

Catholic Social Services Australia Submission to the Australian Treasury 2024-2025 Pre-budget

FOR THE COMMON GOOD



About CSSA

Our 37 member agencies, with an annual revenue of \$1.1 billion, provide a diverse range of services to about half a million people annually. These services include aged care, NDIS services, youth work, financial counselling, family and relationship support, homelessness services, and emergency relief, all aimed at helping the vulnerable and impoverished. Our network operates across more than 900 sites in Australia, employs over 11,000 staff members, and is supported by around 3,000 volunteers.

Contact us:

PO Box 6067, O'Connor ACT 2602 Level 1, 3 Sargood Street, O'Connor ACT 2602

T 02 6285 1366

admin@cssa.org.au

www.cssa.org.au



Table of Contents

OVERVIEW	3
SUMMARY OF RECOMMENDATIONS	4
INTRODUCTION	6
IMPROVED FUNDING FOR SOCIAL SERVICES	7
A FAIRER TAX AND WELFARE SYSTEM	9
ACCESS TO LAND AND HOUSING FOR ALL	12
CLOSING THE GAP FOR ARORIGINAL AND TORRES STRAIT ISLANDER PEOPLES	15



Overview

Our members work to support a cohesive, inclusive, and just society where everyone has the opportunity to thrive, flourish and develop their full potential. CSSA's work is underpinned by Catholic Social Teachings principles: solidarity, the preferential option for the poor and vulnerable, the rights of workers, the dignity of work and protection and care for the environment.

The worsening maldistribution of wealth and opportunity in Australia and overseas demonstrates that our politico-economic structures and their inter-relationship with government policies need careful and ongoing review and reform.

The 2024-2025 Federal Budget needs to be a budget focussed on the common good. In *Laudato si* Pope Francis writes:

Underlying the principle of the common good is respect for the human person as such, endowed with basic and inalienable rights ordered to his or her integral development.¹

CSSA encourages the Albanese Government to deliver a Budget for 2024-2025 that protects and builds social and economic rights, opportunities, and services for all Australians, but most especially for our citizens struggling at the margins with poverty and hardship. Only by first raising up conditions for the most disadvantaged in our community, can we all prosper.

3

¹ Laudato si' [2015] no. 157



SUMMARY OF RECOMMENDATIONS

Recommendation 1

Abolish the 1.2% "productivity offset" applied to Commonwealth Government grants for the provision of social services, and to the indexation of those grants, at least for not-for-profit and charitable community services organisations.

Recommendation 2

To genuinely improve efficiency and effectiveness in the operations of the not-for-profit and charitable social services sector, increase Government investment in:

- Devising broadened grant formulas and improved funding arrangements to ensure that there is a *genuine* match with the full cost of providing quality social services and capacity to attract, retain, and train a skilled workforce in secure jobs with fair pay and safe working conditions.
- Improving workplace health and safety.
- Providing new or updated labour-saving technology.
- Facilitating partnerships between not-for-profit and charitable providers.

Recommendation 3

That the 2024-2025 Budget include a major boost to welfare payments to ensure that recipients and their families can afford to meet their basic needs and to live free from poverty.

Recommendation 4

That the Albanese Government pursue further steps towards making our system of public revenue collection more progressive and efficient. The following are examples of reform proposals that need to be carefully considered:

- Raising the personal income tax-free threshold.
- Reducing the tax concessions that currently apply for capital gains and superannuation.
- Working with State and Territory Governments to facilitate the removal of inefficient and damaging taxes such as Payroll Tax and Stamp Duty.
- Increasingly relying upon land values (including natural resources) as a tax base.



Recommendation 5

That the Albanese Government request the Productivity Commission to conduct a Public Inquiry into the causes and consequences of, and equitable remedies for, the high price of residential land relative to incomes in Australia.

Recommendation 6

Commit to a significant increase in funding directed at achieving the objectives in the Closing the Gap Agreement and greater engagement and participation of Aboriginal and Torres Strait Islander people in decision making to improve their life chances and Closing the Gap outcomes.



Introduction

The 2024-2025 Federal Budget is being developed at a time of a momentous tipping point in Australian history. The Albanese Government was elected to power in May 2022 at a time of extreme social and economic hardship for many Australians. The Government is to be commended for the progress that it has made towards addressing many of the problems that it inherited. For example, expanding fee-free TAFE places and legislating for cheaper medicines.

However, fundamental change is urgently needed to effectively address the extreme inequality of economic opportunities and outcomes that have become deeply ingrained in our politico-economic system.

The Albanese Government is under significant pressure to deliver a Budget for 2024-25 that makes substantial progress towards building a fair society.

An important task of Government is to uncover unjust privileges and monopoly arrangements and expose them to scrutiny and to bring about peaceful reform directed at a standard for the common good of the whole community. As Pope Francis wrote more than a decade ago:

Demands involving the distribution of wealth, concern for the poor and human rights cannot be suppressed under the guise of creating a consensus on paper or a transient peace for a contented minority. The dignity of the human person and the common good rank higher than the comfort of those who refuse to renounce their privileges. When these values are threatened, a prophetic voice must be raised.²

For the 2024-2025 Budget, CSSA calls upon the Government to commit to:

- Substantially boost overall funding and reforming funding formulas for the provision of community services.
- Deliver a more progressive and efficient system of revenue collection.
- Boost welfare payments to build a stronger safety net that lifts people out of poverty.
- Address the exorbitant price of residential land, and to introduce policies to make land much more accessible, as a means of making housing affordable.

² Pope Francis, 'Evangelii Gaudium. Apostolic Exhortation to the Bishops, Clergy, Consecrated Persons, and the Lay Faithful on the Proclamation of the Gospel in Today's World' (24 November 2013), henceforth eg, available at: , https://www.vatican.va/content/dam/francesco/pdf/apost_exhortations/documents/papa-francesco_esortazione-ap_20131124_evangelii-gaudium_en.pdf, accessed 16 January 2024.



• To substantially increase the resources devoted to improving the lives of Aboriginal and Torres Strait Islander peoples and achieving the objectives set out in the National Agreement on Closing the Gap.

Improved Funding for Social Services

Government grants for the provision of social services need to genuinely match the cost of providing quality services and attracting, retaining, and training a skilled workforce in secure jobs with fair pay and safe working conditions.

CSSA is greatly concerned about the negative impacts of the current 1.2% productivity offset that is applied to Commonwealth Government grants, and to the indexation of those grants. The spurious theory underpinning the productivity offset is that it may create an incentive for community service organisations to focus on finding more efficient ways of working.

However, the reality for CSSA members is that it is *causing inefficiencies* due to funding shortfalls, an inability to raise wages and conditions to meet or exceed the minimum Award standards, and cuts to staffing - all inhibiting their ability to provide the necessary services to clients.

Whilst there is certainly a place for government to invest in improving efficiency, such as through funding for new technology, facilitating partnerships or supporting improved workplace health and safety³, the productivity offset and other efficiency dividends, have only a negative effect in the not-for-profit care and support sector.

Furthermore, Commonwealth models for community services grant funding and indexation are based on crude, narrowly construed formulas, using Consumer Price Index (CPI) and Wage Cost Index (WCI) figures. These formulas typically result in funding that falls significantly short of the actual cost of providing the quality of services required.⁴⁵

³ Department of The Prime Minister and Cabinet (2023) Draft National Care and Support Economy Strategy, https://www.pmc.gov.au/sites/default/files/resource/download/draft-national-care-and-support-economy-strategy-2023.pdf, Pp.33-36, Accessed 24/1/24.

⁴ See: Gilchrist, David, J., and Clare T. Feenan. 2023. "Economic Paper 2: Why the CPI and WPI are not Appropriate Bases for Human Services Funding Indexation." Working Paper Series on the Economics of Human Services, Centre for Public Value, UWA Business School, Perth, Australia.

⁵ Gilchrist, David, J., and Clare T. Feenan. 2023. "Challenging the Framework for Funding Indexation in Australian Human Services: Achieving Sustainability". A report developed by the Centre for Public Value, UWA Business School, Perth, Australia.

Pre-budget Submission 2024-2025



Some examples of areas where the current federal government models of funding and indexation do not adequately meet the true costs encountered by Community Service Organisations in striving to provide quality care and support services include:

- a) Increased community demand for services.
- b) Increased complexity of client needs.
- c) Mandated improvements to Award/FW Act wages and conditions.
- d) Mandated Superannuation increases.
- e) The need to make above-Award employment arrangements with employees (and their representatives) through enterprise bargaining.
- f) Increases insurance costs, including workers' compensation insurance.
- g) The cost of leasing or paying a mortgage on a premises.
- h) Property maintenance.
- i) Travel and fuel (especially in regional and rural areas).
- j) Necessary technology changes or upgrades.
- k) Electricity.
- l) State/Territory government taxes and charges.
- m) The need for research, facilitating partnerships, service innovation, and advocacy.
- n) The need for staff training and development.
- o) The cost of effective organisational administration and the accommodation of regularly changing rules and regulations.
- p) The cost of labour turnover due to low wages, poor conditions and high workloads. E.g., compared to the Commonwealth public sector.
- q) The cost of staff recruitment and retention difficulties due to housing costs and shortages.
- r) The cost of delays in the provision of information about ongoing funding and indexation.
- s) The cost of entering short-term funding contracts and late notice of changes.
- t) The lack of flexibility in the ways that grant funding can be expended and the timing of such.
- u) The cost of competing with for-profit organisations that may cut corners or temporarily run at a loss to secure market domination.



Recommendation 1

Abolish the 1.2% "productivity offset" applied to Commonwealth Government grants for the provision of social services, and to the indexation of those grants, at least for not-for-profit and charitable community services organisations.

Recommendation 2

To genuinely improve efficiency and effectiveness in the operations of the not-for-profit and charitable social services sector, increase Government investment in:

- Devising broadened grant formulas and improved funding arrangements to ensure that there is a genuine match with the full cost of providing quality social services and capacity to attract, retain, and train a skilled workforce in secure jobs with fair pay and safe working conditions.
- Improving workplace health and safety.
- Providing new or updated labour-saving technology.
- Facilitating partnerships between not-for-profit and charitable social services providers.

A Fairer Tax and Welfare System

CSSA acknowledges that the decision by the Albanese Government, detailed by the Prime Minister on 25 January 2024, to restructure the planned Stage 3 tax cuts, is a significant step towards making the outcomes for taxpayers fairer. CSSA also welcomes the Government decision, to the benefit of low-income earners, to index the thresholds above which taxpayers are required to pay the 2 per cent Medicare levy.⁶

The announced changes to the Stage 3 tax cuts would increase the benefit to apply for low and middle-income workers earning less than approximately \$150,000 per annum and trim the benefit that would otherwise have applied for high income earners.

Some examples: Under the ALP amended Stage 3 tax cuts, a worker earning \$70,000 gross per annum (just above the median wage)⁷, would receive a tax cut of \$1,429 per annum instead of the \$625 cut that they would have received under the original tax cut formulation.⁸

⁶ See: https://www.abc.net.au/news/2024-01-25/low-income-earners-extra-tax-relief/103387054

Australian Bureau of Statistics (August 2023), Employee earnings, ABS Website, accessed 24 January 2024.

⁸ See: https://www.theguardian.com/australia-news/2024/jan/24/stage-three-tax-cut-changes-endorsed-labor-albanese-government



The table below provides further examples. (Figures are approximate) 9.

Taxable income	Original stage 3 tax cut	ALP amended stage 3 tax cut	Change
\$35,000	\$0	\$504	\$504
\$70,000	\$625	\$1,429	\$804
\$140,000	\$3,300	\$3,700	\$454
\$200,000	\$9,100	\$4,500	-\$4,500

Despite the more progressive nature of the revised Stage 3 tax cuts, CSSA asserts that more fundamental reform to our tax and welfare system is necessary. Serious questions remain about the impact of the loss of approximately \$300 billion in revenue over the next decade that is entailed by the Stage 3 tax cuts. Major improvements are still needed for welfare payments and funding for vital community services.

CSSA believes that the findings and modest proposals put forward in the 2023 report *A Fairer Tax and Welfare System for Australia*, commissioned by the St Vincent de Paul (SVdP) National Council, should be carefully considered by the Government in formulating the 2024-25 Budget. ¹⁰

The options presented in this report include a substantial increase in welfare payments, to assist the most disadvantaged and impoverished Australians. The authors explain:

The proposed policy changes add to the equity of the existing welfare system, providing extra assistance to those who are most likely to be in deep poverty and financial stress. Increases are proposed to JobSeeker, Parenting Payment (Single), Disability Support Pension and Carer Payment along with increases to low-income renters through increased Commonwealth Rent Assistance (CRA). The most generous policy proposal includes an increase to Family Tax Benefits.¹¹

CSSA supports and reiterates the calls from St Vincent de Paul, ACOSS, the Salvation Army, UnitingCare Australia, Anglicare, BaptistCare Australia for the Government to reform welfare payments to ensure that recipients can afford to meet their basic needs and to avoid poverty.

⁹ Ibid

¹⁰ See: https://www.vinnies.org.au/advocacy/a-fairer-tax-and-welfare-system, accessed 22 January 2024.

¹¹ Ibid, P.3



The SVdP report recommends scrapping the Stage 3 tax cuts in favour of raising the tax-free threshold from \$18,200 to \$26,000 and otherwise increasing the progressivity of the taxation mix by measures that include reducing the tax concessions that currently apply for capital gains and superannuation.

The thrust of the SVdP report is directed at demonstrating that even relatively modest moves towards a more progressive system of taxation and higher standards of welfare payments can have a significant positive impact on Australian society. The authors acknowledge that there are many potential pathways to a more progressive and just system of tax and welfare support. They write:

The proposed policy options are but three of any number of options available to policy makers. We do not suggest these are the only or best options. However, they provide an example of what can be achieved with relatively modest changes to the existing system and total expenditure on supporting low-income Australians. The proposed changes are targeted to benefit persons who have the greatest financial need and would be paid for by those most able to accommodate a modest additional contribution.¹²

The political reality is that the Stage 3 tax cuts (as amended) will now very likely go ahead. Yet there remains scope for the Government to deliver a Budget that goes further on reforming tax and welfare.

CSSA encourages the Albanese Government to revisit the findings in the *Henry Tax Review*, including those favouring the socialisation of community generated land values for government revenue, in lieu of less efficient taxes on labour.¹³ Progress could also be made by the Government working with State and Territory Governments to explore the benefits of eliminating inefficient and damaging taxes such as Payroll Tax and Stamp Duty.

Recommendation 3

That the 2024-2025 Budget include a major boost to welfare payments to ensure that recipients and their families can afford to meet their basic needs and to live free from poverty.

¹³ See: https://treasury.gov.au/review/the-australias-future-tax-system-review/final-report

¹² Ibid, P.4-5



Recommendation 4

That the Albanese Government pursue further steps towards making our system of public revenue collection more progressive and efficient. The following are examples of reform proposals that need to be carefully considered:

- Raising the personal income tax-free threshold.
- Reducing the tax concessions that currently apply for capital gains and superannuation.
- Working with State and Territory Governments to facilitate the removal of inefficient and damaging taxes such as Payroll Tax and Stamp Duty.
- Increasingly relying upon land values (including natural resources) as a tax base.

Access to Land and Housing for All

Millions of Australians are experiencing growing hardship due to the rising cost of living and this is being compounded by interest rate rises. Orthodox economic theory tells us that the best way to tackle high inflation is for the Reserve Bank to raise interest rates. However, this narrow prescription needs to be considered in the context one of the key causes of the inflation problem - the exorbitant price of land. High land prices feed into the cost of all production and create an array of inefficiencies. Key to bringing down the cost of living is to make land much more affordable for housing and other productive use.

The high price of land relative to incomes:

The current housing crisis in Australia is characterized by unprecedented levels of homelessness, housing unaffordability, housing stress, housing insecurity, and overcrowding. The root problem, driving the housing crisis and exacerbating many other social issues, is the increasingly exorbitant price of housing relative to incomes. This is identified in the National Housing and Homelessness Plan (NHHP) Issues Paper as follows:

The price of housing has been increasing faster than income levels.

The issue of house prices is complex and depends upon a range of interconnected factors, including macro-economic conditions and regulation at the Australian Government, state, and local government level.

With the price of housing increasing at a higher rate than wages, the proportion of yearly wages needed to save for a deposit has also risen.



Debt as a proportion of income, and debt to asset ratios have also increased, with household debt making up 211% of disposable income in 2021 (up from 133% in 2021)...¹⁴

Numerous economic experts agree that a universal, secure, and affordable housing system would greatly benefit the labour market and boost overall economic productivity.¹⁵

There is a need for government intervention to rein in the cost of housing and strive to grow real incomes for all Australians at a rate much faster than the increase in the price of housing. Such a policy direction would be consistent with the natural advance and progress of society and would free people to pursue far more productive endeavours with their time and income. Of course, a shift to universally affordable housing needs to be achieved together with improving the quality of housing and the quality of the surrounding community services.

More broadly, from a moral standpoint, we need to consider the serious damage being caused to our society and economy by maintaining a housing market that increasingly excludes or grossly disadvantages new or more recent entrants and persons on low and middle incomes.¹⁷

In his Apostolic Exhortation, Evangelii Gaudium, The Holy Father, Pope Francis, wrote:

Just as the commandment 'Thou shalt not kill' sets a clear limit in order to safeguard the value of human life, today we have to say 'thou shalt not' to an economy of exclusion and inequality. Such an economy kills. How can it be that it is not a news item when an elderly homeless person dies of exposure, but it is news when the stock market loses two points? This is a case of exclusion...¹⁸

Indeed, it is not an exaggeration to state that the unequal opportunity to access housing evident in contemporary Australia is not only excluding or grossly disadvantaging people but also making them ill and shortening their lives.¹⁹

The NHHP Issues Paper analyses some of the direct and indirect impacts upon the housing market, discerning that:

The most critical factor is the supply of land in desirable locations that are close to jobs and well-connected to infrastructure and other services.²⁰

¹⁴ Commonwealth of Australia (Department of Social Services) (2023), The National Housing and Homelessness Plan Issues Paper, Pp. 61-2

¹⁵ Commonwealth of Australia (Department of Social Services) (2023), op cit., P.16.

¹⁶ *Ibid*, P.62

¹⁷ See for example: https://www.abc.net.au/listen/programs/themoney/inheritocracy/102892758

¹⁸ Pope Francis (2013), *Evangelii Gaudium* ("The Joy of the Gospel"), #53

¹⁹ See for example: https://www.aihw.gov.au/reports/australias-health/health-of-people-experiencing-homelessness#_Toc31631717

²⁰ Commonwealth of Australia (Department of Social Services) (2023), op cit., P.67.





The biggest single impediment for people trying to purchase a home is arguably the price of land, especially in the most socially and economically useful and desirable locations.²¹ Not only has the growth in the average price of residential land outstripped income growth for decades, but it has also surged well ahead of the rise in construction costs.²²

The price of land relative to incomes is partly due to a lack of supply of suitable residential sites and practices such as land banking by developers seeking windfall gains at the expense of the community²³.

Of course, taxation incentives, such as negative gearing, also limit the supply of land available for first-home buyers (including land with existing housing) by encouraging citizens to purchase more housing than they need for personal use. Policies that promote urbanisation ahead of regional development and growth also serve to artificially restrict the supply of suitable sites.

However, it is important to observe that rising land values are a natural reflection of population growth and improved public services and infrastructure achieved through community cooperation and public expenditure.

But paradoxically, as our society has progressed, the increasing price of land relative to incomes (especially in recent decades) has made it much harder for new entrants to the housing market to be able to afford a site upon which to house themselves. This has driven wealth inequality and social division that continues to worsen.

For this reason, CSSA encourages the Albanese Government to revisit many of the arguments set out in the *Henry Tax Review*, favouring the socialisation of land values for government revenue, in lieu of less efficient taxes on labour.²⁴

Our system of land ownership, combined with our tax system design, creates a fundamental inequality of opportunity. Over time, this leads to an increasing proportion of the population being excluded from their fair share of our national wealth. This situation is further exacerbated by government and private sector restrictions on releasing new sites for residential development.

²¹ See ABS (2023), Australian System of National Accounts, Table 61, Value of Land, by Land use by State/Territory- at 30 June. Current prices.

²² See:ABS (2023) Australian Industry > Data downloads > Time series spreadsheets > Key data by industry subdivision.

Construction; and Producer Price Indexes, Australia > Data downloads > Table 18. Input to the House construction industry, six state capital cities, weighted average and city, index numbers and percentage changes

²³ For example, see: Larry Schlesinger, 'Developers hoping for \$200 million payday on outer Melbourne site', *The Australian Financial Review*, Online, 27 August 2023.

 $^{{}^{24}\,\}text{See: https://treasury.gov.au/review/the-australias-future-tax-system-review/final-report}$



As Pope Francis writes in Fratelli Tutti:

The right to private property is always accompanied by the primary and prior principle of the subordination of all private property to the universal destination of the earth's goods, and thus the right of all to their use" (FT 123).

According to Catholic Social Teaching, it follows that the right to private property is a secondary right, conditioned on the universal destination of goods. Or, as Pope John Paul II put it, the right to private property always comes with a social mortgage.²⁵

We need a policy approach to increasing housing supply and distribution that affords the greatest possible equality of opportunity, freedom of movement, and health and wellbeing to the whole Australian population. The Government's challenge is to create policies that not only bring down the ratio of house prices to incomes but also ensure that all Australians have equal access to and can affordably use and enjoy residential land and housing.

Recommendation 5

CSSA recommends that the Albanese Government request the Productivity Commission to conduct a Public Inquiry into the causes and consequences of, and equitable remedies for, the high price of residential land relative to incomes in Australia.

Closing the Gap for Aboriginal and Torres Strait Islander Peoples

In the wake of the unsuccessful attempt to amend the Constitution with the Voice Referendum, it is crucial that Government turn its attention to delivering practical improvements in the lives of Aboriginal and Torres Strait Islander peoples.

Whilst it is acknowledged that some small progress has been made towards Closing the Gap in a few areas, for the most part the combined efforts of Federal and State and Territory Governments since 2008, have resulted in disappointing outcomes. For example, about 81 per cent of Aboriginal and Torres Strait Islander people still live in houses that are overcrowded.²⁶

The Closing the Gap strategy has done little to improve the circumstances of Indigenous Australians living in rural and remote communities. CSSA supports the advocacy of the National Aboriginal and Torres Strait Islander Catholic Council (NATSICC), whose members are located in Aboriginal communities across Australia.

²⁵ See: https://www.vatican.va/content/john-paul-ii/en/encyclicals/documents/hf_jp-ii_enc_30121987_sollicitudo-reisocialis.html [Section 42]

²⁶ https://www.mn.catholic.org.au/media/6475/2023-24-social-justice-statement-listen-learn-love-final.pdf. Pp. 6-8

Pre-budget Submission 2024-2025



NATSICC argues that Closing the Gap has resulted in unnecessary layering of bureaucracy, which has served to move Aboriginal and Torres Strait Islander people further away from decision making processes. Catholic Social Teaching emphasises the principle of Subsidiarity - Subsidiarity empowers and acknowledges the genius and dignity of the individual by recognising that those closest to the problem or issue are best placed to provide a solution. We must encourage and use these intrinsic attributes to forge a path forward for our people and not bury them under protectionism or paternalistic measures.

Recommendation 6

Commit to a significant increase in funding directed at achieving the objectives in the Closing the Gap Agreement and greater engagement and participation of Aboriginal and Torres Strait Islander people in decision making to improve their life chances and Closing the Gap outcomes.