The ACOSS Budget package

This Budget submission has been carefully assembled, costed and balanced. The ACOSS expenditure and taxation package acknowledges the need to maintain a balanced budget over the life of the economic cycle, while at the same time addressing the urgent need for new measures to ensure a future which includes and values all Australians. Our submission covers the main federal portfolio areas affecting people on low incomes and who are otherwise disadvantaged.

There is much uncertainty at present on Australia's economic outlook over the next year and beyond. In this context it is important to ensure fiscal policy can respond to social and economic needs in a timely and effective way.

The Government's 2002-03 Mid Year Economic and Fiscal Outlook statement projects economic growth of 3.75 per cent for 2002-03 and 4 per cent for 2003-04. Unemployment of 6 per cent by the end of the June quarter, 2003, is predicted, and employment growth is estimated at 1.75 per cent over 2003-04. Revised underlying cash surpluses of \$2.1 billion for 2002-03 (as estimated in the 2002-03 Budget), \$4.9 billion for 2003-04, and \$4.2 billion for 2004-05 are anticipated. Using these estimates, our package brings the 2003-04 Budget into a surplus of \$3.7 billion, while delivering an even healthier surplus in the following year of \$5.9 billion.

Key revenue and taxation priorities

Recent Budgets have been particularly disappointing in terms of progressing the tax reform process, especially in relation to needed reforms to curb tax avoidance and ensuring the integrity of our tax base. This should be urgently addressed.

The ACOSS revenue proposals would increase revenue by \$2.5 billion in 2003-04 and by \$7.9 billion in 2004-05. The key measures are⁵:

- Curbing the use of private companies and trusts to avoid personal income tax (\$2 billion).
- Reducing the unfair tax deductions available for negatively geared investments in property and shares and introduce incentives for investment in low cost rental housing (\$ 440 million and \$1.1billion).
- Restoring the six monthly indexation of fuel excise rates (\$250 million and \$550 million).
- Revising and simplifying arrangements for Fringe Benefit Tax by eliminating the concessions for company cars and by removing the exemption for employer provided child care (\$440 million and \$600 million).
- Reducing the unfair tax breaks for high-income earners that are available from employer-funded share schemes by restricting the Fringe Benefit Tax exemptions available and by abolishing the ten year tax deferral option (\$250 million and \$650 million).
- Simplifying and clarifying the tax treatment of charitable services and introducing a tax credit for their GST expenses (-\$ 50 million and -\$60 million).
- Phasing out the Private Health Insurance Rebate (\$1 billion and \$2 billion).
- Requiring the Australian Taxation Office to monitor waste and report annually on threats to the integrity of the tax base (\$-2 million).
- Restricting eligibility for the Commonwealth Seniors Health Care Card (\$30 million) and directing greater resources to drug utilisation and prescribing (\$35 million).

Key expenditure priorities

Investment in an adequate service and support infrastructure, along with the removal of barriers to opportunity, is essential to changing the life circumstances of many Australians and opening up a future in which many more of us can share.

Last year's budget contained a number of initiatives that supported ACOSS priorities to build pathways and capacity, including the continuing commitment to more personalised support in the Job Network and Centrelink, the introduction of Job Seeker accounts, working credits and training supplements, and increased employment and training places. Since then further progress has also been made in securing commitment and funds for disability services through the Commonwealth State/Territory Disability Agreement and for social housing via the Commonwealth State Housing Agreement.

In response to the Independent Review of Breaches and Penalties in the Social Security System (sponsored by a range of community welfare organisations, including ACOSS), an internal Department of Family and Community Services Review of Centrelink, and the findings of the

⁵ Revenue measures are recurrent (over two years) unless otherwise stated.

Senate Inquiry into the Australians Working Together legislation, a number of changes have been made to the way Centrelink handles social security breaches. This has led to a 30 per cent decrease in the number of breaches. While this change is welcome and significant, ACOSS is concerned that the high rate and duration of penalties that are applied are counterproductive, especially for the most vulnerable jobseekers, and is seeking consideration of further legislative change in this area to lessen the impact of breaches applied.

Following the Report of the Productivity Commission on the Job Network, the advent of Job Network 3 has been accompanied by significant structural changes to the Job Network. However, the overall resources available to providers and the impact of some of the changes on both clients and providers remains of some concern.

The expenditure proposals outlined in this submission involve increased outlays of \$3.7 billion in 2003-04 and \$6.2 billion in 2004-05. A number of ACOSS recommendations are designed to deliver substantial structural reform in areas like social security, health, housing and community services. Others focus on targeted policy initiatives or developmental opportunities in areas of emerging need, policy or program review, and program expansion. Our main expenditure proposals include⁶:

- **An improved income support system through:**

- Introducing a single family income test for Family Tax Benefit (A), Youth Allowance and Child Care Benefit and introducing a uniform taper rate (\$500 million in 2004-05).
- Reducing the high effective tax rates for unemployed people, reducing the income test taper rate to 60 cents in the dollar for income over a free area of \$80 per fortnight (\$52 million and \$176 million).
- Removing the worst anomalies in the social security system, by progressively increasing the rate of Newstart allowance (\$72 million and \$94 million), aligning and increasing the independent rate of Youth Allowance and Austudy (\$69 million and \$138 million), and increasing rates of Dependent Youth Allowance for 16-17 yr olds (\$61 million and \$138 million).
- Limiting the duration of breach penalties to 8 weeks and the reduction in allowance to 25% of income (\$133 million).
- Introducing a shared care allowance that recognises the additional costs of bringing up a child in two households (\$42 million).
- Better support for asylum seekers and refugees, including abolishing the two year waiting period and allowing payment of special benefit to people engaged in full-time study (\$37 million and \$69 million).

- **Better unemployment assistance and greater educational opportunity by:**

- Introducing a transitional jobs scheme for very long term unemployed which offers six months employment in the not for profit and public sectors (combined with training) (\$145 million).
- Providing additional revenue to support an Employment Assistance Guarantee for long term unemployed people for intensive employment and training support, and subsidised work placements (\$117 million).

⁶ Expenditure measures are recurrent (over two years) unless otherwise stated.

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- Enhancing the amount available to Job Network members for initial interview and Job Search Support (\$49 million) and boosting resources for the Personal Support Programme (\$74 million).
- Establishing a national entry level public sector youth recruitment program (\$27.5 million and \$55 million) and a national youth transition service that brokers transition from school to jobs through case management, mentoring and peer support (\$102 million).
- Establishing a taskforce to improve targeting of apprenticeships and traineeships, and improve retention rates, especially in rural areas (\$0.5 million).
- Reviewing, with the States and Territories the state of preschool education in Australia, in order to identify service gaps and to develop national benchmarks for the delivery of affordable preschool education (\$0.5 million).
- **Improving locational disadvantage and reducing homelessness by:**
 - Developing a national housing strategy that incorporates consideration of the full range of housing affordability, planning and investment issues (\$0.9 million).
 - Improving housing affordability, including increasing Rent Allowance (\$114 million and \$115 million), introducing a tax credit for investment in low cost rental housing (\$60 million and \$100 million) and directing funds previously made available under the First Home Ownership Assistance Grant, as a subsidy for social and low cost housing (\$340 million).
 - Working with the States and Territories to guarantee adequate legislative protection for tenants.
 - Progressing the National Homelessness Strategy (\$0.2 million and \$0.5 million) and increasing investment in crisis and emergency housing (\$80 million).
 - Progressively increasing the level of social housing and upgrading existing stock (\$300 million and \$500 million).
 - Supporting the appropriate application of Community Service Obligations and to provide social and economic infrastructure (\$0.5 million) in areas experiencing social and economic disadvantage.
 - Increasing resources for rural counselling (\$2.3 million) and expanding the incentives to attract and retain doctors in rural areas to include nurses and mental health counsellors.
 - Establishing a National Regional Development Fund (\$300 million and \$400 million) supported by a National Infrastructure Advisory Council, with links to AUSLINK's National Land Transport Plan, the National Energy Plan, and the National Action Plan for Salinity Water Quality.
- **Reducing Indigenous disadvantage and promoting reconciliation by:**
 - Improving the effectiveness of existing Commonwealth funded services to ensure they are culturally appropriate and accessible to Indigenous people (\$12 million).
 - Enabling Indigenous communities to be part of a formal dialogue around a treaty or agreement (\$10 million in 2003-04).
 - Providing greater support for regional autonomy as well as native title claims by increasing funding to ATSIC (\$100 million) and to Native Title Representative Boards (\$5.25 million).

- Providing additional specialist legal positions and services for Indigenous Australians, especially targeting Indigenous women, and young people (\$5.75 million and \$7.6 million), and expand the Family Violence Preventative and Legal Services Program (\$7 million and \$10 million).
- Fostering Indigenous cultural expression and protecting Indigenous heritage (\$10 million).
- Reforming CDEP, so that participants have access to working and training credits, and that full employment conditions are enjoyed by participants working in public sector jobs (\$8.2 million).
- Directing additional funding to ABSTUDY and reviewing its efficacy (\$12.75 million and \$13 million).
- Boosting resources for Indigenous community controlled health services (\$250 million and \$255 million).
- **Strengthening health and community services by:**
 - Increasing investment in community based health and allied health services (\$300 million and \$400 million).
 - Developing a national development and planning strategy for community services (\$2 million).
 - Improving the level of resources for broad-based national policy research and evaluation into the quality and effectiveness of community services (\$5 million and \$7 million).
 - Facilitating the take-up of community service traineeships (\$0.4 million) and developing a community services training strategy (\$5 million).
 - Increasing investment in the Home and Community Care Program (\$175 million and \$64 million) and the Commonwealth State Disability Agreement (\$140 million and \$142.1 million) and committing to a third mental health plan.
 - Funding community based training and development to build volunteer capacity in the Emergency Relief sector (\$.05 million).
 - Expanding family support services for high needs groups (\$10 million and \$12 million).
 - Brokering a Commonwealth/State Agreement for services for children under school age (\$20 million and \$50 million).

Figure 1
Budgetary impact of ACOSS recommendations

Expenditure recommendations	Impact in 2003-04 (\$ million per year)	Impact in 2004-05 (\$ million per year)
Indigenous ⁷	163.05	152.3
Employment education and training	641.45	668.7
Social security	823.5	2250
Housing and regional development	680.2	1438.4
Community services	608.75	543.4
Health	401.55	843
Rural and remote communities	277.3	287.8
Law and justice	59.75	61
<i>Total Expenditure recommendations</i>	3655.55	6244.6
Total Revenue recommendations	2535	7919
Net impact on Budget fiscal balance	-1120.55	+1674.4

⁷ Additional recommendations relating to Indigenous people are contained in other chapters.

Chapter 1

Taxation



Tax changes over the past three years concentrated on consumption and business taxes, to the detriment of mending the holes in the personal income tax net. Personal income tax remains the major progressive tax base. The tax base must be strengthened to provide the revenue needed for essential benefits and services, to sustain economic growth, and improve equity in the distribution of resources across the community.

The proceeds of the income and other tax reforms advocated below should be used to address the social investment imperatives identified in this submission.

Regrettably, key income tax reforms promised in recent tax packages — the proposals to curb tax avoidance through the use of discretionary trusts and private companies — have either been watered down or deferred.

These and other tax shelters and loopholes are eroding revenue and public faith in the tax system. Highest priority should be given to closing down loopholes that unfairly advantage a minority of high-income taxpayers who receive income in forms other than wages and through which many high income-earners and investors artificially reduce their tax rate from 48 per cent to 30 per cent or less by:

- income splitting with a spouse or other adult family member;
- sacrificing salary for a company car;
- negative gearing into shares, property, or other appreciating assets; and
- executive share and options schemes.

Other significant forms of income, such as large inheritances, are not taxed at all.

Many of these loopholes also harm the economy. The recent 50 per cent cut in Capital Gains Tax rates, together with negative gearing, fuelled the speculative boom in rental property that saw investors borrow \$4 to \$5 billion per month through the first half of 2002. Real estate speculation of this kind puts economic growth at significant risk. Further, it does little to improve housing affordability for low-income tenants, and has actually reduced opportunities for many first home-buyers. The negative gearing loophole (where investors claim immediate deductions on their losses but the main income from the investment is not taxed as a capital gain until years later) should be closed. A more effective and less wasteful tax incentive for investment in low cost rental housing should be introduced instead.

More generally, as a means of achieving greater public transparency and accountability, the Australian Taxation Office (ATO) should be required to report annually on threats to the tax base and policy and administrative options to address them.

The present tax treatment of superannuation contributions is unfair and wasteful. The flat 15 per cent tax on employer contributions, that would otherwise attract tax as wages at marginal tax rates, provides a tax break of 34 cents per dollar contributed for an employee on \$80,000, but just 4 cents in the dollar for someone earning \$20,000. Half the \$5 billion spent on this tax break goes to the top one-sixth of employees on \$50,000 or more. The system should be reformed

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to make it fairer and simpler by ensuring that all contributions are made from after-tax income, and introducing a capped tax rebate that offers more support per dollar saved for low income-earners than high income-earners. A revenue neutral reform along these lines could boost annual superannuation contributions (after tax) for the vast majority of low and middle income-earners by 2-3 per cent of earnings.

More than \$2 billion each year is wasted on a tax rebate for health insurance contributions. These funds would be more effectively spent directly on our ailing public health system, especially with the advent of the decline in bulk billing.

The tax base has been broadened with the introduction of the Goods and Services Tax (GST). However, the decision to abolish indexation of petrol excise opens up a revenue gap that will grow rapidly over the coming years. The reason for this is that the excise is levied on a per-volume basis. Without indexation, tax collections will not rise with increases in the cost of petroleum.

The GST treatment of charitable services should be simplified to reduce compliance costs, and a tax credit introduced to help meet these costs. In addition, the recommendations of the Charity Definitions Inquiry should be fully implemented. The most important are those that update the definition of charity for gift deductibility, GST and Fringe Benefits Tax purposes in line with contemporary approaches to the delivery of human services. This should include proper recognition of the role of policy development, community education and capacity building, and advocacy by or on behalf of disadvantaged people.

Taxation of income

R 1.1

- (i) **A two-tier annual tax rebate, paid annually into the relevant superannuation fund(s), should be introduced to replace existing tax concessions for superannuation contributions and the superannuation surcharge. The new rebate should:**
- **apply to the sum total of all contributions (compulsory or voluntary);**
 - **be paid at 100 per cent of contributions up to a low flat annual contributions ceiling (to boost superannuation tax concessions for people on low incomes), plus 20 per cent for additional contributions up to a higher flat annual ceiling (sufficient to encourage a modest level of voluntary saving by an employee on an average full-time wage).**
- (ii) **Employer superannuation contributions (including nominal employer contributions to defined benefit schemes) should be taxed at source through the PAYG system at the relevant marginal income tax rate.**

Revenue: neutral

R 1.2

The sheltering of personal income from tax using business entities such as trusts and private companies should be curbed by:

- (i) **Tightening the tax treatment of the income of discretionary trusts by 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), or by applying the Capital Gains Tax to untaxed and tax-preferred income distributed to beneficiaries.**

Revenue: \$700 million in 2004-05

- (ii) **Tightening the exemptions for personal services businesses in the "alienation of personal services income" legislation.**

Revenue: \$300 million in 2004-05

- (iii) **Introducing a withholding tax on income that is not distributed by private companies to share-holders by the end of each financial year, equal to the difference between the corporate tax rate and highest marginal rate of personal income tax plus Medicare Levy (including the surcharge), less an allowance for reinvestment purposes where appropriate.**

Revenue: \$1 billion in 2004-05

R 1.3

A consistent set of taxation rules should be legislated to eliminate taxation advantages of artificial income splitting between spouses and business partners, whether directly or through the use of business entities such as trusts and companies.

Revenue: \$250 million (\$800 million in 2004-05)

R 1.4

- (i) **Strengthen investment in low cost rental housing in areas of greatest need by increasing public housing investment (as proposed in *Chapter 5: Housing*) and by replacing the current depreciation allowance for rental housing with a tax credit targeted towards investment in low cost rental housing. The tax credit would meet 4 per cent of construction costs for low-rental housing stock.**

Cost: -\$60 million (\$100 million in 2004-05)

- (ii) **The tax bias favouring negatively-geared passive investment in assets that appreciate in value, such as property and shares, should be reduced. This should be achieved by quarantining expenses incurred from these investments (such as interest payments), so that they can only be deducted from income arising from the same class of investments and not from other kinds of income (such as wages). Part of the revenue from this measure should be earmarked to help finance the tax credit proposed in (i) above.**

Revenue: \$500 million (\$1 billion in 2004-05)

R 1.5

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

- (i) Introducing a simple statutory formula that eliminates the present 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 proposed in *Chapter 7: Community services*).

Following the full implementation of these measures, meal and entertainment expenses should be made non-deductible and exempt from FBT.⁸

Revenue: \$250 million (\$650 million in 2004-05)

R 1.6

The income tax treatment of employee share and options benefits should be changed to curb their use for tax avoidance purposes by high income-earners as follows:

- (i) The existing FBT exemption for the first \$1,000 a year of employee benefits in the form of shares or rights, should be restricted to approved employee share schemes in which the majority of permanent employees are eligible to participate and benefits are offered in a non-discriminatory way.
- (ii) The ten-year tax deferral option should be abolished, so that benefits above \$1,000 per year provided pursuant to approved schemes are taxed as income as soon as the employee becomes entitled to them.
- (iii) Fringe Benefits Tax should apply to shares and rights offered by employers outside approved employee share schemes as described above.

Revenue: \$400 million (\$600 million in 2004-05)

R 1.7

- (i) The 30 per cent Health Insurance Rebate should be phased out in respect of private hospital cover over the next three years by reducing the value of the rebate by ten percentage points in each successive year.
- (ii) The rebate should be abolished in the 2003-04 financial year in respect of ancillary health insurance.
- (iii) The increase in revenue should result in increases in public health expenditures, as outlined in *Chapter 8: Health*.

Revenue: \$1 billion (\$2 billion in 2004-05)

⁸ In conjunction with this measure, the cap on tax-free fringe benefits for employees of public benevolent institutions should be increased so that these organisations are not financially disadvantaged by the increase in the cost of employer-provided cars.

R. 1.8

A 5 per cent "windfall tax" on large transfers of wealth, whether by gifts or by inheritance, should be introduced with limited exemptions, for example, transfers to spouses and children with disabilities, and transfers of family farms to children who demonstrate an intention to use the property for farming purposes.

Revenue: \$300 million in 2004-05

Taxation of consumption

R 1.9

Excise rates on petroleum fuels should be indexed six monthly, commencing from June 2003.

Revenue: \$250 million (\$550 million in 2004-05)

R 1.10

The GST treatment of charitable services should be simplified and clarified by:

- (i) Defining 'charitable institutions' in the GST legislation as those bodies exempted from paying income tax pursuant to Item (i) of Section 5-5 of Part 2-15 of the Income Tax Assessment Act.
- (ii) Increasing from 75 per cent to 100 percent, the percentage of "market value" below which accommodation services funded pursuant to community housing programs are GST free.
- (iii) Giving charitable organisations with annual turnover of less than \$250,000 the option of using a "short-cut method" to calculate their input credits and GST payments on the basis of fixed percentages of turnover.
- (iv) Making the supplies of charitable organisations to governments (under grants and contracts) GST free.
- (v) Introducing a refundable tax credit for charitable institutions equal to 30 per cent of those GST compliance expenses which they could claim as deductions if they paid income tax.

Cost: \$50 million (\$60 million in 2004-05)

General taxation recommendations

R 1.11

The Australian Taxation Office should publish a special report each year on major threats to the tax base, their implications for revenue (including estimates of the "tax gap" or loss of revenue due to loopholes and shelters), equity and economic efficiency, and policy and administrative options to meet them.

Cost: \$2 million (\$1 million in 2004-05)

R 1.12

The Government should fully implement the recommendations of the Charity Definitions Inquiry by:

- (i) Removing from the proposed legislative definition of "charitable purposes" the exclusion from charitable status for organisations that have as a dominant purpose "attempting to change the law or government policy".
- (ii) Legislating for a new category of "Benevolent Charity" to replace "Public Benevolent Institution" and certain other categories of Gift Deductible Entity.
- (iii) Establishing a statutory body separate from the Taxation Office to administer the registration of charities at the Federal Government level.

Cost: \$1 million (\$20 million in 2004-05)

R 1.13

The Government should commission a public review of Commonwealth-State financial relations to ensure a fair and rational allocation of public finances across the nation. The review should examine:

- the revenue needs of all levels of Government and the capacity of their current revenue bases to meet those needs; and
- the feasibility and desirability of allocating a fixed share of total commonwealth tax revenue to both the states and local government, commensurate with their respective expenditure responsibilities.

Cost: \$2 million

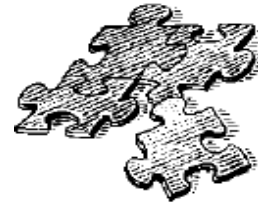
Figure 2
Summary of ACOSS priority revenue and taxation recommendations

Recommendation	Impact in 2003-04 (\$ million a year)	Impact in 2004-05 (\$ million a year)
Replace tax concessions for superannuation contributions with a Long-term Savings Rebate	-	-
Stem use of private companies and trusts to avoid personal income tax	-	2,000
Curb artificial income splitting	250	800
Reduce the tax benefits of negative gearing and introduce grants and incentives for low cost rental housing	440	1,100
Strengthen and simplify Fringe Benefits Tax	250	650
Curb tax avoidance through employee shares and rights schemes	400	600
Phase out the Health Insurance Rebate	1,000	2,000
Introduce a gift and inheritance tax on large wealth transfers	-	300
Restore indexation of Petroleum Excise	250	550
Simplify the GST treatment of charities and introduce a tax credit for their GST expenses	-50	-60
Require the ATO to report annually on threats to the tax base	-2	-1
Fully implement Charity Definitions Inquiry report proposals	-1	-20
Review Commonwealth-State financial relations	-2	-
TOTAL	2,535	7,919

Piecing it Together

Chapter 2

Indigenous communities



Rights & reconciliation

The 2003-04 federal Budget should contain a whole-of-government strategy to create a new, respectful and equitable relationship with Australia's first peoples. Solutions will only be found if policies and initiatives are formulated by and with Indigenous people, recognising and respecting their status and rights, and reflecting their expressed priorities.

Indigenous Australians must have the right to make decisions about their own lives and future. This includes the right to develop their own institutions at the national, state/territory, regional and local levels, in accordance with their own values, aspirations and priorities. The capacity of Indigenous Australians to engage in institution-building is, for many, conditional upon achieving social justice. Reasonable standards of education, health, employment and justice are required to achieve the participation necessary in any process toward reconciliation.

It is increasingly clear that governments need to address the massive inequalities faced by Indigenous people and that doing so should be tied to impact or outcome goals, rather than just expenditure targets.

ACOSS supports the Aboriginal and Torres Strait Islander Commission (ATSIC) in its call for "Indigenous Impact Statements" to ensure that all government decision making processes include consideration of the effects on Aboriginal and Torres Strait Islander people. The inclusion of the Minister for Aboriginal and Torres Strait Islander Affairs in Cabinet is also considered vital. The Council for Aboriginal Reconciliation, in its final report: *Reconciliation: Australia's Challenge*, also recommended that Commonwealth, State and local governments move toward the achievement of specific targets for social justice, within a defined timeframe, for Indigenous Australians.

The Commonwealth Grants Commission *Report on Indigenous Funding* (2001) identified particular problems with the delivery of Commonwealth funded services which effectively form barriers to Indigenous access. These barriers include lack of access to finance, inadequate public transport infrastructure, poor understanding of cross-cultural issues and few Indigenous staff in services. The 2002/3 Budget paper – *Social Justice for Indigenous Australians* and the July 2002 *Report of the Aboriginal and Torres Strait Islander Social Justice Commissioner* both confirmed these and other barriers facing Indigenous Australians.

Equity

The 2001 *Report on Indigenous Funding* found the majority of Commonwealth funded services were much less accessible to Indigenous people than for non-Indigenous people. It must be a priority of government to ensure that the barriers to accessing the mainstream programs identified in the Report⁹ are tackled.

R 2.1

The federal Government should develop and adopt (with State/Territory governments, their departments and agencies) - in consultation with Indigenous people - guidelines for ensuring that programs are implemented in a culturally appropriate manner to enhance access and outcomes for Indigenous Australians and communities. This should include the development of Impact Statements across portfolios that identify specific outcome goals to be achieved within defined timeframes. These goals should be benchmarked and regularly evaluated.

Cost: \$10 million (\$10 million in 2004-05)

R 2.2

Commonwealth funded programs, delivered by the community services sector should be resourced to develop and implement - in full consultation with Indigenous communities - appropriate policy, governance and service delivery reforms to eliminate barriers for Indigenous Australians to accessing Commonwealth funded services. Strategies should address:

- **Indigenous recruitment programs in the community sector;**
- **cross cultural training;**
- **financial and transport issues;**
- **communication and engagement; and**
- **reviews of all policies and procedures to ensure they are appropriate to all people in need of services.**

Cost: \$2 million (\$2 million in 2004-05)

Aboriginal language interpreter services

R 2.3

- (i) The federal Government should provide funding for the Northern Territory Aboriginal interpreter service so that the service is freely accessible to non-government organisations.**

Cost: \$5 million in 2004-05

⁹ *Report on Indigenous Funding*, Commonwealth Grants Commission, 2001 pp. 59-65.

- (ii) **The federal Government should commission a feasibility study into establishing a national network of accessible Aboriginal language and interpreting services.**

Cost: \$0.05 million (\$0.05 million in 2004-05)

Formal negotiations

Achieving sustainable change and future wellbeing of Indigenous people includes, by necessity, strategies for overcoming differences in social and economic outcomes between Indigenous and non-Indigenous Australians, as well as resolution of issues which were never addressed when Australia was settled as a colony. The allocation of funds for this purpose would be a compelling demonstration of the Government's sincerity in working with Indigenous Australians.

R 2.4

The federal Government should invite Indigenous organisations and communities to prepare responses to the recommendation of the Council for Aboriginal Reconciliation that formal dialogue around a treaty or agreement should commence. Funds should be made available to Indigenous organisations and communities for the preparation of their responses.

Cost: \$10 million

Addressing unmet need

The social and economic problems experienced by many Indigenous communities are driven by a set of underlying factors grounded in dispossession. They include denial of land rights, paternalistic systems for policy and program development, neglected or absent infrastructure, inadequate cultural and heritage protections, poor health investment, and persistent discrimination in some parts of the community. These factors play a major role in generating the more visible social problems. Indigenous health problems, for example, cannot sensibly be dealt with separately from the denial of land rights and inadequate cultural heritage protection.

Particularly in rural and remote Indigenous communities, there is a huge gap in accessing basic services that other Australians take for granted including housing, water, sewerage, communications and power. To address these pressing issues a clear set of targets should be developed and a timeframe set in place to achieve specific improvements in Indigenous well being.

R 2.5

The federal Government should invite Indigenous people to make proposals for addressing the underlying causes of Indigenous disadvantage, including proposals for the recognition and protection of land rights, economic empowerment and cultural/heritage protection. Funds should be made available to Indigenous communities and organisations for this work, with specific targets and timeframes mutually agreed for the delivery of outcomes.

Cost: \$15 million

Aboriginal and Torres Strait Islander Commission

The Aboriginal and Torres Strait Islander Commission (ATSIC) has been working to develop effective regional autonomy models. However, resource constraints and low levels of discretionary funding have hampered their efforts. Of the annual ATSIC funding allocation, about 75 per cent is allocated to communities for the Community Housing and Infrastructure Program (CHIP) and the Community Development Employment Program (CDEP). Only around 6 per cent of funds are available for allocation to regional councils, limiting their capacity to function effectively. Investment in capacity building will be necessary if people and organisations are to participate fully in decision-making processes at regional levels, including access to skill development and training in areas such as organisational management and development, governance, financial management and planning.

R 2.6

Funding to ATSIC should be increased to improve its capacity to support the development of regional autonomy models. This should allow for investment in a capacity building program to ensure access to skill development and training in areas such as organisational management and development, governance, financial management and planning.

Cost: \$100 million (\$100 million in 2004-05)

Native Title Representative Bodies and Proscribed Bodies Corporate

The process for the resolution of native title matters has been the subject of a great many legal and funding pressures. Claims by Indigenous people are often not as well resourced as needed. Claims can take many years to resolve and negative outcomes for Indigenous claimants are dispiriting. Increased funding for Native Title Representative Bodies announced in the 2001-02 Budget was very welcome, as changes to the *Native Title Act* resulted in significant additional work for Native Title Representative Bodies. Each claim requires the collection of large amounts of evidence over a relatively short time. Because recognition of native title rights will often give protection to sites of cultural and religious significance, the survival of culture for entire communities can depend on the positive consideration of claims. Given the continuing high number of claims, additional funding is needed for direct supports, as well as organisational capacity. A small but growing number of claims have been settled in favour of native title applicants. This has led to the need for funding to support 'proscribed bodies corporate' entities that, under the Act, have legal responsibilities for the land over which they have been granted native title.

R 2.7

Additional funds should be allocated to Native Title Representative Bodies to enable them to more effectively fulfil their core functions.

Cost: \$5.25 million (\$5.25 million in 2004-05)

R 2.8

Funds should be allocated to support proscribed bodies corporate to enable them to fulfil their legal functions as native title land holders.

Cost: \$10 million (\$10 million in 2004-05)

Reparations Tribunal

Genuine reconciliation with Indigenous Australians includes an ongoing commitment to the healing of the 'stolen generations'. There have been some small but important steps made in previous Budgets focusing on family reunions, counselling and oral history. Consultations with the 'stolen generations' over the last year under the *Moving Forward – Achieving Reparations* project, have established that more needs to be done.

The consultations revealed overwhelming support for a Reparations Tribunal that would provide a forum for people to put their stories on the public record and have the harm of past practices acknowledged. There was also considerable support for making reparations available to both individuals and communities. Inherent in the proposal is that the stolen generations and their families would have a direct say in how reparations should be provided.

R 2.9

The Government should fund ATSIC and/or HREOC to establish a consultative process to negotiate with the 'stolen generations' about the structure and funding for an effective Reparations Tribunal.

Cost: \$0.25 million

Cultural expression

Indigenous tradition-oriented cultural expression is relatively well recognised, but support is also needed for the maintenance and evolution of this culture within wider, contemporary Australian society.

In particular, more attention should be given to cultural integrity and intellectual property rights, which are not adequately protected by existing legislation. Further, there is a critical need to fund language retrieval and maintenance programs following up on the funding provided in response to the *Bringing them Home Report*, which has now ceased. Communities are also calling for the establishment of "keeping places" for Indigenous people and communities to display for themselves, and others, items of "keeping culture".

R 2.10

In consultation with Indigenous communities and organisations, the Government should commission an assessment of the level of funds required for Indigenous cultural expression and for protection of Indigenous cultural heritage, with a view to the development and implementation of a strategy to foster and support cultural expression.

Cost: \$0.5 million

R 2.11

Government-funded language retrieval and maintenance programs should be extended.

Cost: \$5 million (\$5 million in 2004-05)

R 2.12

The Government should establish “keeping places” for Indigenous Australians and communities to display for themselves, or others, items of “keeping culture”.

Cost: \$5 million (\$5 million in 2004-05)

Chapter 3

Employment, education & training



Unemployment in Australia remains a deeply entrenched problem, despite the existence of prolonged economic growth over many years and is a key cause of poverty. As at November 2002, there were 90,866¹⁰ jobs compared with 631,224¹¹ unemployed people – seven people for every job vacancy. At the same time the number of long term unemployed was 377,795¹² – about the same as it was seven years ago. Fifty per cent of job seekers registered with Centrelink have been on income support for over a year, and the majority of these have been unemployed for over two years.

Increased casualisation of the labour market, the lack of growth in full time permanent jobs, and under and over employment present particular challenges¹³. The official unemployment rate is 6.2 per cent (as at September 2002), and predicted to stay at around that level over the next year. However, ACOSS and other commentators estimate that, taking into account hidden and underemployment, the real figure is likely to be at least twice the official rate¹⁴.

Unemployment has specific regional aspects. While some areas, like urban Sydney have low unemployment rates, in others, like Tasmania, 69 per cent of jobseekers are long term income support recipients. Levels of youth unemployment in particular remain unacceptably high (17 per cent, at May 2002), as do levels of Indigenous unemployment (23 per cent, at February 2001).

To address this set of problems concerted action is needed on both the supply and demand side of the ledger, including in relation to job generation.

Priorities for employment assistance

Long-term unemployed people

Job seekers who are long-term unemployed and with significant barriers to the labour market will often need considerably greater support to gain employment. Over the past year the Government has made a number of structural changes to the Job Network. Many of these are welcome

¹⁰ ANZ Job advertisement series 9 December 2002

¹¹ NSA/YA(o) recipients, Labour Market and Related Payments, FaCS, Nov 2002

¹² Long term NSA/YA (o) recipients, Labour Market and Related Payments, FaCS, Nov 2002

¹³ For instance, the ABS estimates that 27% of people working part time would like to work more hours, Other studies have shown many in full time employment would like to work less.

¹⁴ Mathew Gray estimates there are around 900,000 marginally attached unemployed people, about half of whom are discouraged jobseekers. See RBA research paper by Gray, Heath and Hunter: *An exploration of marginal attachment to the Australian labour market*, November 2002.

developments, heading in the right direction. However, ACOSS considers that greater investment is needed especially for the most disadvantaged jobseekers.

R 3.1

The provision of employment assistance that will result in jobs for those who are particularly disadvantaged in the labour market should be provided through the following measures:

(i) Enhancing Customised Assistance by:

- extending it from 6 months to 12 months;
- allowing jobseekers to access Customised Assistance as required;
- maintaining the level of job seeker account for those receiving CA for the second time at the level provided the first time;
- increasing resources for rural and remote providers to enable full servicing of these job seekers; and
- immediate referral to Customised Assistance for all job seekers at risk of long term unemployment (not just those at very high risk).

Cost: \$105 million (\$105 million in 2004-05)

(ii) Introducing an Employment Assistance Guarantee that will:

- be available to job seekers after 3 months of Customised Assistance (CA) if they have not secured employment or been referred to a specialist program;
- provide substantial assistance tailored to the person's individual employment and training needs beyond personal support such as counselling, job referral and job search training;
- be supported by the boosting of job seeker accounts. The current amounts for the first round of CA (including supplements) should be set as a fixed minimum entitlement for each CA recipient. The Government should match dollar for dollar any additional extra investments by Job Network members pursuant to the Guarantee, up to a cap for each period of CA; and
- encourage Job Network members to use wage subsidies by the Government offering providers the direct savings in Newstart/Youth Allowance arising from each wage subsidy placement (with a placement of a maximum period of 6 months). Job Network member use of subsidised employment should be subject to compliance with specified minimum standards to ensure fair rates of pay, minimise displacement, and prevent abuses of the subsidy.

Cost: \$117 million (\$117 million in 2004-05)

R 3.2

A Transitional Jobs Scheme for very long term unemployed people should be introduced as a replacement to Work for the Dole, so that funds can be better

targeted towards those job seekers who are most disadvantaged in the labour market.

A Transitional Jobs Scheme would:

- offer 6 months employment, at an appropriate training wage, in the not for profit and public sectors;
- be available to suitable job seekers unemployed for 2 years or more;
- combine employment experience and relevant training (based on individual needs) to maximise future employment prospects;
- be available to providers as an option to fulfil the Employment Assistance Guarantee for job seekers who are severely disadvantaged in the labour market and would benefit from a transitional job as a stepping stone to mainstream employment; and
- include a remote labour market component.

Job Network members would contribute the amount of the Job Seeker Account funds for a job seeker referred to a transitional job. The Government would meet the remaining direct costs of the placement. However, there would be limits on the number of places available in any region.

Cost: \$145 million (\$145million in 2004-05)¹⁵

Personalised assistance for job search

R 3.3

Many job seekers need one-to-one assistance to manage the new electronic systems of job matching in order to access and respond to job vacancies. Job Network member funding for initial interviews with Job Search Support customers should be doubled to enable personalised help with job search.

Cost: \$49 million (\$49 million 2004-05)

Personal Support Program

The Personal Support Programme (PSP) is aimed at assisting some of the most disadvantaged in our community who may need to address significant barriers before participating in the labour market. PSP is better funded and reaches more people than its predecessor, the Community Support Programme. However, PSP is still insufficiently funded to enable its customers to receive the services they need. PSP is dependent on providers being able to access health and welfare services for their customers that are mostly free or low cost. Such services are often not available or have extensive waiting times. This means that the effectiveness of PSP for a customer is highly related to the ready availability of the customers required service. PSP needs

¹⁵ Includes savings of \$147 million from 'work for the dole'.

to be resourced at a level that will enable providers to purchase services for customers as they are required.

R 3.4

PSP payments should be increased by 50% and be spread throughout the milestone payments and outcome payments.

Cost: \$74 million (\$74 million 2004-05)

Indigenous employment programs

R 3.5

Changes to CDEP should be made to ensure that it enables the same opportunities as other employment assistance programs for its participants and communities. These changes should include:

- **Participants being able to access working credits and training credits in the same way as job seekers participating in Job Network and Work for the Dole;**
- **Participants employed in public sector jobs moving into the full conditions of employment of that position and not being retained on CDEP wages; and**
- **Recompense of CDEP for services delivered on behalf of Government departments.**

Cost: \$8.2 million (\$8.2 million in 2004-05)

Employment and education for young people

R 3.6

Funding should be provided to establish a national entry level State and Territory public sector youth recruitment program with matched federal and state funding for up to 20,000 places per annum introduced incrementally over a three year period (5,000 places in the first year, 10,000 places in the second year and 20,000 places in the third year).

The program should provide employment opportunities for young people who might not otherwise find jobs. The program should be equity based and enable employment of young people from disadvantaged backgrounds.

Cost: \$27.5 million (\$55 million in 2004-05)

R 3.7

A National Youth Transition Service should be developed as proposed by the Prime Minister's Youth Pathways Action Plan Taskforce. This should be a comprehensive transition support system that would include learning pathways plans for each young person, individual support for those at risk of leaving school early, and transition follow-up mechanisms.

The next steps in such a system would fall in two parts:

- **provision for "transition brokerage" for all Government and most non-government schools; and**
- **further extension of the Jobs Pathway Program.**

The proposed "transition brokerage" might take various forms including: case management and personal support; mentoring; and peer supported programs.

The cost of such a service would be met jointly by the Commonwealth and the States on a 60:40 ratio based on commitments already agreed in the Stepping Forward statement of MCEETYA Ministers in July 2002.

Cost \$102 million (\$102 million in 2004-05)

Apprenticeships and traineeships

With the introduction of new apprenticeships there has been a considerable expansion in the availability of traineeships and apprenticeships. Some problems with the system have emerged which now need to be addressed. Some employers have been attracted to hiring trainees due to the availability of a component of Government assistance and consequently have not employed appropriate people to the positions and have not provided the right environment or training opportunities.

There has also been a problem of high drop out rates, with higher non-completion rates for traineeships than apprenticeships and higher non-completion rates in rural areas. People who complete an apprenticeship or traineeship have much greater employment prospects than those who do not finish, therefore warranting an increased emphasis on completion. The NCVET report, *Factors that contribute to retention and completion rates for apprentices and trainees*, highlights many of the factors involved in completion or non-completion of traineeships and apprenticeships. These findings should be acted upon by working with State Governments and relevant bodies to further develop strategies to improve apprenticeship and traineeship completion rates for young people. Contractual arrangements with New Apprenticeship Centres and incentive payments to employers must contain the right provisions and incentives to ensure the aims of the new apprenticeship model are met.

R 3.8

A taskforce should be established that develops strategies to:

- **improve targeting of apprenticeships and traineeships to ensure they are undertaken by people who can most benefit from them and in industries where they provide the most advantages; and**

- **improve the retention rate of apprentices and trainees in all areas but with particular attention on innovative strategies to overcome the unique barriers to completion in rural areas.**

Cost: \$0.5 million (\$0.5 million in 2004-05)

School education funding

R 3.9

The Socio-economic Status funding formula for private schools should be replaced with a measure for determining the level of need based on the total resources available to each individual school.

Cost: neutral

ABSTUDY

From the 2000 to the 2001 school year the number of school student ABSTUDY recipients fell from 31,734 to 27,20016 - a decline of nearly 15%. Participation patterns in post-secondary education is more complex. VET enrolments have been sustained or improved, but University enrolments are in decline. A limit to ABSTUDY access for bridging courses, resulting from policy changes in 1999, is seemingly a relevant factor. Given that Indigenous Australians are significantly younger on average than non-Indigenous Australians – and with the importance of education as a long term poverty prevention strategy – this is a very worrying trend.

An internal review of ABSTUDY by DEST and Centrelink is underway. However this review is largely confined to procedural matters, rather than needed policy reform. In addition the review does not yet sufficiently involve Indigenous communities and organisations.

R 3.10

ABSTUDY should receive additional funding over the next four years to ensure that eligible people are provided with the full range of supports to which they are entitled.

Cost: \$12 million (\$13 million in 2004-05)

R 3.11

ABSTUDY should be the subject of a review involving participation by Indigenous communities and organisations. This review should replace and expand upon the existing internal review being undertaken by Centrelink and DEST.

Cost: \$0.75 million

¹⁶ DETYA Annual Report 2000-01 (Appendix 9: pp 3) and DEST Annual Report 2001-02 (pp 175).

Early Childhood Education

Preschool is an important developmental stage in children's education. It plays a formative role in the development of literacy and numeracy skills and is important for the early detection of problems. Currently there is no national consistency, or equity of access, to preschool education in Australia. Children from the most disadvantaged families, from rural and remote areas, children with disabilities and Indigenous children are most likely to miss out on preschool.

R 3.12

The Commonwealth, in conjunction with the States and Territories, should conduct a review into preschool education in Australia with an aim to:

- **develop a comprehensive comparison of the delivery of preschool education in each State and Territory;**
- **identify who receives and who misses out on preschool education;**
- **analyse the delivery of preschool education within childcare;**
- **develop national benchmarks in the delivery of affordable preschool education; and**
- **identify a Commonwealth funding contribution to preschool education (noting that such a contribution previously existed) and the important synergies that preschool shares with childcare and primary schools.**

Cost: \$0.5 million

Piecing it Together

Chapter 4

Social security



A comprehensive, fair and effective social security system is essential to the well being of millions of Australians. Its main purpose is to ensure that no Australian is forced to live in poverty, without access to the basic resources most of us take for granted. Properly constructed and functioning, it can also connect people to job and services that can assist them in improving their skills, knowledge and chances of gaining rewarding work within today's uncertain labour market.

A number of the measures outlined in the Government's *Australians Working Together (AWT)* package such as the working credit, training and education supplement, and the introduction of personal advisers should assist in establishing those connections and opportunities. However, implementation of measures under the AWT legislation is likely to also result in significant demands on the community services system – in order to assist more individuals meet mutual obligation requirements, in handling increased referrals for specialist supports, and to respond to the increased impact of breaching.

Four priority areas need to be addressed before Australia can genuinely view its social security system as comprehensive, fair and effective:

- Strategies to encourage helpful participation are unbalanced, with too much emphasis on compliance for its own sake and the punishments attached to compliance;
- Gaps have been created in the safety net for immigrants;
- Key payments continue to be inadequate and anomalous; and
- Work is insufficiently rewarded for many recipients.

Compliance and participation

Despite some welcome recognition and action by the Government to address the unfairness and counter-productive effects of breaching of many vulnerable jobseekers, the number of people affected and the extent of the penalties remains far beyond what is in the interests of either the public or jobseekers. There needs to be a new emphasis on rewarding, rather than enforcing participation, and recognition that people incur real and direct costs in job search, training, 'social participation' or as a result of a disability.

R 4.1

The Government should implement the recommendations of the Independent Review of Breaches and Penalties in the Social Security System (the Pearce Report) in full. In particular:

- penalties should be fully recoverable if the jobseeker takes 'reasonable steps' to comply with reasonable requirements not later than four weeks after the imposition of the breach;
- the duration of penalties should not exceed eight weeks; and
- the rate of reduction in allowance not exceed 25% of income.

Cost: \$133 million (\$133 million in 2004-05)¹⁷

R 4.2

To offset the prohibitive costs of participation, the Government should:

- (i) Introduce a 'Job Search and Work Experience Allowance' to offset job search, work experience and related costs incurred by social security recipients who are required or who undertake active job search or voluntary work activities. In the first year, the rate should be \$5 a week, moving to \$10 a week in the second year and \$20 a week in the third year (indexed to CPI).

Cost: \$122 million (\$317 million in 2004-05)

- (ii) Introduce an 'Education and Training Allowance' to offset the education and training costs of Newstart, Youth Allowance and Austudy recipients who undertake approved further education or training programs. In the first year, the rate should be \$10 a week, moving to \$20 a week in the second year and \$30 a week in the third year (indexed to CPI).

Cost: \$87 million (\$351 million in 2004-05)

- (iii) Conduct trials to test the efficacy of tiered 'Cost of Disability Allowances' for people on Disability Support Pension (DSP) as a contribution to the extra costs incurred for supports needed to participate in paid work or 'social activities'.¹⁸

Cost: \$0.5 million

¹⁷ Based on FaCS calculations, December 2002.

¹⁸ Refer to Physical Disability Council of Australia July 2001 report *Towards a Disability Allowance* for background information.

Migrants and refugee access to income support

Recent immigrants, particularly holders of Temporary Protection Visas (TPVs), continue to be treated unfairly, in some cases being left with no access to basic income support and in others without access to services that would clearly improve their settlement prospects

R 4.3

The following changes should be made to current social security arrangements for newly arrived permanent residents:

- **abolish the two year migrant waiting period for Special Benefit and Youth Allowance recipients and reduce the two years to six months for all other income support recipients;**
- **allow payment of special benefit to people engaged in full-time English language or vocational study;**
- **exempt people granted 10 year 'resolution of status visas' from the qualifying residence and two year benefit waiting periods;**
- **commence the two year waiting period at the same time as the commencement of 'resolution of status' visas;**
- **back date to the day of their arrival in Australia Centrelink payments to people on refugee/humanitarian visas;**
- **backdate Centrelink payments to people released from immigration reception and processing centres to the date of their release; and**
- **extend access to the Crisis Payment (equal to one week's payment of the benefit or pension entitled to) to people on refugee/humanitarian visas to assist with their immediate settlement needs.¹⁹**

Cost: \$37 million (\$69 million in 2004-05)

Adequacy of payments

An adequate base payment rate is key to an effective social protection and support system. The present payment structure remains inequitable and is characterised by a large and growing gap between allowance and pension rates. Particular priority should be given to bringing up the rates for single unemployed adults and single adult students, over a period. Other measures needed to improve adequacy include a 'Shared Care Allowance' to properly recognise and encourage shared parenting; removing the anomaly whereby support is reduced for families with older resident children; and more appropriate recognition of the emerging independence of young adults.

¹⁹ Refer also to *Chapter 7 Community Services*

R 4.4

The *single rate* of Newstart Allowance should be progressively increased over four years to align with pension rates.

Cost: \$72 million (\$94 million in 2004-05)

R 4.5

Provisions for the independent rate of Youth Allowance and Austudy should be aligned, and payment rates for both progressively increased over four years to align with pension rates.

Cost: \$69 million (\$138 million in 2004-05)

R 4.6

In recognition of the higher costs incurred in sharing care and providing facilities for a child in a shared care situation where the child is living in two households, the Government should introduce a 'Shared Care Allowance' to top up family payments by an additional 20%. The 'Allowance' would be shared proportionately across low income households sharing care for their children above the 10% threshold applied to Family Tax Benefit payments.

Cost: \$42 million (\$42 million in 2004-05)

R 4.7

The following social security changes should be made to prevent lower income families being left worse off when their child turns 16 and becomes eligible for Youth Allowance:

- (i) Dependent rates of Youth Allowance should be increased by \$13 a week for 16-17 year olds and \$7.50 a week for 18-20 year olds;

Cost: \$61 million (\$122 million in 2004-05)

- (ii) 16-17 year olds living in the parental home and regarded as dependent for the purpose of Youth Allowance should continue to be regarded as dependent for Rent Assistance calculations *under family payments*.

Cost: \$89 million (\$179 million in 2004-05)

R 4.8

The 'age of independence' for income support purposes should be revised to 18. As a first step it should be lowered from the current 25 to 21 years, and thereafter reduced each year to reach the age of 18. In the interim, the criteria for independence should be reviewed to better match young people's various pathways to independence.

Cost: \$59 million (\$129 million in 2004-05)

Rewarding work

Paid work should be rewarded within the social security system. Current income tests do not ensure this. Priorities are to ease the taper rate for the allowance income test; and to remove the stacking of income tests for families on low incomes.

R 4.9

To further simplify the current system and reduce the high effective tax rates for unemployed people, the taper rate in the allowances income test should be lowered to 60 cents in the dollar for all income over a free area of \$80 per fortnight.

Cost: \$52 million (\$176 million 2004-05)

R 4.10

To alleviate the problems families on low incomes experience due to income test stacking, the Government should introduce:

- (i) A single family income test for Family Tax Benefit Part A, Youth Allowance and Child Care Benefit, for those families whose children attract more than one of these payments.**
- (ii) A uniform 25% taper rate for these payments.**

Cost: \$500 million in 2004-05

Piecing it Together

Chapter 5

Housing and regional development



Housing is a basic human need. It also is a key determinant of the effectiveness of economic, labour market and social policies. Despite this, the amount of well located, affordable housing available for people on low incomes, including working people, is decreasing sharply. Government cutbacks and an unresponsive private rental market are contributing to a growing housing affordability crisis, the creation of significant barriers to employment in certain areas and a noticeable increase in the number of homeless Australians. The inadequacy of current housing policies and programs is further demonstrated by the poor quality and inappropriateness of much Indigenous housing, in addition to very low rates of home ownership and substantial barriers to the private rental market.

To address these issues ACOSS seeks a commitment from Governments to develop a National Housing Strategy. Such a strategy should acknowledge the critical link between housing policies and planning and development, employment, social security, health and community services. The main focus of the strategy should be on addressing the central problem of housing affordability, by working with States and Territories and local governments, monitoring trends, reforming the failing Commonwealth Rent Assistance program and supporting the development of new financing models. The Commonwealth should also adopt measures to direct targeted subsidies to low cost housing. It is equally important to ensure that public and community housing systems are sustainable, by ensuring increased public investment and sustainable income streams. Along with benchmarks and targets for social housing, additional targets for affordable housing are required as part of the broad based national strategy.

Location is a major determinant of economic and social opportunity. It is now clear that such opportunities are becoming more and more geographically polarised. Regions where disadvantage is already concentrated tend to be characterised by low investment and low levels of education, which further discriminates against the future well-being of community members. In such regions the existing stock of social capital is low and the prospects for meaningful partnerships between the community and the private sector are poorer than elsewhere. For this reason it is essential that Governments intervene to break the cycle of disadvantage. A long-term plan of investment in human and physical infrastructure is required to prevent such regions from becoming permanent concentrations of poverty and disadvantage, and to give these communities a fair go for the future.

Indigenous Australians are more likely to live in sub standard, over crowded rental accommodation than other Australians. In order to improve Indigenous housing and housing related infrastructure and address the backlog of unmet need, we support the Government's *Building a Better Future: Indigenous Housing 2010 plan* (agreed at the May 2001 Housing Ministers meeting for a new direction in Indigenous housing). However we note the large backlogs in capital and maintenance programs, the very low income base of Indigenous groups and the need for significant capacity building for the management of the sector.

A National Housing Strategy

The Commonwealth has a critical role to play in leading and co-ordinating a process to advance national housing outcomes, and particularly in responding to the emerging crisis in the supply of affordable housing. It should do this by: utilising work already in train in the States and Territories and through expert housing research and industry bodies; working with the National Affordable Housing Research Consortium and others to develop and implement strategies to increase the level of private finance in affordable rental housing for low income earners; facilitating review and reform of housing policy and financing arrangements; and ensuring broad stakeholder involvement.

R 5.1

The Commonwealth should work with State/Territory and local governments, non government organisations and the private sector to develop a National Housing Strategy that addresses all aspects of housing in Australian society. The strategy should incorporate an effective and efficient blend of public and private finance (including Rent Assistance) and ensure an equitable mix of public, community housing, and private housing.

The Commonwealth should have responsibility for the development and national coordination of the strategy, against which the performance of the current housing system as a whole can be assessed. As part of this strategy the Commonwealth should:

- **establish a national advisory committee to inform the implementation of the strategy; and**
- **develop housing affordability measures, including the setting of affordability benchmarks.**

Cost: \$0.9 million (\$0.9 million in 2004-05)

R 5.2

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

- (i) Taking immediate steps to ameliorate the inadequacy of affordable rental accommodation by raising the maximum Rent Assistance payable by \$10 per fortnight.**

Cost: \$114 million (\$115 million in 2004-05)

- (ii) Reviewing the efficacy of Rent Assistance in the longer term, with a view to exploring options such as the introduction of housing standards, affordability targets, and targets relating to security of tenure.**

Cost: neutral

- (iii) Working with State and Territory governments to guarantee adequate legislative protection for all tenants, and to develop core principles for good private rental market management which include the regulation of 'bad tenant' databases.**

Cost: neutral

R 5.3

The Government should direct finances previously spent on the additional, time limited \$7000 allocated to people contracting to buy or build new homes under the First Home Ownership Grant (FHOG), as a subsidy for social and affordable housing. An alternate option is to finance investment from capital markets through a housing bond, as recommended by the National Affordable Housing Research Consortium²⁰.

Cost: \$340 million in 2004-05

Social housing viability

R5.4

The Government should progressively increase the level of social (public and community) housing, through both the Commonwealth-State/Territory Housing Agreement (CSHA) and by facilitating an effective mix of public and private investment options that allow for:

- upgrade and renewal of housing stock, including maintenance;
- increasing the supply of new stock; and
- addressing the operational viability of State Housing Authorities by strategies to improve the gap by income streams or operational effectiveness.

A minimum benchmark of 6% of national housing stock into the next decade would require an additional 190,000 dwellings above current levels.

Cost: \$300 million (\$500 million in 2004-05)

Addressing homelessness

R 5.5

- (i) The Government should progress the National Homelessness Strategy (NHS) in line with the framework developed in consultation with stakeholders, *'Towards a National Homelessness Strategy'*. As a first step of a three year action plan the Commonwealth should 'ensure that the CSHA can be used more flexibly to address prevention and early intervention of homelessness for those most at risk'²¹. The NHS should also commit to support for, and

²⁰ Policy options for stimulating private sector investment in affordable housing across Australia are outlined in the Stage 2 Report: *Identifying and Evaluating the Policy Options*, developed for the Affordable Housing National Research Consortium, 2001. A cost effective option would be a Commonwealth bond, to be distributed to social housing providers. For every \$1 billion raised the gross cost to Government is \$220 million (the net cost is \$90 million after tax receipts) and would assist 7 450 tenant households. For every dollar of government subsidy provided this way, four or five private sector dollars would flow into expanding the stock of affordable housing.

²¹ As recommended by the Commonwealth Advisory Committee on Homelessness.

appropriate interfaces with, homelessness prevention strategies initiated by State and Territory Governments.

Cost: \$0.2 million (\$0.5 million in 2004-05)

- (ii) The SAAP Co-ordination and Development Committee (CAD) should draw together, publish and utilise the wealth of information developed at a State/Territory level through their homelessness strategies in national planning to address homelessness and housing responses, and the allocation of resources.

Cost: neutral

- (iii) Increase Commonwealth and tied State/Territory funding by 25 per cent in real terms for the Supported Accommodation Assistance Program (SAAP) and Crisis Accommodation Program (CAP) services to alleviate unmet demand, and work together to improve the link between housing and support services at a program and service level.

Cost: \$80 million (\$82 million in 2004-05)

Regional development

R 5.6

The Government should develop a new National Regional Development Fund to increase its overall level of annual investment in physical infrastructure (rail, roads, public transport, housing, water infrastructure, telecommunications, gas and electricity). Through the Fund, and jointly with the States and Territories and local government, the Government should invest differentially in regions according to their need. Government investments in social infrastructure (schools, the vocational sector, universities, employment programs and health) should also be subject to a 'state of the regions' indicator, with the first priorities being areas of relative need. We also recommend:

- a National Infrastructure Advisory Council be established to oversight investments from the Fund, to facilitate efficient and equitable provision of nationally significant infrastructure by both the public and private sectors, and to encourage long term planning for its sustainable development and operation;
- *AusLink - Towards the National Land Transport Plan* take the lead in supporting the National Regional Development Fund's differential approach to investment²²;
- the National Energy Strategy be supported, to push for the completion of national gas and electricity networks and to encourage new investment in the energy sector;

²² See also recommendation for a national Rural Transport Strategy in *Chapter 6 Rural and Remote Communities*.

- the significant regulatory and taxation barriers to private sector investment in infrastructure be removed - to encourage private investment in nation-building projects that will benefit both current consumers and future generations. As a part of this, there should be a National Inquiry into the establishment of an 'economic zones' approach to tax rebates, to replace the existing Zone Rebate system; and
- the Government boost investment in the National Action Plan for Salinity and Water Quality in Australia, in which there is a differential need approach, with immediate actions targeted at salinity and deteriorating water quality in key catchments and regions.

Cost: \$300 million (\$400 million in 2004-05)²³

²³ Federal contribution.

Piecing it Together

Chapter 6

Rural and remote communities



Rural, regional and remote Australia continues to struggle with the fallouts from globalisation, deregulation, population movements and industry restructuring. Adverse effects are most significant in the key areas of jobs, education, health and transport. In general, rural and remote Australia suffers disproportionate economic and social hardship, with many parts of the bush some of the poorest areas in the nation.

Despite some recognition of these issues for country areas, government involvement in major infrastructure development and the whole of government action needed to build and maintain capacity in regional and rural Australia are missing.

At the end of the '*Year of the Outback*' widespread parts of Australia were gripped by a drought of 'once in a century' proportions. Apart from critical drought relief measures we need to be conscious of the urgent need for additional community services. The effects of the drought combined with other realities of rural life means that many individuals are experiencing reduced incomes, emotional distress, mental illness and family breakdown. This is resulting in increased demand for affordable services in these locations.

Additional access to finance to assist people through the difficult times is also needed. Many programs are currently targeted at people directly involved in agriculture - whereas the ripples of financial and related distress extend far beyond this. Access to water is at crisis point and many farmers cannot afford to stay on because of the costs of water and stock feed.

Access to air transport remains a significant issue, despite government support for Regional Express Airlines, which is running less frequently and on fewer routes than its predecessors. This will continue to be a major factor in the lack of capacity to attract and keep key workers (eg. teachers, doctors and nurses) in rural and remote areas.

The number of doctors prepared to bulk bill continues to decline and this is particularly notable in rural and regional areas. Doctors in rural and other areas report that the extension of health concession cards beyond very low income groups has contributed to the reluctance to bulk bill and have also questioned the adequacy of the level of the scheduled fee.

National Rural Transport Strategy

R 6.1

As part of AUSLINK, a Rural Transport Program should be established through joint Commonwealth/State arrangements to provide a functional level and standard of public and private transport options in rural areas, including those identified as

poorly served by existing transport infrastructure. This should have direct links to the National Regional Development Fund (see *Chapter 5 : Housing and Regional Development*).

Cost: \$75 million (\$85 million in 2004-05)

Investment in rural business and industry

R 6.2

To encourage rural employment generation the Innovation Investment Fund should be required to ensure that at least 30 per cent of the fund is earmarked for investment by superannuation funds and other investors in non-metropolitan areas.²⁴

Cost: \$200 million (\$200 million in 2004-05)

Community Service Obligations (CSOs)

R 6.3

All relevant government legislation should require assessment of the need for CSOs to address economic and social disadvantage (particularly for rural and remote communities) including pricing differentials, in the provision of social and economic infrastructure. 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: \$0.5 million in 2004-05

Rural services

Rural Counselling

R 6.4

Resources for Rural Counselling through the Rural Communities Programme should be boosted, accompanied by more flexible targeting and administrative arrangements, and introduction of automatic three to five year rollovers for well performing services.

Cost: \$2.3 million (\$2.3 million in 2004-05)

17.As recommended by the Regional Australia Summit 2000.

Rural health

R 6.5

- (i) Extend Commonwealth incentives for doctors practising in rural and remote areas to include mental health professionals and practice nurses in areas where there are no doctors.
- (ii) Ensure the national mental health strategy includes specific targets for parts of rural Australia affected by the drought.

Cost: neutral

Access to finance

R 6.6

Increase the level of loan advance available through Centrelink to income recipients in federal drought declared areas, including to recipients of Farm Help or Exceptional Circumstances Relief payment, waive any waiting period or debt restrictions for a specified period, and delay and extend the period for repayment until drought conditions ease.

Cost: unknown

R 6.7

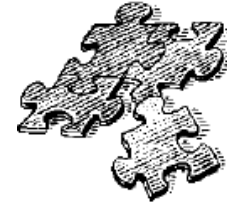
Establish a National Water Access Framework to ensure farmers have the capacity to anticipate future water allocations and costs and deliver more effective and sustainable environmental management.

Cost: unknown

Piecing it Together

Chapter 7

Community services



Despite the fact that a wide range of community services are delivered in Australia by all levels of government, the not-for-profit sector, the private sector, families and ‘communities’, there is little common understanding of the role played by community services in the broader social policy context.

A framework for investment and reform

Without a broad and agreed framework for community services it is difficult to plan and prioritise investment.

Community services moderate existing, often deeply entrenched, inequalities which would otherwise prevent people from taking up the social and economic opportunities enjoyed by others. In this sense, effective community services, like labour market programs, need to be understood in terms of their contribution to wider social policy strategies which aim to redistribute existing patterns of income and work through tax and welfare policies.

Community services also provide the supports that people need in the contexts in which they live – needs which cannot be necessarily met by providing individuals with more income. In this sense, community services should be understood as tackling disadvantage in a particular place and time in a person’s life as well as the broader social processes and relations which create exclusion. Community services are therefore essential tools in enhancing capacity, creating pathways for development, and in responding to immediate needs and obstacles.

Australia has a number of important institutional structures which provide frameworks for investment in discrete parts of the community services, health and housing fields – including the Commonwealth State and Territory Disability Agreement, the Home and Community Care Agreement, the Supported Accommodation and Assistance Program, the Commonwealth State Housing Agreement and the Australian Health Care Agreements. In addition to these agreements there are various Commonwealth/State Ministerial Committees through which high level decisions are made about investment in community services.

The weakness of these structures is that they cover only parts of the field (often exposing large service gaps), are not effectively linked to each other or to broader social policy goals, and exclude many of the stakeholders in the negotiating and planning processes.

R 7.1

The Commonwealth Government should take a lead role in progressing a national development and planning strategy for community services in Australia. This would

include the development of consultative structures and the release of sufficient resources so that all stakeholders can participate in determining national directions and priorities for community services.

Cost: \$2 million (\$2 million in 2004-05)

Research and evaluation

While the Department of Family and Community Services is devoting an increasing proportion of some pilot and program funds to research and evaluation, total funding for broad-based policy research and evaluation has declined significantly in recent years. One of the dangers of program specific research and evaluation is that it can be used to justify the particular pilot or program without reference to a larger set of agreed objectives and says very little about the choices between different approaches.

If governments are serious about whole of government responses to societal problems, then a way must be found to properly balance policy choices and plan integrated responses to those problems informed by a robust information base.

R 7.2

Funding for research and evaluation into the quality and effectiveness of community services in Australia should be boosted through the Department of Family and Community Services, with a stronger emphasis on the integrated effects of national, state and local programs and policies on low income people and disadvantaged areas. A proportion of these funds could be drawn from research components of various relevant funding agreements. A cross-sectoral, cross-jurisdictional reference committee should oversee this work.

Cost: \$5 million (\$7 million in 2004-05)

High Quality Service Delivery

Community Services Training Support

The quality of community services provided to the community is strongly dependent on the skills and experience of the people that work in the field. However, the take up of community service traineeships has been negligible at the same time as entry level jobs into community service organisations has decreased. Promotion and take up of community service traineeships will help turn this situation around.

R 7.3

A two year community services training support program should be established to facilitate the take-up of community service traineeships.

Cost: \$0.4 million (\$0.4 million in 2004-05)

Community Services Training Strategy

The community services sector, by its nature, is unlike other industries and has generally been unable to contribute industry money to the development of training resources. Historically, this has been provided by the State and Territory Community Services and Health Industry Training Advisory Boards. Commonwealth funding to these bodies has been reduced and will soon end. The community services sector needs a mechanism to coordinate and develop a community services training strategy to complement the recently revised Community Services Training Package.

R 7.4

A community services training strategy should be developed, with industry development funds attached, to assist in meeting the training needs of the community services sector.

Cost: \$5 million (\$5 million in 2004-05)

Community Care

There is increasing recognition that community care programs can no longer be considered separately from the other intersecting service sectors, including residential aged care, disability services and primary and acute health services. Apart from the administrative complexity for consumers, providers and carers and the problem of duplication, the real concern is with service gaps within and between programs and sectors.

The Commonwealth's internal review of community care arrangements and the Myer Foundation's project looking at alternatives for the future of aged care (among other developments) illustrate that there is a window of opportunity to help reframe the national debate over community care and to develop a comprehensive framework for the integrated planning and delivery of community care which responds effectively and fairly to consumer needs.

It is important that such reviews are informed by Australian research that measures levels of need across the community, establishes the evidence for effective models of service delivery to meet these needs, sets benchmarks and targets, and evaluates performance. (See Recommendation 7.2).

The Home and Community Care Program

The Home and Community Care (HACC) program is the cornerstone of support for many older people, people with disabilities and carers which enables them to continue living at home or in a community setting.

To meet the needs of an ageing and increasingly disabled population, it is important that HACC funding is set at a level that enables an appropriate level of care. This should be accompanied by

adoption and implementation of the recommendations for improved resource allocation in the report: *Targeting in the Home and Community Care Program*²⁵.

R 7.5

The Commonwealth should increase its baseline contribution to HACC funding by 20 per cent in 2003-2004 as an initial injection to enable a more appropriate level of care, followed by a minimum of 8 per cent indexation of the program to ensure continuing growth.

Cost: \$175 million (\$64 million in 2004-05)

Disability services

At the time of writing the terms of the third Commonwealth State/Territory Disability Agreement were not yet settled creating much uncertainty for thousands of people with disabilities and their families. The federal Government's commitment to recurrently fund its previous commitment to unmet need has been particularly welcome.

R 7.6

It is imperative that the States and Territories and the Commonwealth fast track the process of bedding down a new five year agreement. This agreement should:

- **ensure adequate funding to meet the new backlog of unmet need (estimated at least 30% over current levels²⁶);**
- **include a growth factor in line with anticipated growth in the numbers of people with a disability;²⁷**
- **include mechanisms for greater transparency in relation to expenditure, service users and outcomes; and**
- **contain strategies to address service and linkage gaps such as - pathways between education, employment and community access services; movement from work to retirement and access to aged care; and supports for people with multiple disabilities and barriers that cross traditional program and jurisdictional boundaries.**

Cost: \$140 million (\$142.1 million in 2004-05)²⁸

²⁵ *Targeting in the Home and Community Care Program* (National Ageing Research Institute and Bundoora Extended Care Centre (1999) *Targeting in the Home and Community Care Program*, Aged and Community Care Service Development and Evaluation Reports, July 1999-No. 37,

²⁶ Based on conservative estimates provided in the 2002 AIHW study prepared for Commonwealth and State/Territory Disability Administrators - *Unmet need for disability services: effectiveness of funding and remaining shortfalls*- which showed additional unmet need for 12, 500 accommodation and respite places, 8,200 community access places, and 5,400 employment support places.

²⁷ Estimated at 1.5% per annum for 0-64 year olds, see Australia's Welfare 2001, AIHW

²⁸ Federal contribution, including for employment services.

Services for Families and Children

ACOSS welcomes the federal Government's commitment to develop a national agenda for early childhood.

Underpinning this agenda should be a national commitment to a consistent, universal system of high quality, affordable and accessible early childhood and child care services.

R 7.7

The Commonwealth Government, through the Council of Australian Governments (COAG), should broker a Commonwealth/State Agreement on services for children under school entry age. The Commonwealth's contribution should be used to drive systemic change towards an integrated and consistent system of high quality, affordable and accessible early childhood services, including child care.

Cost: \$20 million (\$50 million in 2004-05)

Affordable child care

The affordability of child care for families on low and modest incomes has been of concern to ACOSS for some years. For this reason, we particularly welcome evidence which indicates that affordability has improved for many families since the introduction of the Child Care Benefit in July 2000²⁹. However, more work is required to ensure that families can access and pay for the care they need. In particular, families using centre-based long day care face continue to face affordability issues.

Further, recent findings on improvements in affordability rely on inadequate benchmarks and do not address the complex mix of variables which affect affordability. Additional research is required so that reliable benchmarks can be developed for the different types of care, and evaluated on an ongoing basis. Research also needs to be undertaken on demand, supply, and affordability of care at a regional level to enable effective modelling of the impact of funding and policy changes.

R 7.8

- (i) The Government should ensure that improvements to the affordability of child care continue by increasing the maximum rate of Child Care Benefit by \$17.50 a week and reducing the part time loadings from 33 per cent to 20 per cent for family day care and outside of school hours care.**

Cost: \$170 million (\$175 million in 2004-05)

- (ii) The Government should commission further research into the affordability of care with a view to developing robust benchmarks, as well as research into regional and local impacts of recent policy changes.**

Cost: \$0.75 million

²⁹ See Australian Institute of Health and Welfare 2001, *Trends in the affordability of child care services*. Canberra: AIHW (Welfare Division Paper no. 29); and John Powlay 2000. *Child Care Affordability*. Paper to 7th Australian Institute of Family Studies Conference.

Family support services

ACOSS welcomes the federal Government's election commitment to further strengthen family support services.³⁰

R 7.9

As a matter of urgency, the federal Government should expand family support services for high need groups as recommended by the Family Law Pathways Advisory Group.

Cost: \$10 million (\$12 million in 2004-05)

Indigenous children and families

The funding cuts to ATSIC in the 1996-97 Budget resulted in the loss of its Community and Youth Support Program previously funded at around \$30 million per year. This has left a major hole in the support which can be provided to this particularly vulnerable group of children and young people.

R 7.10

Funds should be provided to ATSIC to provide culturally appropriate programs and services to children and young people.

Cost: \$31 million (\$32 million in 2004-05)

Aboriginal and Torres Strait Islander Child Care Agencies currently provide a mechanism for the appropriate care and protection of Indigenous children where families in crisis are unable to care for them. These services are an important alternative to the damaging policies of removing children and placing them either in institutional care or with non-Indigenous carers.

R 7.11

The Government should increase its allocation of funds to Aboriginal and Islander Child Care Agencies to support primary prevention, holistic family support activities, and staff training and development.

Cost: \$4 million (\$4 million in 2004-05)

R 7.12

To address the problem that less than half of Australia's Indigenous children currently access pre-school education:

- (i) The number of Multifunctional Aboriginal Children's Services (MACS) should be significantly increased over the next two years to extend access to**

³⁰ Attorney General's Press Release 'Simplifying the Family Law System Even Further', 2 November 2001.

culturally appropriate community-controlled child care services for Indigenous communities.

- (ii) A formal consultative committee (comprising representatives of ATSIC, the Department of Family and Community Services, and the Secretariat of National Aboriginal and Islander Child Care) should be established to plan and monitor the expansion of the MACS.**

Cost: \$5.1 million (\$5.2 million in 2004-05)

ATSIC needs additional funds to address long standing issues that have only recently gained community support for action, in particular for addressing sexual assault and domestic violence in Indigenous communities. The Family Violence Prevention and Legal Services program is the only national Indigenous specific family violence program and additional funds are required to build on existing pilots.

R 7.13

The expansion of the Family Violence Preventative and Legal Services program to meet existing unmet needs in this area.

Cost: \$7 million (\$10 million in 2004-05)

Settlement services for refugees

R 7.14

ACOSS calls on the federal Government to abolish the Temporary Protection Visa (TPV). People who are successful in their application for refugee status, whether they arrive lawfully or unlawfully, should be granted permanent residence visas.

In the interim, as a matter of urgency, people on TPVs should have access to the same range of support services as those on Permanent Protection Visas. In particular, they should have access to English lessons, Job Seeking assistance, settlement support services, temporary accommodation and family reunification.

Cost: \$26 million (\$27 million in 2004-05)

Emergency Relief

Emergency Relief agencies consistently report increasing demand from families and individuals in crisis seeking material and financial assistance. An analysis of financial stress indicators drawn from the 1998-99 Australian Bureau of Statistics Household Expenditure Survey indicates that 8.2 per cent of Australian households had experienced hardship in the reporting period.³¹

³¹ FaCS Occasional Paper No. 4: Hardship In Australia - An analysis of financial stress indicators in the 1998-99 Australian Bureau of Statistics Household Expenditure Survey

Increased demand

ACOSS own regular survey of sector and client needs, *Australians Living on the Edge*, confirms an increased demand for emergency relief services over the past two years.

R 7.15

Funding to the Commonwealth Emergency Relief Program should be increased to address the needs of those who are currently being turned away from Emergency Relief (ER) agencies and to boost the level of assistance available.

Cost: \$7 million (\$7.2 million in 2004-05)

Emergency relief workforce development

The Commonwealth does not provide core grant funding for the employment of emergency relief workers. As a result the majority of ER provided in Australia is by volunteers who often do not have qualifications or significant training to equip them to deal with the difficult and complex issues they are faced with.

R 7.16

Funding should be provided for community based training, support and development projects to build volunteer and worker capacity in the ER sector.

Cost: \$0.5 million (\$0.5 million in 2004-05)

Chapter 8

Health



While reducing the gap in health outcomes between different socio-economic groups in Australia largely depends on policy measures external to the health care system, the system itself has an important role in ensuring programs and services reach those whose health is most at risk and that its activities do not contribute to the widening of inequalities.

The 2002-03 Federal Budget couched its key cost cutting measures in arguments about unsustainable growth in the cost of health and aged care contained in the Intergenerational Report which accompanied the Budget. The Report argued that current and future patterns of health expenditure will place a heavy tax burden on future generations.

It is important to note that the Report is not concerned with health expenditure in general, but the mix of private and public financing of health care. The policy choice is presented as one between the largesse of the current public health system and the tax burden of future generations, paving the way for budgetary measures such as the proposed increase in patient co-payments for Pharmaceutical Benefit Scheme (PBS) medicines.

One of the major failings of the Report is that it carries through existing policy parameters, such as the continuation of policies to encourage widespread participation in private health insurance. The irony is that this participation is currently underwritten by around \$2.3 billion in public funding each year and policies which grossly distort the equity and allocative efficiency of the Australian health care system.

The Report also fails to take account of the improved health outcomes for older Australians – the vast majority of people over 65 are in good health for much of their lives. Far from being a drain on taxpayers, most also continue to contribute in various ways – for example, as volunteers, as carers for grandchildren and partners, and as workers. It is important that further work be undertaken to better understand and effectively respond to the challenges and opportunities our changing demography brings.

At the same time as Australia's system of universal health care is being weakened, there are some innovative approaches to the planning and delivery of health care being developed which provide real opportunities for improved access to health care for particular groups in the community. Innovations of this kind need to be built on the foundations of a strong universal system of health care and not as substitutes for it.

Strengthening universal health care

Phasing out the Private Health Insurance Rebate

It is essential that Medicare be strengthened as a system of universal health care and that public funds are used directly and explicitly to relieve pressure on the public health system and fund gaps in non-medical public health services. (See recommendation on phasing out the Private Health Insurance Rebate in *Chapter 1: Taxation*.)

Research into the impact of co-payments

R 8.1

The National Health and Medical Research Council should commission research into the impact of health care co-payments (PBS, MBS, pathology and diagnostics) and other costs in accessing health care. The research should include a focus on the health care costs of people with a chronic illness.

Cost: \$0.2 million

Better access to primary health care

There is increasing public pressure on the Commonwealth to address the problem of declining levels of bulk billing for General Practice services. There is a risk that the real issue – access to primary health care services – will be obscured by concentrating exclusively on remuneration for General Practice. There are many other options, including increasing use of practice nurses, the extension of models such as diabetes educators into other relevant areas, funding for self-help groups, women’s and men’s health and wellness centres and models based on the HIV/AIDS support networks. Many of these are used by people affected by disadvantage already and there is strong evidence of their effectiveness in promoting health and supporting individual self-management.

The Government’s long term focus should be on building a framework for primary health care which will drive investment where it is most needed, in ways which will be effective and which ensures that cost is never a barrier to people receiving high quality health care.

R 8.2

The Government should commission a public and independent review on options for the future planning, development, funding and delivery of primary health care services with a broad focus on equity, quality and effectiveness.

Cost: \$0.5 million

A national index of Health Care Access

The evidence that geographical criteria are suitable for resource allocation for medical needs is quite weak and there is a need for better and more comprehensive indicators at the national level.

R 8.3

The Government should, as a matter of urgency, commission research into the development of a national index of health care access and accessibility.

Cost: \$0.2 million

Community-based health care

Community-based health services are a critical part of Australia's health care system, providing the preventative and allied health services in the community and the home so vital to improving health and well-being. They also provide an alternative setting through which medical services can be delivered, for example through the employment of salaried doctors or nurses in community health centres. Investment in community based health care thus offers one avenue for stemming the decline in bulk-billed GP services.

This part of the health system is under significant pressure due to earlier hospital discharge policies, the 'deinstitutionalisation' and 'non-institutionalisation' of people with a mental illness, the frail elderly and people with a disability. The increase in demand for such services has not been accompanied by an equivalent injection of resources.

The Commonwealth Government has shown its leadership in the area of palliative care in announcing a \$55 million package over four years to equip General Practitioners, community nurses and other allied health care providers to improve the standard of palliative care offered in local communities. This type of commitment should be extended to enhance the availability and standard of community-based health care generally, including post-acute care services, allied health and medical services.

R 8.4

The Commonwealth Government should demonstrate its leadership in supporting community-based health services by investing substantial funds to drive enhancements in the availability, scope and standard of community based health care services, initially targeted to areas of greatest need.

Cost: \$300 million (\$400 million in 2004-05)

Mental health services

Mental health is historically a difficult social and political problem, and Australia's mental health response to the set of issues that can make a difference to people's lives is well regarded in the international context³².

The national report card produced under the first, second and (hopefully) the Third Mental Health Plan has national averages and State comparisons that would not be available without this important resource³³.

Notwithstanding our overall progress, many specific elements of mental health care are at crisis point as demand for support continues to grow. This is evidenced by a range of indicators such as the fact that there has been a 400 per cent increase in the rate of suicide among schizophrenia sufferers in the past forty years, and that depression is predicted to be the second leading cause of disability by 2020. It is now estimated that mental health problems and mental illness affects more than 20% of the adult population in their lifetime and up to 15% of young people.

Part of the problem of response relates to the fact that models of care are too specialised and separatist. Levels of support for non-government organisations are inadequate and uneven between the States and Territories and between areas in some States. Affordable supports are only likely to be accessed when the problem has become acute or the justice system is involved. A focus on better integration with the NGO and primary care sectors is needed as part of a third National Mental Health Strategy to be agreed in 2003. Without this national effort, the specialist mental health sector will not expand, except at the cost of other sectors.

It is critical to build on the momentum and frameworks established through the second plan by improving both the level of resources on the ground and the coordination of community based resources available for primary care, prevention and support. Commonwealth leadership in this area can provide an important focal point for leveraging greater resources for mental health, and this should not only be through specialised mental health services, but also through primary care and non-government organisations. In particular, the Australian Health Care Agreements should include a Schedule to recognise specific targets to address additional needs of particular areas and groups, such as the increased stress in rural areas associated with the drought, the mental health needs of carers and the circumstances of detained asylum seekers.

³² See international reviewers' views at <http://www.health.gov.au/hsdd/mentalhe/mhinfo/nmhs/review.htm>

³³ See the latest NMHP October 2002 at <http://www.health.gov.au/hsdd/mentalhe/resources/reports/nmhrep2002.htm>

Savings under the PBS and MBS

The Government extended eligibility for the Commonwealth Seniors Health Care Card in the 2000-2001 budget, directing critical resources to many middle income retirees. This decision should be reversed.

R.8.5

Eligibility for the Commonwealth Seniors Health Care Card should be restricted.

Saving: \$30 million

Many drugs are listed on the PBS for specified indications and for use after other lower priced drugs have been found not to be satisfactory. It is well known that these restrictions are often not observed and that this type of prescribing can impose very high costs on the PBS.

R 8.6

Research into drug utilisation, particularly into prescribing outside PBS conditions, should be undertaken on a substantially larger and more coordinated scale and there should be greater monitoring of the prescribing patterns of practitioners and feedback to practitioners.

Saving: \$35 million in 2004-05

Dental health

The deep inequalities in access to dental care for adult Australians is well documented. Affluent Australians — about a third of the population — can receive high quality private treatment promptly, supported by a heavy tax payer subsidy. Low income Australians (about another third of the population) on the other hand experience lengthy delays or miss out on treatment altogether under an inadequately funded public system. Commonwealth government arguments about dental care being a State responsibility ring hollow once the extent of the subsidy of dental costs through the private health insurance rebate is considered. A recent analysis puts the amount at between \$316 and \$345 million per annum³⁴ and shows that the wealthy are by far the greatest beneficiaries after taking into account all sources of government funding and subsidies for dental care.

R. 8.7

The Government should provide immediate targeted funding for those groups who are most disadvantaged by the current system and whose dental health needs are clearly

³⁴ Spencer AJ (2001) What options do we have for organising, providing and funding better public dental care? Australian Health Policy Institute: Sydney

demonstrated by worse dental health outcomes than the broader community. Particular groups include: 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: \$150 million (\$250 million in 2004-05)

Indigenous health

Despite vast differences in health status, per capita health care expenditure is not much different between Indigenous and non-Indigenous populations. To make significant changes in the health status of Aboriginal people there needs to be a level of resources commensurate with need, and a process that guarantees that those resources are actually used in a way which enhance the health status of Aboriginal communities.

Community controlled health services

R. 8.8

- (i) **The federal 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 2004-05)

- (ii) **A multi-lateral national framework agreement should be developed by the federal Government with ATSIC and NACCHO.**

Cost: \$0.05 million

Improving hearing services for Indigenous people

There is strong evidence of government failure to provide culturally appropriate hearing services to Indigenous people living in rural and remote areas.

R 8.9

The Office of Hearing Services should support the establishment of regional centres of excellence in Indigenous ear health and hearing services at Indigenous community-controlled health services.

Cost: \$1.5 million (\$3 million in 2004-05)

Chapter 9

Law and justice



Access to affordable legal services, information and representation is fundamental to any modern democracy. Many Australians are currently locked out of this basic entitlement such that they are unable to adequately assert their rights or remedy wrongs done to them. This situation serves to perpetuate injustice and inequality, especially for low income and disadvantaged Australians, and should be urgently addressed.

Legal advice and support

Legal Aid

R 9.1

Legal aid funding should be increased over the next four years. The first priorities for new funds should be family law, domestic violence, and child protection matters; and the re-introduction of legal aid through the Attorney General's Department for immigration and refugee matters.

Cost: \$19.5 million (\$20.5 million in 2004-05)

Community legal centres

R 9.2

Additional funds should be allocated to the Commonwealth Community Legal Services program to ensure a minimum staffing level of three for all community legal centres.

Cost: \$12.3 million (\$12.6 million in 2004-05)

Children and young people

Youth legal services

R 9.3

Funding should be provided for:

- the establishment of specialist youth legal services in Tasmania, South Australia, New South Wales, the Northern Territory and the ACT;
- two additional positions in each of the existing youth legal services in Victoria, Queensland and Western Australia; and
- a position at the National Children's & Youth Law Centre to undertake administration and policy development work on behalf of the National Youth Advocates Network.

Cost: \$1.9 million (\$1.7 million in 2004-05)

Child protection investigative services

R 9.4

Funds should be provided to appropriately qualified and accredited children protection investigative services for the purpose of investigating child abuse allegations arising in family law proceedings, and providing a full report to the court.

Cost: \$10 million (\$1.7 million in 2004-05)

Indigenous Australians

National Network of Indigenous Women Working in Community Legal Centres

R 9.5

The federal Government should provide resources for a secretariat for the National Network of Indigenous Women Working in Community Legal Centres.

Cost: \$0.35 million (\$0.35 million in 2004-05)

Expansion of legal services for Indigenous women

R 9.6

Additional funding should be provided for the expansion of specific legal services for Indigenous women, which includes the establishment costs of new centres in specific locations and the expansion of services elsewhere.

Cost: \$5 million (\$7 million in 2004-05)

National Aboriginal and Torres Strait Islander Youth Law Centre

R 9.7

Funds should be provided for a National Aboriginal and Torres Strait Islander Youth Law Centre, including extra resources for establishment costs in the first year.

Cost: \$0.4 million (\$0.25 million in 2004-05)

Asylum seekers

Immigration Advice & Application Assistance Scheme (IAAAS)

R 9.8

Extra resources should be provided to the Immigration Advice and Application Assistance Scheme to improve the level and range of services available to asylum seekers and applicants for certain other classes of visa.

Cost: \$10.3 million (\$10.6 million in 2004-05)

Recognition and justice for refugees and asylum seekers

This submission contains a number of recommendations to improve supports and settlement pathways for refugees (See *Chapter 7: Community Services* and *Chapter 4: Social Security*). Australia's current treatment of asylum seekers not only lacks compassion but is inefficient and unjust and grounded on poor information. It is imperative that our treatment of asylum seekers is based on a recognition of the fundamental worth and dignity of other human beings many of whom who are escaping war and oppression, and that we act in accordance with the range of human rights conventions to which Australia is a signatory.

R.9.9

ACOSS has developed a position statement on recognition and justice for asylum seekers which calls on the government to, inter alia:

- **End the current policy of ongoing mandatory detention of asylum seekers;**
- **Set transparent standards for review, the provision of accommodation, and the administration of health and safety checks. Where checks are not completed in 42 days, this should be the subject of judicial review; and**
- **Immediate release into the community, into the care of community groups and relatives, all individuals and families not considered to be a threat.³⁵**

Cost: likely savings

³⁵ This is summary of key points from the ACOSS statement which can be found on the ACOSS website.