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| 29 January 2020 |
| The Hon J. Frydenberg  Treasurer  PO Box 6100,  Parliament House  Canberra ACT 2600 |

Dear Treasurer

Thank you for the opportunity to make a pre-budget submission.

The 2020/21 federal budget will be a significant public policy document in the context of Australia’s social and economic prosperity. The ongoing drought and the bushfire disasters that have devastated so many Australian communities will place further pressure on the Australian economy. While economic indicators such as the strength of the Australian equities market, steady employment numbers and an improving housing market offer some comfort, the Australian economy remains fragile.

Despite some positive economic indicators, underemployment and slow wages growth are affecting the social and economic wellbeing of many Australian families. The drought and bushfires have directly affected many Australian communities and have been particularly difficult for families. Critically the impact of these natural disasters will also flow through to the general community by increasing the cost of staples such as meat, fruit and vegetables, which will only further negatively impact Australian families, especially those on low incomes or dependent on welfare payments.

Given the current state of the Australian economy and issues impacting Australian families and communities, we encourage the Government to focus on providing Australians with the necessary health, education and social services, even if in doing it will impact on the budget surplus. While we appreciate that such a decision will be politically difficult, Catholic Social Services Australia will stand behind the Government’s decision to forgo the budget surplus in order to shield Australian families from further cuts to their living standards.

Considering a fragile economy and the ongoing impacts of the drought and bushfires, we offer the following views on the 2020/21 budget spending priorities.

**Community Recovery and Resilience Program**

The current bushfire season has many months to go, the cyclone season for our northern states has started, and we continue to suffer the impacts of a deep and unrelenting drought. Addressing these destructive climate events is complex. However, we believe that we have a shared responsibility and opportunity to lessen the impacts of such disasters on vulnerable people and communities.

The scope and severity the current events and likely occurrence of further severe weather-related natural disasters requires a substantial and long-term commitment to fund improved community resilience activities.

While CSSA acknowledges the Government’s significant financial commitment to its drought response, resilience and preparedness plan and as well as its bushfire response the gravity of this crisis and likelihood that more such events will happen into the future more needs to be done. Accordingly, we ask that new money to be set aside in this year’s budget specifically for the development and implementation of new resilience and capability pilot programs for communities currently impacted by the drought and bushfire disasters. The pilot programs will fund community coordinator roles, as well as provide funding for specialist advisory and support services to assist communities develop local expertise and capability to manage whole of community recovery and develop locally based capacity to help prepare for future disaster events. This program will also support communities through the funding of psychosocial counselling and support, designed to meet the specific needs of the affected communities. We estimate a modest investment of the order $100 million over the forward estimates.

**Job Guarantee**

With some 700,000 Australians without work and a further 1.1 million seeking additional hours of work, Australia needs a new approach to employment. The Australian government is passive in the job creation agenda, leaving the heavy lifting to businesses, not-for-profits and charities, who are vulnerable to the vagaries of the economic cycle. In times of economic downturn, it is the low-paid and low-skilled employees who are most vulnerable to long-term unemployment. It is time to invest in a Jobs Guarantee Program.

There are a range of social and economic benefits of a Job Guarantee Program through the provision of paid employment. For individuals and their families, the single most common event to trigger an exit from poverty is an increase in the household head’s earnings, including movement from unemployment to employment.

Work also helps family functioning and supports children’s educational and social development. Employment also corresponds with reduced likelihood of incarceration and need for public housing among First Nations peoples.

A Job Guarantee Program enables participants to be employed in a variety of community-based jobs that can be designed to match the skills and capability of the participant. It offers participants the opportunity to gain transferable skills and experience, offering increased economic mobility for them and their families.

Local communities also benefit from the program through improved economic activity by way of increased spending on consumables and services. This is particularly important for regional, rural and remote communities and communities of entrenched disadvantage. A Job Guarantee Program offers significant economic benefits to Australia and can act as a macroeconomic stabiliser, mitigating the full consequences of economic downturns on individuals and the economy.

As with the Community Recovery and Resilience Program, we recommend that a trial be developed, again potentially targeting those communities impacted by the drought and recent bushfire disaster. A trial program of up to 100,000 participants would have a net cost of around $650 million.

**Affordable housing**

Safe, adequate and affordable housing is a critical component of a fair and functioning society. The number of Australians without secure and affordable housing is unacceptable. The June 2019 report *Social housing as infrastructure: rationale, prioritisation and investment pathway* for

the Australian Housing and Urban Research Institute (AHURI)[[1]](#footnote-1) found that over the next 20 years, 727,300 additional social housing dwellings will be required across Australia. To address homelessness and housing stress right now, we need an additional 430,000 social housing dwellings.

We believe now is the time for the Government to establish a new National Housing Authority to inform, co-ordinate and fund the expansion of new social housing supply through a needs-based capital investment program, together with the existing National Housing Finance Investment Corporation (NHFIC). We must also strengthen the investment case by ensuring that cost-benefit assessments properly quantify the social benefits of social housing. This is necessary not only to capture both productivity and social gains, but also for making a coherent rationale for social housing investment.

Further in AHURI’s January 2020 report *Understanding the experience of social housing pathways[[2]](#footnote-2)* it found that the extent of housing market failure in Australia is such that the private rental market is largely inaccessible, unaffordable and insecure for households on low incomes, including those households that might otherwise have the capacity to move on from social housing. It also found that a lack of coordination of support across different service sectors is particularly problematic for tenants with complex needs. Social housing providers do not presently have the resources to undertake complex case management for all tenants, but there are few provisions within the system for other services to take on this role instead.

There is an urgent need to increase funding for capital works and support services to improve housing opportunities and security for Australians. The total investment required will be in the billions of dollars. The establishment of a new National Housing Authority, working with NHFIC and drawing upon the resources of State and Territory governments, together with the cooperation of community housing providers and charities, provides us the opportunity to develop a systematic plan to deal with the housing shortfall which will be of social and economic benefit to Australians, especially the poorest and most vulnerable.

**Family and Community Support**

The Family and Communities Program administered by the Department of Social Services is budgeted to reduce from around to $791 million in 2018/19 to $667 million in 2022/23. Over that same period there are significant reductions in the component programs of *Families & Children*, *Financial Wellbeing & Capability* and *Strong and Resilient Communities*. Further after 2020/21 the *Social and Community Services Pay Equity Special Account* (ERO) supplementation ceases, which will in effect see more than $500 million of funding withdrawn from the sector. Critically, many contracts issued to the sector which extend service delivery beyond the supplementation period, have not been adjusted to take account of increased cost of services once the supplementation ends.

In light of the importance, in particular of the *Families & Children*, *Financial Wellbeing & Capability* and *Strong and Resilient Communities* and their capacity to provide specialist support to communities affected by the drought and bushfires we recommend:

* The base rate of grants for community sector organisations currently receiving ERO supplementation should be increased to incorporate that supplementation so as to prevent cuts across the community sector;
* The Wage Price Index (when greater than the Consumer Price Index for the same period) be used as the primary index for annual funding adjustments, and publish the indexation rate in the Budget Papers; and
* Exempt community sector funding from the Efficiency Dividend.

Further, while we recognise that the government has made an initial commitment to provide an additional 10 000 Home Care Packages, we believe that this is unsatisfactory given that some 120 000 people who have been assessed as needing care are still waiting to receive a home care package or their appropriate level of care support. Elderly Australians should not be required to wait more than 3 months to receive a Home Care Package. To address the backlog, we estimate a further $2.3 billion should be invested as a priority to reduce the waiting list to no more than 3 months so older people can remain in their homes as they age.

Finally, we believe that the rate of payment for Newstart and age pension are inadequate, and we call for the reform of how welfare payments are set to ensure low income family households have access to adequate income to live with dignity.

Yours sincerely



Dr Ursula Stephens

Chief Executive Officer

1. Lawson, J., Denham, T., Dodson, D., Flanagan, K., Jacobs, K., Martin, C., Van den Nouwelant, R., Pawson, H. and Troy, L. (2019) Social housing as infrastructure: rationale, prioritisation and investment pathway, AHURI Final Report No. 315, Australian Housing and Urban Research Institute Limited, Melbourne, http://www.ahuri.edu.au/research/final-reports/315, doi: 10.18408/ahuri-5314001. [↑](#footnote-ref-1)
2. Flanagan, K., Levin, I., Tually, S., Varadharajan, M., Verdouw, J., Faulkner, D., Meltzer, A. and Vreugdenhil, A. (2020) Understanding the experience of social housing pathways, AHURI Final Report No. 324, Australian Housing and Urban Research Institute, Melbourne,

   http://www.ahuri.edu.au/research/final-reports/324, doi: 10.18408/ahuri-4118301. [↑](#footnote-ref-2)