

The Senate Inquiry into Poverty

Submission

by

Catholic Social Services Victoria

to

**The Senate Community Affairs
Reference Committee**

March 2003

Table of Contents

1. Executive Summary	1
2. Catholic Social Services Victoria (CSSV)	3
3. Catholic Social Teaching Tradition	3
4. The Poverty Inquiry	5
5. Finding a common definition of poverty	5
6. Poverty measurement	7
7. Who are the poor in our society?	8
8. Key considerations for the Inquiry	9
<i>Employment</i>	
<i>Taxation</i>	
<i>Income Security</i>	
<i>Housing</i>	
9. Findings of CSSV Report into Disadvantage	12
<i>10.1 Whole-of-government strategy</i>	
<i>10.2 Poverty summit</i>	
<i>10.3 Research and education</i>	
<i>10.4 Enhance young people's understanding of cause and effects of poverty</i>	
<i>10.5 Learn from the successes of overseas models</i>	
<i>10.6 Reforming the Taxation System</i>	
<i>10.7 Reforming Income and Security</i>	
10. Recommendations	13
References	17
Appendix I	18
<i>Surviving not Living: Disadvantage in Melbourne</i>	
Appendix II	21
<i>Poverty and Inequality since 1992</i>	

1. Executive Summary

Australia is perceived by many as the lucky country, a place where opportunities abound for those who seize the chance. Despite temporary setbacks caused by recessions or short periods of sluggish growth, Australia has experienced significant economic growth over the past twenty years, and many believe this has benefited the country as a whole. Many conclusive studies reveal however that there is widespread and persistent inequality in the distribution of wealth in Australia. The gap between the rich and the poor is considerable and has been an abiding and worsening feature of the Australian society for a number of years.

Poverty is one of the most fundamentally critical problems facing our country and underlies many social issues which cause hardship and social isolation.

Catholic Social Services Victoria (CSSV) and many welfare and social service agencies, including our member agencies, face the consequences of poverty on a daily basis as they strive to engage and support Victorians who access our services.

Our agencies know the reality for the people doing the rounds of agencies, trying to survive, often pushed aside and overlooked by the broader society. We know for many of these people, the opportunities are not there. We also know that the fragmented service system saps people's energy, as it is often very time consuming and frustrating.

Besides the comprehensive studies which conclude the serious nature of poverty, we have simple and factual markers which demonstrate that there has not been an alleviation of poverty in Victoria. Our services are seeing record numbers of people requiring financial assistance to meet ordinary expenses such as utility bills, rent, food, education and health costs. The number of people presenting for meal services, support services, financial counselling, short and long term housing supports a call for this inquiry into the deepening issue of poverty.

This inquiry is very timely, given the proposed review of breaching within the social security system, mooted further taxation reform and general concerns about the Federal Government's priorities as we commit to the costly exercise of war. Similarly, the lack of adequate and affordable housing for many in our society is a significant obstacle to people participating in the social and economic life of their communities.

We have seen that this widening gap has continued under Federal Governments of different political persuasions. During the 1990s, unemployment became entrenched with the emergence of a new group called the long-term unemployed and the numbers receiving a range of social security benefits had increased sharply.¹ & ²

We are deeply concerned that this is destined to continue in the absence of radical changes to government policy. A strong commitment to eradicating poverty is

¹ Probert, B. Poverty, Issues in Society (2002) p37

² Melbourne Catholic Social Services and the Melbourne Catholic Commission for Justice Development and Peace, Opportunities Lost. The Experiences and costs of Long term Unemployment. (1997)

required as an initial step and will require a whole of government strategy to ensure that all structural issues are covered. It is incumbent upon Government to tackle poverty in all its complexity and implications, particularly as it is embedded in the structures of our society, many of which will perpetuate the ongoing inequity unless policy changes are made by Government.

We believe Government can play an important role through its institutions such as schools, in educating the broader community about the extent, nature and impact of poverty on individuals' lives as well as the collective impact this has on our country.

There are many lessons we can learn from other countries. The United Kingdom's and Ireland's anti-poverty strategies hold considerable merit. The Netherlands and the Nordic countries, with their broader welfare application, higher real wages which promote a fairer society and progressive taxation, offer other models which could be evaluated in detail for consideration in the Australian setting.

“Many people do not have experience or understanding of what it is like for the over two million Australians¹ approximately who face the constant worry of lack of money, lack of stability which permanent housing and employment achieves, and an inability to have aspirations because of a lack of opportunities.”

Because of the increasing polarity in Australian society brought about by this widening gap, it is also a great concern that only a small percentage of Australians understand the reality and experience of poverty. Many people do not have experience or understanding of what it is like for the over two million Australians³ approximately who face the constant worry of lack of money, lack of stability which permanent housing and employment achieves, and an inability to have aspirations because of a lack of opportunities. These peoples' lives are governed by a permanent anxiety and preoccupation with the consequences of poverty. In a country where a large number of people have such an array of assets, so few debts and considerable discretionary spending, it is an indictment that we have such a polarised situation.

Our submission includes two appendices, one of which is the Executive Summary of a study undertaken by CSSV of forty people's experience of disadvantage. The other is a critique of poverty and inequality since 1992, also undertaken by CSSV. This critique is part of a publication entitled *A Fair Society? Common Wealth for the Common Good: Ten Years on*.

³ Australian Council of Social Service (1999), Poverty Factsheet, ACOSS. Sydney

“Wherever men and women are condemned to live in poverty, human rights are violated. To come together to ensure these rights are respected is our solemn duty.”

Fr Joseph Wresinski, Originator of the International Day for the Eradication of Poverty.

2. Catholic Social Services Victoria

Catholic Social Services Victoria welcomes the establishment of the Senate Inquiry into Poverty in Australia. As the peak agency for Catholic welfare agencies in Victoria, we and our member agencies see on a daily basis the ramifications of poverty for the people we support. Our eighty member agencies represent both large and small organisations working to engage and support people experiencing forms of disadvantage and hardship, with poverty most frequently the underlying or core problem.

Member agencies offer a range of services as disparate as aboriginal mission, aged care, both residential and in home support, child adolescent and family support, criminal justice, including support to prisoners and their families, drug counselling, disability, family and health chaplaincy, homelessness and women’s services. The agencies have the support of 5,000 paid staff and up to 10,000 volunteers.

We emphasise the legitimacy and authority of our member agencies to speak about poverty. Many of these agencies have prepared submissions to the Inquiry. One example is St Vincent de Paul Society, which sees over one million people nationally per year in relation to financial and social support. As part of their submission, they conducted a survey of people experiencing poverty. The solutions to poverty contained in their submission are echoed in our recommendations.

Another member agency, Jesuit Social Services has worked with disadvantaged young people for more than 25 years. Their programs recognise that addressing social exclusion is one of the most effective ways of confronting poverty in Australian society today. Other agencies, such as Good Shepherd Youth and Family Services offer a range of innovative services to young people living in chronic poverty. All programs aim to counter social isolation and bolster living skills and coping mechanisms. Good Shepherd has also been active in working with schools to heighten their awareness of the needs of low income families and students

3. Church Social Teaching Tradition

Over the centuries, Christians have struggled to find ways to live authentically by Gospel values. Because of vastly changing social conditions over time, the application of those values is not always self-evident. In our day, we need renewed efforts to clarify the moral principles that guide public policy, and find how best to operationalise them in effective social programs.

Especially over the last century, the Catholic Church has tried strenuously to articulate and apply principles of social justice. In Australia, the Catholic bishops

have issued some major statements in recent years, notably *Common Wealth for the Common Good: a statement on the distribution of wealth in Australia*⁴ and *A New Beginning: Eradicating Poverty in our World*⁵.

These statements have particularly emphasised that the economy must serve the needs of all our people, and have criticised neo-liberal views that rely too heavily on markets to allocate rewards and incentives. The market can be a wonderful servant, but a cruel master.

It is the legitimate and necessary role of government to ensure that markets work to benefit the whole society. As well as safeguarding the integrity of market mechanisms, the State must evaluate its economic policies in terms of social outcomes.

“According to Catholic Social Teaching the test of how well a community is doing is not answered by the question, How well is the average Australian doing? Or, how easy is it to do business? Rather the test is answered by the question, how well are the least well off doing?”

Catholic and other church and community based welfare organisations are only too well aware that the recent and ongoing strength of many of our economic indicators have not translated into an improvement in the material conditions of Australia’s least well off. Left to themselves, markets will often favour the rich and strong at the expense of the poor and weak. Clearly increasing economic growth in aggregate terms can be a very misleading indicator of social improvement.

According to Catholic Social Teaching the test of how well a community is doing is not answered by the question, How well is the average Australian doing? Or, how easy is it to do business? Rather the test is answered by the question, how well are the least well off doing?

The Catholic tradition of social teaching has identified several key principles to guide the formation of public policy:

1. The fundamental premise is that all policies should **support the dignity of the human person**, and of all in a society.
2. **The common good** is not an abstract utilitarian term looking to the good of the greatest number but, in the Church’s eyes, the sum of all the conditions in society which advance the wellbeing of every citizen.
3. The Church has long defended the **right to private property but also emphasised that private property has a ‘social mortgage’**. The right to property is not absolute, but is meant to benefit others as well through

⁴“Common wealth for the common good: a statement on the distribution of wealth in Australia”, ACBC, Melbourne: Collins Dove, 1992

⁵“A new beginning: eradicating poverty in our world”, ACBC Blackburn VIC: HarperCollins, 1996

sharing the fruits of property. Hence the Church insisted on the serious obligation of almsgiving to those less fortunate, a duty partly fulfilled today by paying taxes.

4. **‘Solidarity’** is the virtue by which all citizens, groups and the State commit themselves to pursuing the common good. It implies that public policy should promote the reality of members of society standing together and rejects the notion of highly divided communities.
5. By the **‘preferential option for the poor’**, the Catholic tradition challenges society such that those living in poverty or suffering significant disadvantage have first claim on our care and resources, and efforts to change the structures that keep them poor.

These principles are not intended to relate only to Catholics, rather they support the dignity and rights of all human persons.

4. The Poverty Inquiry

We applaud this Inquiry being undertaken as we acknowledge that governments and political parties have a history of shying away from addressing the issue of poverty. We recognise that if it is to be dealt with adequately, it requires uncovering dimensions to poverty which challenge us to confront the structural realities which allow poverty to remain in our society. For too long, while we have heard that the gap between those in our society who have plenty and those who do not is widening, there has been a failure by both State and Federal governments to commit the thinking, the time and the resources to confront and address the extent of the problem.

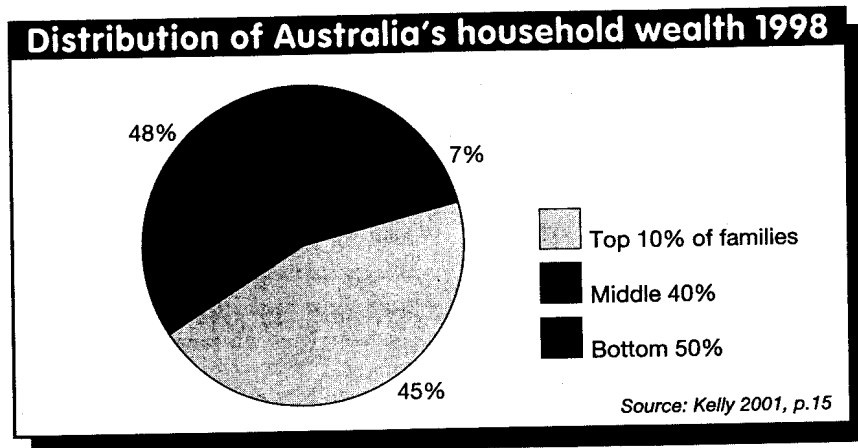
From the perspective of our agencies and the work they perform on behalf of the people they serve, poverty is the central contributing factor to the range of critical social problems which beset the lives of so many in our community. While it is the mission of the Church and the agencies which carry out the work of the Church to alleviate this hardship, there is a limit to how much the Church can do. We are committed to address the underlying structural problems in order to tackle poverty effectively and this will take strong measures supported by Government.

The 1972-75 *Henderson Commission of Inquiry into Poverty* agreed that “poverty in Australia was inseparable from inequalities firmly entrenched in our social structure. Inequalities of income and wealth reinforce and are reinforced by inequalities of educational provision, health standards and care, housing conditions and prospects, and access to legal structures.”⁶

5. Finding a common definition of poverty

For many Australians, poverty is not a state of which they have first hand experience. Australia has a large middle class and many believe that the overall economic growth which we have seen in the period since the 1980s, has benefited all citizens.

⁶ Henderson, Ronald Henderson Commission of Inquiry into Poverty, (1972-75).



Poverty, Issues in Society, (2002) p.1.

“The way in which wealth statistics are aggregated often leads to misleading information about the level of affluence and poverty in our contemporary society.”

We know that the growth has predominantly benefited the richer members of the community. For the predominant group in Australia who have fared well and whose personal wealth and circumstances have prospered, their understanding of poverty tends to relate to what they know about third world countries; what we would define as abject or absolute poverty. These Australians are often heard to confess that they don't know any poor people or even see poverty in their daily lives. They may even deny that severe poverty exists in Australia. Our recent study however, indicates clearly that there is a significant level of poverty related distress in even our wealthiest cities. The way in which wealth statistics are aggregated often leads to misleading information about the level of affluence and poverty in our contemporary society.⁷

“Social exclusion is closely related to poverty and to combat these realities, requires access to both material and non-material resources, derived from a secure base for all.”

In our submission, we wish to clearly define our sense of poverty as one which is relative: relative in relation to the experience of others in Australia, who are able to afford and participate in a range of meaningful pursuits and life achievements because of their relative affluence. We define poverty in terms of relative deprivation. While people, may not be totally without income, they cannot participate as fully as others in

⁷ Cameron, S. and Duncan, B. Surviving not living: Disadvantage in Melbourne.(2001) Catholic Social Services Victoria

the formal and informal structures of our society. While government is ultimately responsible for the sustainability of these structures, this is most effectively achieved in partnership with communities and organisations which respect human need and dignity and work to maximise well-being and human potential.

We do not want the inquiry to become embroiled in definitional issues at the expense of identifying solutions and ways to effectively implement these solutions. We believe it is important that poverty is not approached as the problem of individuals who experience its effects. Our experience does not allow us to subscribe to the view that poverty is simply a function of individual behaviour.

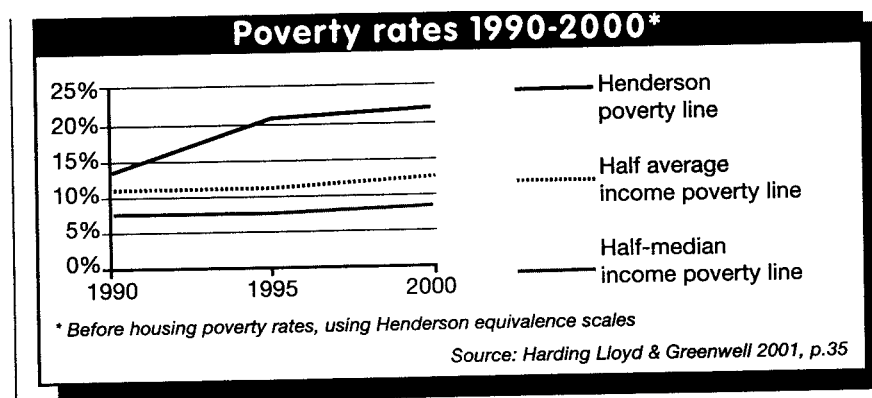
Given that poverty relates to deprivation of capability and participation, then logically a range of responses is needed. **We call for an integrated response, which incorporates an examination of the critical interplay of the social security, taxation, education, employment and housing systems. This will entail a whole-of-government strategy which mandates poverty reduction as a policy objective across all policy areas.**

6. Poverty measurement

There have been many attempts to measure and quantify poverty. Perhaps the best known measurement is by means of poverty lines. The most widely recognised poverty line in Australia is the Henderson Poverty Line.

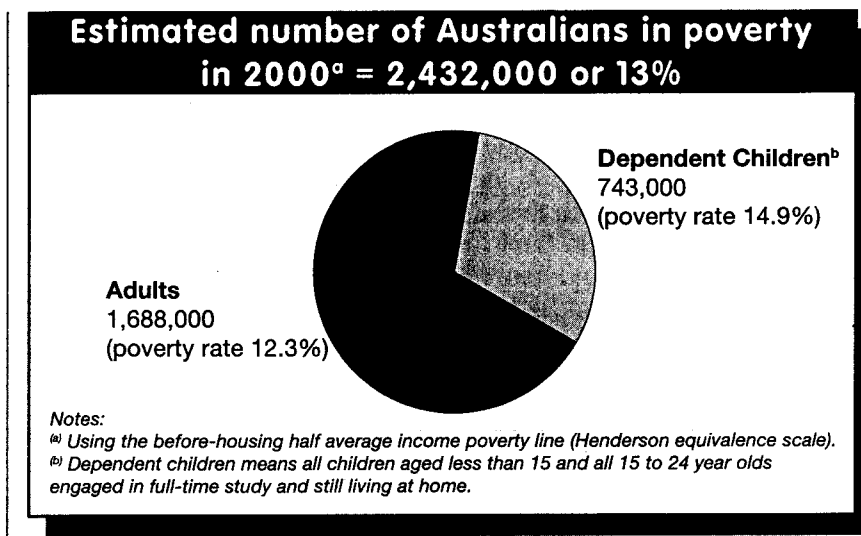
Over the years there have been a number of inquiries and significant studies undertaken to determine the level of poverty in our society. The 1972-75 Henderson Commission of Inquiry into Poverty found that 10.2 per cent of Australians were very poor, and 7.7 per cent were rather poor. Since then, further research suggests there has been an increase in the incidence of poverty. In 1998, the National Centre for Social and Economic Modelling (NATSEM) estimated the percentage of people living below the poverty line to be 16.7 per cent of households nationwide with a further 13.7 per cent classified as “rather poor”. Information obtained from ACOSS publications concludes that in 1999, over two million Australians were living below the poverty line.

The graph below, using three poverty lines, demonstrates the increase in the percentage of Australians in poverty since the 1990s.



Poverty, Issues in Society, (2002) p.1.

The pie chart below reveals one estimate of the number of adults and children in poverty.



Poverty, Issues in Society, (2002) p.10.

7. Who are the poor in our society?

There are many identifiable groups of people experiencing poverty in Victoria today. Some of these have always been evident in our society; others are new and emerging groups and some remain largely hidden from view. In preparing this submission, CSSV recently held a consultation attended by 40 representatives from our member agencies who identified the following groups to be at high risk.

- The unemployed, particularly long term unemployed
- People with disabilities
- People with a mental illness who can experience particular difficulties developing a sense of belonging
- People leaving prison
- Older drug users whose families and the broader society have given up on them
- Long term chronically ill
- Sole parents
- Aborigines
- The working poor
- Large families
- Refugees and asylum seekers
- Some rural communities.

Poverty is also hidden and sometimes unknown to certain quarters of our community. Rural poverty, its extent and nature, is largely unknown to many urban communities. The growth corridors and metropolitan fringes often include housing, but little service infrastructure. There are concentrations of people in these areas experiencing hardship and isolation.

A finding from our agency consultation was the concern for people our agencies support over a lengthy period of time with government funding. Welfare program funders have an expectation that the agencies will “exit” the clients at a specified stage, and yet, the agencies’ experience is that there is often no appropriate next stage service to support these people. This raises issues about the need to recognise the lack of ongoing, sustained support services, which step up or step down the level of service required. There is usually nowhere these people can be referred on to and this can result in a revolving door syndrome. As a result, much of the progress made in the life of a disadvantaged person is soon undone.

8. Key considerations for the Inquiry

Alleviation of poverty is a complex issue and requires a raft of measures and a wholistic strategy. We recognise the interaction between income support policies and other key policy areas such as:

- Housing policy
- Employment policy
- Industrial relations policy
- Education policy
- Family and child support
- Disability policy
- Crime and criminal justice policies
- General health, Pharmaceutical Benefits Scheme and dental and mental health services
- Financial arrangements relating to eligibility for State concessions.

We recognise that these cut across both State and Federal Government jurisdictions. There are a number of whole-of-government strategies and partnership arrangements which aim to work at tackling particular social issues. However, unless these policy areas are focussed specifically around maximising the opportunities for people to participate in broader societal opportunities, it is unlikely that we will see effective progress achieved in poverty alleviation.

Employment

We know that a job, and preferably full-time employment with reasonable pay and conditions, is the best way to avoid poverty. The reality today is that there are insufficient jobs to serve everyone seeking full time employment. These people should not be punished for an incapacity to find work which does not exist. There has been an increase in the number of people working part time or on a casual basis. A recent survey by the Australian Bureau of Statistics confirms that approximately 1.2 million people are underemployed and both need and want more hours of work.⁸

It is apparent that the number of low paid workers has increased, resulting in an increase in the number of working poor. The number of households with a head at working age receiving social security assistance had risen from 3% in 1970 to 20% in 1997-98.⁹

⁸ Labour Force, Australia, 1978-2000 (ABSCat.6203.0, 6204.0)

⁹ Borland, Gregory and Sheehan

It is clear that as a nation we need to return to a position which is committed to the creation of more full time employment. Of particular concern, are the long-term unemployed who should be guaranteed employment and training assistance and subsidised work placements.

In addition to the growing divide between hours of available work, CSSV observes another disturbing trend in the type of jobs available. This too is likely to lead to a greater entrenchment of poverty in certain sectors of the community.

Mark Cully of Flinders University recently released a study that was reported in the Melbourne Age¹⁰. He found that in the fifteen years 1986-2001, the total number of jobs, full time and part time, grew by 1.8 million to 8.1 million an increase of 28%. Impressively 1 million of those jobs were in the highest skilled occupations: managers and professionals.

At the other end 700,000 or 40% of the new jobs were reportedly at the very bottom end of the market in unskilled or semi-skilled occupations in the services sector.

Of concern however is the shrinking of the middle. According to the study the past fifteen years have seen almost no growth in the number of middle level skilled jobs. Jobs that require post school training but not a university degree.

The numbers of trades people in fact fell by 13,000 and employment remained static among advanced clerical and service workers.

“The entrenchment of long term unemployment and changes in the job market threaten to lock in deprivation and disadvantage across generations to certain families, groups and neighbourhoods.”

The middle is disappearing from the jobs market: a gulf is widening between workers that will be impossible to bridge. While a worker at the lower end may have in the past aspired to a middle level job, with those jobs largely disappearing, it is unlikely that any of those in the low paying/low skilled sector of the job market will ever get a job at the high skilled/high pay end. As housing, health and education costs rise it is increasingly against the odds that even the children of those working at the lower end of the jobs market will ever be in the position to take advantage of enhanced opportunities and so to bridge that gap.

The entrenchment of long term unemployment and changes in the job market threaten to lock in deprivation and disadvantage across generations to certain families, groups and neighbourhoods. Social mobility and egalitarianism for many decades a feature of Australian society and something of a national characteristic is rapidly disappearing.

¹⁰ Ross Gittins The Age 5th February 2003

Taxation

We are aware of the Senate Inquiry into taxation and will be making a submission. Our overall concern is that if we are to achieve a reduction in the levels of poverty, then we need a revised approach by government to a range of programs and welfare arrangements. A more equitable distribution of wealth through the taxation system would assist in meeting the additional costs of this.

We believe there are many areas of tax in relation to Trusts, tax havens and loopholes and negative gearing which warrant closer attention to reduce the inequity of current arrangements which favour the affluent members of our society. We support much of the detailed work in the St Vincent de Paul submission in relation to Trusts, negative gearing and loopholes.

“We urge governments at all levels to reduce their revenue dependency on regressive taxes that place an unfair burden on those least able to afford it.”

We also believe that to counter the misinformation which abounds that Australia is a highly taxed country, the Federal Government would be acting responsibly if it initiated a public education program promoting the social and economic benefits which come from a decent and just taxation system. The inclusion of international comparisons would also go some way to dispelling the myth that we are a highly taxed nation.

The underlying principle to our approach on taxation is that the system as a whole should be more progressive. We urge governments at all levels to reduce their revenue dependency on regressive taxes that place an unfair burden on those least able to afford it.

Income Security

Australia’s income security system requires some significant reform to address its inherent complexity, the inadequacy of some payments and the harsh regime of penalties. The system is in some ways failing to adequately support people who rely on this as their sole source of income. It is important that the anomalies and inadequacies in the system are addressed to alleviate the undue stress people are experiencing. The harsh breaching regime has put pressure on both the recipients of the payments and the Church and welfare agencies which are called upon to provide support to tide people over while the non compliance issue is resolved.

It is regrettable that some of the most disadvantaged job seekers such as people with mental illness and substance abuse issues are experiencing worsening hardship because of the escalation in breaches over the past few years.

Furthermore the highly “targeted” nature of our income support system can lead to many poverty traps as recipients face extraordinarily high “effective marginal tax rates” for relatively small increases in earned income.

Measures such as low income tax rebates and working tax credits might be considered in policy measures designed to reduce the number and extent of poverty traps built into the income security system.

Housing

The States have witnessed the impact that reduced Commonwealth funding for public housing has had on the supply of affordable rental housing stock. As well, the tightened eligibility criteria targeted to those in greatest need means many more are forced to pay excessively high rents in the private rental market. Rental assistance has done nothing to ensure a greater stock of affordable housing.

“There needs to be a greater commitment by Government to fund according to unmet need.”

Our agencies confirm that the numbers experiencing homelessness has increased, which is placing significant strain on demand for crisis accommodation. All of these scenarios make it impossible for these people to escape the poverty trap brought about by an inability to secure affordable, stable housing.

There needs to be a greater commitment by Government to fund according to unmet need. We also support St Vincent de Paul’s call for tax incentives for developers who invest in low cost housing. This would be likely to alleviate the shortage of private rental market at the lower rental end of the market. Moreover tax revenues could be increased if “negative gearing” schemes were disallowed for properties and capital growth at the high end of the property market.

9. Findings of CSSV report into disadvantage [Appendix I]

In 2001, CSSV produced a report *Surviving not Living, Disadvantage in Melbourne*, based on interviews with 40 unemployed and disadvantaged people to test the adequacy of social security provision and to determine how they were affected by economic privation. The study was designed to uncover the human face of disadvantage as well as drawing conclusions about the efficacy of government policy and assistance programs. (A hard copy of this report has been sent to each of the Committee Members under separate cover).

The report concluded that poverty is the fundamental problem, not so-called ‘welfare dependency’. The study found that the people interviewed were ‘overwhelmingly desperate’ for employment so they could find security in their lives and meet their responsibilities as carers and parents.

The report summarises the interviews, which reveal patterns of cumulative disadvantage throughout their lives, including inadequate education, chronic ill health and deep poverty. People were severely traumatised by the effects of prolonged unemployment, and many were deeply depressed.

‘*Surviving not Living*’ argues that Australia’s social security system was never designed to cope with high and long-lasting unemployment, but to maintain people

during short transition periods in an era of near-full employment. The result is that hundreds of thousands of Australians have been forced to endure acute poverty, many for years at a time. The official unemployment figures of 6.9% greatly understate the number of people wanting further paid work.

The report attacks as unjust and draconian the neoliberal economic policies, coming from the United States, which are pushing for reductions in income security payments and more coercive and punitive measures on the unemployed. It found that compliance mechanisms on the unemployed were ‘onerous and penalties were severe.’ ‘Breaching’ of many people occurred because they had shifted accommodation or were uncontactable.

The report concludes that poverty is the fundamental problem, not so-called welfare dependency. The study found that the people interviewed were overwhelmingly desperate for employment so they could find security in their lives and meet their responsibilities as carers and parents

The report condemns the extent of social distress in Australia caused by disadvantage. The social deprivation of such a large section of our population makes a mockery of our mythology of a “fair go” for everyone.

The report criticises the inequity of recent economic policies. While many Australians were enjoying unprecedented prosperity, the burdens of economic adjustment had been disproportionately loaded on to the backs of the unemployed. Economic policies had widened the gap between the rich and the poor, resulting in prolonged hardship and injustice for the unemployed and other disadvantaged groups.

Increasingly the poor and unemployed are being blamed for their plight, instead of the structural causes of unemployment being clearly recognised. Even on the official figures, there are seven unemployed people for every advertised vacancy.

Unless these policy areas are focussed around maximising the opportunities for people to participate in broader societal opportunities, it is unlikely that we will see effective progress achieved in poverty alleviation.

The Executive Summary of the report is included as Appendix I.

10. Recommendations

A number of our recommendations were developed at a poverty workshop we held with 40 representatives from Catholic welfare agencies to identify the most pressing issues. Many of the recommendations echo those of other agencies which share our values and philosophy. We also endorse many of the recommendations contained in the submissions from Catholic Welfare Australia and St Vincent de Paul and have included some in our list of recommendations.

10.1. Whole-of-government strategy

CSSV recommends that the Federal Government initiates the development of an overall national and state level whole-of-government commitment to achieve poverty minimisation. This will entail establishing a dedicated unit and setting achievable

annual targets, which must be reported regularly through Departmental and parliamentary reporting.

The overarching strategy should enshrine the following principles:

- That the Government has an absolute obligation to provide basic income support to those genuinely in need
- That a poverty reduction strategy is mandated in policy formulation
- That spending proposals overall need to be targeted to those in greatest disadvantage
- That adequacy of employment opportunities underpins policies designed to alleviate poverty in the long term
- That efforts to regenerate communities be recognised as an effective means of stemming the tide of poverty
- Ensure that the voice of people experiencing poverty is heard and responded to, in the development of alleviation measures.
- Develop and promote strategies which counter the present tendency to “blame “ the poor.
- The development of innovative, wholistic programs in areas of high concentrations of poverty to ensure greater regional equity across Australia.

We recognise that these cut across both State and Federal Government jurisdictions. There are a number of whole-of-government strategies and partnership arrangements which aim to tackle particular social issues. **However, unless these policy areas are focussed specifically around maximising the opportunities for people to participate in broader societal opportunities, it is unlikely that we will see effective progress achieved in poverty alleviation.**

10.2. Poverty Summit

CSSV further recommends the convening by the Federal Government of a summit on poverty alleviation with key stakeholders. Stakeholders should include key departmental representatives, social welfare agencies and practitioners, Churches, Commonwealth/State/Local Government and members of the business community in order to build consensus for the development of a national strategy for poverty alleviation.

The **summit’s** terms of reference should be agreed to by key stakeholders and should address the following priorities.

1. The establishment of a well resourced Social Participation Unit, to continue the work undertaken by the summit.
2. **Job Creation** and reductions in the ‘real’ level of unemployment and underemployment to less than 5% involving a focus on creating long term and economically, environmentally and socially sustainable jobs.
3. **Education and Training:** equal opportunities for everyone, with special attention to disadvantaged areas and specific groupings in the community who have been missing out or failing to achieve adequate levels of educational attainment.
4. **Housing strategy:** establishment of a national affordable housing program with supporting mechanisms including a National Affordable

Housing Corporation and confinement of negative gearing to the provision of affordable housing.

5. **A Child Care / Aged Care Strategy:** enabling every parent and child access to affordable and convenient child care, and our older citizens, similar access to affordable and caring aged care services.
6. **Regional Development:** all of the above programs must, of necessity, have a strong regional development bias with a focus on well-documented areas of disadvantage
7. **Poverty measurement.** Develop appropriate benchmarks and measurements of what constitutes poverty and disadvantage, recognising there may be a requirement for a range of measures in order to reflect the reality of living in different States and parts of the country. We recommend the Committee view the broad range of poverty indicators used by the Joseph Rowntree Foundation in the UK. (www.jrf.org.uk)

10.3. Research and education

CSSV recommends that the Federal Government allocates an appropriate annual budget to enable high level research into causes and effects of poverty and disadvantage. This budget should allow for an appropriate and comprehensive evaluation of models and approaches from countries with a proven track record in alleviating poverty. This could also enable regular high level delegations from these countries to visit and hold national symposia to highlight and educate the broader community on the importance of recognising the extent and consequences of poverty.

10.4. Enhance young people's understanding of cause and effects of poverty

CSSV advocates that the Federal and State Governments support the development of educational poverty material to be included in core curriculum in all schools.

10.5. Learn from the successes of overseas models

CSSV seeks government to provide sufficient funding to examine and evaluate the feasibility of application in Australia of a range of successful international poverty alleviation models such as the Irish Combat Poverty Agency and welfare, taxation and social inclusion approaches in countries such as The Netherlands.

10.6. Reforming the Taxation System

CSSV recommends that the Federal Government undertake a thorough and serious examination of the Australian National Taxation System with a view to ensuring greater equity of tax treatment. The tax burden needs to be spread more evenly across the wealthier individuals and institutions in our country. Some worthwhile measures are:

- Higher marginal tax rates on very high incomes and/or a cap on salary packages which can be claimed as a company cost deduction. (Higher tax rates exist in more progressive countries which invest more solidly in social investment programs.)
- The removal of tax concessional treatment of trusts.
- Restrict or shut down tax loopholes offered by overseas tax havens.
- Remove tax concessions for negative gearing and confine beneficial treatment

- To socially responsible national objectives such as affordable housing or essential infrastructure and environment projects.

10.7. Reforming Income Security

CSSV seeks that inadequacies in the income security system be addressed to alleviate the undue stress and hardship people are experiencing.

Income security levels should always guarantee that recipients are not forced to live in poverty. This requires that basic payments be indexed to a reasonable benchmark, eg 25% of Average Male Weekly Earning (AMWE).

The detrimental effect of breaching on the most vulnerable in our community must be minimised as suggested in the Pearce Report.¹¹

Larger tax rebates for low income earners might be considered as a means of countering poverty traps.

¹¹ Pearce *et al* Report of the Independent Review of Breaches and Penalties in the Social Security System, 2002.

References

Australian Council of Social Service (1999). Poverty Factsheet. ACOSS Sydney

Catholic Welfare Australia, (2003) Poor Choices. Submission to Senate Inquiry into Poverty in Australia

Catholic Social Justice Series No. 46, A Fair Society? Common Wealth for the Common Good: Ten Years on. (2003)

Duncan, B and Rimmer, S Surviving not living: Disadvantage in Melbourne (2001) Catholic Social Services Victoria

Jesuit Social Services Newsletter, Summer 2002/03.

King, Anthony “Income Poverty since the early 1970s” in Fincher, Ruth & Nieuwenhuysen.

Melbourne Catholic Social Services and the Melbourne Catholic Commission for Justice Development and Peace, Opportunities Lost. The Experiences and costs of Long term Unemployment. (1997)

Mendes, Philip (2003), Submission to Senate Inquiry into Poverty in Australia. Monash University

Pearce et al, Report of the Independent Review of Breaches and Penalties in the Coail Security System, 2002.

St Vincent de Paul, National Council of Australia, (2003) Submission to Senate Inquiry into Poverty

APPENDIX I

`SURVIVING, NOT LIVING: DISADVANTAGE IN MELBOURNE

by Catholic Social Services Victoria

Launch: 17 August 2001

EXECUTIVE SUMMARY

This report is based on interviews with 40 unemployed and disadvantaged people to test the adequacy of social security provision and income support for them, and to determine how they were affected by economic privation. The study considered the human face here, and wanted a clearer insight into

- how these people viewed their own situations,
- how they coped emotionally with the insecurity and hardship,
- how their relationships were affected,
- their aspirations and hopes for the future and
- what support they considered they needed to find employment and a decent opportunity at a happy life.

The results of the interviews are summarised, revealing patterns of cumulative disadvantage, extending from unhappy family backgrounds to inadequate education, chronic ill health and deep poverty. **People were severely traumatised by the effects of prolonged unemployment, and many were deeply depressed.**

`Surviving, not Living' argues that Australia's social security system was never designed to cope with high and long-lasting unemployment, but to maintain people during short transition periods in an era of near-full employment. The result is that **hundreds of thousands of Australians have been forced to endure acute poverty, many for years at a time.** The official unemployment figures of 6.9% of the workforce greatly understate the number of people wanting further paid work.

The report attacks as unjust and draconian the neoliberal economic policies, coming from the United States, which are pushing for reductions in income security payments and more coercive and punitive measures on the unemployed. It found that compliance mechanisms on the unemployed were *`onerous and penalties were severe'*. *`Breaching'* of many people occurred because they had shifted accommodation or were uncontactable.

It insists that **poverty is the fundamental problem, not so-called `welfare dependency'**. The study found that the people interviewed *`were overwhelmingly desperate'* for employment so they could find security in their lives and meet their responsibilities as carers and parents. *`The cruel reality is... that people will not find work, no matter how hard they try, if the jobs are not there, as is the case currently'*. Meanwhile, the report added that **income**

support to provide suitable accommodation, food and health care was seriously deficient, leaving carers and children particularly vulnerable.

Catholic Social Services argues that the primary **`Mutual Obligation'** rests not on the unemployed but on governments and society to provide the conditions so everyone who wishes can find paid employment. It concluded that **society and governments had `gravely failed'** these people, and needed to respond to their plight more vigorously.

The report declared that **the extent of social distress was a `national disgrace and should jolt us from our complacency.** Just because such social hardship has continued for decades doesn't mean it is tolerable. The social deprivation of such a large section of our population makes a mockery of our mythology of a "fair go" for everyone' (p. 29).

The report criticised the inequity of recent economic policies. **While many Australians were enjoying unprecedented prosperity, the burdens of economic adjustment had been disproportionately loaded on to the backs of the unemployed.** Economic policies had widened the gap between rich and poor, resulting in prolonged hardship and injustice for the unemployed and other disadvantaged groups.

To add insult to injury, increasingly the poor and unemployed are being blamed for their plight, instead of the structural causes of unemployment being clearly recognised. Even on the official figures, there are seven unemployed people for every advertised vacancy.

RECOMMENDATIONS

UNEMPLOYMENT

- Australia must give the fight against unemployment a much higher priority in economic policy.
- Ways must be found to distribute employment more equitably, as some other OECD countries have done, (e.g. by a four-day working week; by limiting overtime, by paid sabbaticals etc.)
- As a matter of urgency, *`Surviving, not Living'* recommends that at the bare minimum the unemployment rate be lifted from the current Newstart allowance of \$179 a week for a single adult to the aged pension rate of \$200 a week.
- Instead of extending Work for the Dole, Catholic Social Services recommends that it should be modified or made voluntary, as it is being experienced as punitive and unreasonable for many people.
- CSS supports the call by the National Coalition Against Poverty for a national enquiry into poverty.
- Any suggestion of the use of targets for *`breaching'* be eliminated.
- That Governments offer more substantial assistance for the long-term unemployed in particular.

HEALTH

- With the public health system currently over-stretched, that more funding be made available to meet the needs of low-income and socially isolated people, and the mentally ill in particular.
- That Community Health centres and the Home and Community Care programme be strengthened.

HOUSING:

- That bold measures be taken to redress the severe lack of public housing.
- Other measures be taken to assist low-income groups into suitable housing.
- That funding for crisis accommodation be increased to meet the need.

EDUCATION

- That greater emphasis be placed on early intervention programs for children with learning difficulties
- That governments provide more funding for state education, and that allowances and concessions be reviewed to ensure they are adequate and available in full to eligible families.

APPENDIX II

This chapter appears in *A Fair Society? Common Wealth for the Common Good: Ten Years On* (North Sydney NSW: Australian Catholic Social Justice Council, 2003), 13-28.

POVERTY AND INEQUALITY SINCE 1992

By Bruce Duncan*

Concern about poverty, equity and the distribution of income and wealth was central to the 1992 Catholic Bishops' statement, *Common Wealth for the Common Good: a statement on the distribution of wealth in Australia*. This 198-page document examined the causes of the growth in poverty and the inequality of income, and made a number of recommendations to enhance social equity and reduce poverty.

Ten years later, we can ask how Australia compares on these issues.

- Has poverty been reduced?
- And have changes in the distribution of income and wealth reduced or increased inequalities?

One must stress, however, that in 1992 unprecedented numbers of Australians were experiencing acute social distress from the very high levels of unemployment and deepening poverty during a severe recession. Hence one would expect that lower unemployment would have lifted many people out of poverty and improved equality. Certainly, the official unemployment rate has halved and hence wage incomes for many people have greatly improved. But at the same time rapid changes in the economy have reshaped patterns of distribution, with the benefits going disproportionately to upper-income groups, though middle and some low-income people have also benefited. Nevertheless, many low-income people have become mired in prolonged economic disadvantage.

Difficulties in methodology

Analysis of income distribution and the causes and extent of poverty is a complex and difficult task. The first nation-wide study of income distribution took place only in 1969, with later surveys taken every four or five years until 1990. However the method was changed in 1994-95, making comparability difficult (Saunders, 2002, 158). Hence problems confront researchers about the reliability of data, not just from changes in the methods of data collection over time but from differing methods of analysis (See Saunders, 2001, 280 ff; and Harding and Greenwell, 2002, 1-2, 21 ff). Debates also hinge on the definition of poverty, estimates of various types of income and their relationship to levels of human wellbeing, and the composition of low-income groups.

The notion of a 'poverty line' is unavoidably a somewhat arbitrary construct to approximate the material means of sustenance needed to maintain a reasonable but

* Dr Bruce Duncan CSsR coordinates the programme in social justice studies at Yarra Theological Union in Melbourne and is a consultant with Catholic Social Services Victoria.

minimal standard of living. In Australia it does not generally refer to the desperate poverty leading to acute hunger or starvation - though some indigenous groups may not be far from this - but to 'primary' poverty, reflecting a significant degree of hardship for people trying to meet their basic needs for food, housing, health care, education and cultural participation (See Saunders, 2002, 145 ff.). The benchmark for the Henderson poverty enquiry in September 1973 was the disposable income needed to meet the basic needs of a family of two adults and two dependent children (See Saunders, 'Setting the policy agenda: the origins and impact of the Henderson Report', in Fincher and Nieuwenhuysen, 1998, 52-70). This poverty line has since been indexed to half household disposable income per capita, and hence has risen with living standards, sparking debate about whether it is still a useful indicator of poverty.

In addition, in April 2002, the Australian Bureau of Statistics cautioned about the reliability of its recent statistics for income poverty for the lowest 20% of income units since their reported incomes seemed unexpectedly low. The ABS anticipated that corrections would revise the income of the lowest quintile upwards by about 11 percent. At the time of writing this matter still awaits clarification.

Meanwhile, a NATSEM study by Ann Harding and Harry Greenwell (2002, 21) found that spending by the bottom decile of households increased markedly between 1993-94 and 1998-99. Why was this, and how could they be spending much more than their income? The authors suggest that part of the explanation could be that the percentage of retired households had increased from 19% in 1989-89 to 24% in 1998-99, with their expenditure reflecting dissaving. In addition, there was a marked drop in the numbers of children in these households (p.19-20), suggesting a change in the composition of the decile to younger adults with some capacity for borrowing. These matters also needs further clarification.

Poverty

Professor Peter Saunders, director of the Social Policy Research Centre at the University of New South Wales, has written a series of publications on income and poverty in Australia and argued for more vigorous social intervention to lift people out of economic disadvantage, especially by expanding employment opportunities.

He analysed income levels not just as wages and salaries, but estimated social transfers and the effects of income tax, so as to distinguish market income, gross income and disposable income for households, with OECD equivalence scales to determine individual income. He concluded that in 1997-98, redistribution through the mechanisms of the welfare state reduced income inequality by about one-third (2001, 290).

Nevertheless, poverty remained a major problem. Following the standard practice of adopting a poverty line of half median (taken at the mid-point of a ranking) income, Saunders later estimated that the overall annual income poverty rate of prime-aged Australians in 1996/97 reached 18.1% for single adult units, and 11.4% where units included two adults. He judged the poverty rate for jobless couples with no children to be over 50%, but rising to more than 70% for those with children. (Saunders, 'The impact of unemployment on poverty, inequality and social exclusion' in Saunders and Taylor, 2002, 182-83).

Saunders estimated levels of income poverty, 1989-90 to 1996-97, and found an increasing overall poverty trend, though he noted improvements for some groups, notably sole parent units, and some sharp swings in the poverty rate of the aged, since their incomes are often close to the poverty line.

Estimates of income poverty rates (%) in Australia, 1989-90 to 1996-97

Income unit type	1980-90	1994-95	1996-97
Single person			
Non-aged	19.8	19.4	25.5
Aged	27.9	31.1	31.7
All single people	20.4	22.3	26.9
Couples without children			
Non-aged	6.3	7.1	9.1
Aged	6.7	19.8	13.9
All couples without children	6.4	11.7	10.6
Sole parent unit	58.0	39.8	36.9
All income units	16.7	18.3	20.7

From Saunders, 2002, 159.

These figures also need further interpretation. It is not clear to what extent people are living in income poverty for limited periods (e.g. university students) but with good income prospects, or living off assets for various reasons. (For Saunders discussion about problems with the types and measurement of incomes, see 2002, 114 ff.)

Poverty and unemployment

Though the Australian economy grew at over 4 per cent a year between the end of the recession in the early 1990s to the year 2000, and national income increased by one third after inflation, the burdens of adjustment fell heavily on those retrenched (almost 700,000 in the three years to July 1997) (Saunders, 2002, 4) or unemployed. Unemployment rose in September 1993 to 920,000 (almost 13%) but only slowly drifted down to 615,300 (6.1%) by December 2002. In 2001-2002, 23% (146,000) of the unemployed were so for a year or more. About two thirds of long-term unemployed people are male, 60% were not married, and 86% were looking for full-time work (Saunders, 2002, 34).

Certainly the official unemployment figures have improved greatly, though these must also be interpreted carefully since they do not include many people who have been moved on to disability payments, who are working reduced hours in casual or part-time work and would like more employment, and people discouraged from seeking work. Even people working only one hour a week are not counted in the unemployment figures (Bell, 'Contours and dynamics of unemployment', Saunders and Taylor, 2002, 14).

Far from Australia returning to the low-poverty days of the early 1970s, poverty has become entrenched in sections of the population (See Cameron and Duncan, 2002). Unemployment is widely recognised as being the major cause of income poverty, overtaking old age as the single most important factor inducing poverty. Over recent decades, increases in pensions and other entitlements have lifted many of the aged and families with children out of poverty, but prolonged high unemployment is bearing particularly heavily on older workers, those with minimal levels of education, migrants of non-English-speaking background, and indigenous people (Taylor, 'Unemployment and family life' in Saunders and Taylor, 2002, 70 ff).

Restructuring and down-sizing in Australian industries cost 3.4 million jobs by 1999, affecting nearly one third of families (Edgar, 2001, 23, 65). Other jobs were being created, but not enough to soak up unemployment. With well over 10 unemployed people for every vacancy by 2000 (Taylor, in Saunders and Taylor, 2002, 80), Australia had one of the highest average rates of unemployment during the 1990s among OECD countries (Bell, in Saunders and Taylor, 2002, 23). Moreover, many people had periods of casual or part-time work, and though not unemployed were not earning enough to lift them out of income poverty. Many workers have not been able to make the shift from employment in the traditional primary and secondary sectors to the service industries, because of age, lack of skills or their regional location.

Some new aspects of poverty in Australia

However, poverty took on some disturbing new features during the 1990s.

First, it disproportionately affected children. In 1992 the number of children in homes where no one had a job was 680,000 (17.7%) (Catholic Bishops, 1992, 199; and ABS figures). The percentage rate of such children had grown from 11% in 1979 (Taylor, in Saunders and Taylor, 2002, 81) *to affect almost one in five children* (19.7%, or 770,000 children) by 1998, and only slipping back slightly by 2001 to affect 17.9% of children, or 701,000. (See ABS Australian Social Trends 2002. Population – National Summaries and Family – National Summary Tables). As Saunders argued, the consequences are likely to be 'a cycle of deprivation that is transmitted across generations' (Saunders, 'The impact of unemployment on poverty, inequality and social exclusion', in Saunders and Taylor, 2002, 177. See also Saunders, 2002, 199; and Taylor, in Saunders and Taylor, 2002, 70)..

Second, in contrast to earlier periods, unemployment during the 1990s was increasingly concentrated in low-income households, as demonstrated in the contrast between 'job-rich' two-income households and 'job-poor' households where no one is in paid employment (Saunders, in Saunders and Taylor, 2002: 179).

In their chapter on 'Inequality and economic change' in *Work rich, work poor: inequality and economic change in Australia*, Jeff Borland, Bob Gregory and Peter Sheehan (2001, 4) note that average real wages have grown 25.4% in Australia during the 1990s, but well-paying jobs are concentrated in upper-income households, often with two people in full-time employment. Many in low-income groups have been increasingly forced to take part-time or casual work, if they can find work at all. Moreover, 87% of the jobs created during the 1990s paid less than \$500 a week (\$26,000 a year). Income differentials among males have widened: managers and administrators increased earnings by 41.5%, but earnings fell for the three lowest

income occupations. Hence the growth in the number of jobs alone is a misleading indicator of social wellbeing (p. 16).

By March 1996, the poverty rate among unemployed people reached almost 75%, with the unemployed constituting over 25% of all below the poverty line. However, unemployed individuals need not automatically be living in poverty as other members of their family or household may be supporting them (Saunders, 'The impact of unemployment on poverty', in Saunders and Taylor, 2002, 179). Nevertheless, one study found that the unemployed in 1994/95 received personal income only 21% that of wage and salary earners. Not surprisingly, the unemployed in single-adult households are concentrated (71%) in the bottom fifth of income units (Saunders, in Saunders and Taylor, 2002, 186).

Between 1990 and 1999, over 70% of the growth in employment was in part-time jobs. Moreover, from 1985 to 2000, 42% of the total job creation was in the low-wage services sector (Bell, 'The contours and dynamics of unemployment, in Saunders and Taylor, 2002: 38, 40) The switch out of manufacturing into service industries has favoured female employment, with a drastic decline in male employment opportunities. During 1991-97, there was only 3.6% growth in full-time male jobs, but 41.2% in part-time male jobs. (Bell, in Saunders and Taylor, 2002, 33). Many people working in casual or part-time jobs with pay were also living in income poverty.

In 2000, including those not listed as unemployed because they were not officially in the labour force, more than 300,000 families with children under 15 had no family member in paid employment, i.e. one in six for all Australian families with a child under 15. More than 140,000 families with children under 15 had one or both parents 'officially' unemployed, with sole parents making up a quarter of all unemployed parents with children under 15 (Taylor, 'Unemployment and family life', in Saunders and Taylor, 2002, 65).

Third, unemployment was concentrated more spatially in regions or suburbs. Tony Vinson in *Unequal in life: the distribution of social disadvantage in Victoria and New South Wales* (1999, 45) demonstrated that flawed policies were concentrating disadvantaged groups in various localities and effectively denying equality of opportunity, even across generations. In contrast to 1976, the extent of unemployment in the 1990s varied greatly between low- and high-income areas. Between 1976 and 1991, 'the poorest 5 per cent of neighbourhoods had lost 38 per cent of their employment and 23 per cent of their household income', with male unemployment increasing from around 5 to 16 per cent. (Bell, in Saunders and Taylor, 2002, 28).

Costs of unemployment

The costs of unemployment are difficult to estimate but very considerable, to government finances and services, as well as in terms of lost output. The unemployed also pay a punitive personal cost, often resulting in high stress, ill health, loss of skills, social exclusion, pressure on relationships and families, housing problems, racial and gender inequality, criminal behaviour and loss of social values and responsibility (For a discussion of the difficulties in estimating the costs of unemployment, see Tony Eardley, 'Identifying and quantifying the costs of unemployment', in Saunders and Taylor, 2002, 47 ff.) The economic costs of unemployment have been estimated as high as \$40 billion a year (M. Watts, 'The

dimensions and costs of unemployment in Australia, in S. Bell, *The unemployment crisis in Australia*, 2000, 22).

Debates about philosophical assumptions

Responses to poverty and unemployment are influenced by one's assumptions in economic and social philosophy. The currently influential philosophy of 'economic rationalism' or 'economic neoliberalism' is based on a competitive individualism, emphasising free choice over concerns about social equity. However, the philosophical assumptions tend to be obscured by the technical language of neoclassical economics (see Saunders, 2002, 24, 44), in the belief that the market would generally ensure the best social outcome, with minimal assistance from the state. Hence social policy has taken a back seat to economic policy. However, Saunders rightly argues that the market should be seen as a means to achieving social objectives, not simply as an end in itself (2002, 8).

Proponents of neoliberalism see individual motivation and welfare dependency as the key factors in unemployment, instead of structural factors, notably the lack of employment opportunities. As Saunders writes: 'Neo-liberal economic orthodoxy argues that the roots of unemployment can be traced to a lack of motivation among the unemployed, to labour market imperfections and to the harmful effects of the social security system on the incentive to work. Unemployment would only fall if wages declined...' (Saunders, 2002, 96).

A weakness in this neoliberal explanation for high unemployment - that motivation is the key to the problem, not structural issues - is that it fails to explain why Australia embraced full employment from 1945 to the 1970s, and then motivation suddenly failed, leading to prolonged high unemployment.

The neoliberal argument also ignores the fact that most unemployed people are desperate for work. As Janet Taylor wrote, 'Overwhelmingly, studies find unemployed people want to work. The barriers they face need to be recognised and addressed not by coercion but by support' (Taylor, in Saunders and Taylor, 2002, 82). Moreover, Saunders (2002, 106-111) has found that very few people blame the unemployed for their plight, and that there is strong community support for governments to do more to reduce unemployment, especially for older people, those with children and long-term unemployed.

Instead of the reduction of poverty being seen as a major goal of economic policy, governments under the influence of neoliberal philosophy have instead targeted welfare dependency, thus shifting the blame for poverty onto the victims rather than acknowledging failures in economic policy. Saunders argues that 'The first step in "ending poverty" requires reinstating poverty alleviation as a legitimate end of welfare policy' (Saunders, 2002, 57-58).

Social and distributive justice

As Church social teaching has long stressed, social equity does not demand absolute equality in wealth, but it does recognise that people need a certain minimal income and/or wealth to maintain themselves and their families at a reasonable standard of living that allows them to exercise responsible life choices. Social equity requires a certain 'equality of opportunity' but recognises that natural inequalities in aptitude,

specific needs and degrees of effort and life choices will unavoidably result in different degrees of wealth and income. Debates focus on the values supporting social equity and the mechanisms of redistributive justice. What constitutes a reasonable standard of living for all while preserving incentives and 'equality of opportunity' so as to secure social stability and increased prosperity?

The churches strongly support the ethical principles of social and distributive justice underlying the welfare state, though the mechanisms about how to achieve better and more effective outcomes are always subject to improvement and political debate. Particularly in the last two centuries, western societies recognised that a fair and equitable society was preferable to extreme class divisions with the threat of class war and revolution. Modern Catholic social teaching has defended the right to private property, but not as an absolute right, since it is to be used for the good of all and distributed equitably so that all people have the means and opportunity to secure a decent livelihood.

One of the main means of ensuring social and distributive justice is the taxation system, not just to maintain minimal levels of protective and security but to provide essential services of education, health care, infrastructure etc., so all have the opportunity to play an active and productive role in life. There will rightly be debate about levels and the use of taxation revenue, but arguments that taxation is essentially unjust, particularly in providing welfare spending, effectively allowing the better-off to shirk their obligations to others.

All who can are required to pay taxes, particularly since they have benefited more from the public goods and services provided by previous and current generations. How much money would Australian business people be able to make in Burkina Faso? Not much, I expect. The reason Australia is so prosperous is because of the labour of millions of people over many decades, which some can benefit from more than others. Income is not simply the result of effort by individuals, and those who benefit most from this common wealth are ethically required to contribute more back to it. Taxation must also be compulsory, since a charity-based welfare system would always be hobbled by inadequate resources and free-loading by wealthy individuals, as history repeatedly shows. In addition, a growing problem is that without the redistributive mechanism of inheritance taxes, how will Australia ensure a reasonable equality of opportunity across generations and prevent a widening class division?

Inequality of wealth

Despite the importance of the matter, little is known about economic inequality and the distribution of wealth in Australia, the last census of wealth - as distinct from income - being taken in 1915. Estimating the changes in wealth distribution in Australia, Simon Kelly notes that, roughly speaking, in 1915 the concentration of family wealth was very high, with the top quintile of the population owning almost 90% of the wealth. However, after the Second World War wealth became more widely distributed, so that by 1967 the top quintile held less than 54% of the wealth. By 1998, wealth was again being more strongly concentrated in the top quintile, increasing its share of wealth to 63% (Simon Kelly, 2002, 1-2). According to Australian Treasury estimates, wealth in the 1990s grew at 9.7% a year in nominal terms (5-6% in real terms), and Kelly estimated growth in household (excluding business) wealth over the nine years to 2002 at 3.9% (2002, 10).

Table 1 Distribution of personal wealth in 1915, 1967 and 1998

Wealth quintiles and percentages	1915 census	1967 survey	1998 survey
1 st Quintile	0.0	0.9	0.4
2 nd Quintile	0.4	7.8	4.0
3 rd Quintile	2.0	15.1	11.1
4 th Quintile	7.8	22.7	21.6
5 th Quintile	89.7	53.5	62.8
Top 5%	66.2	24.6	28.8
Top 1%	39.5	9.3	10.4

Source: Kelly, 2002, 2

In Saunders' view (2002, 18), 'inequality rose sharply through the 1980s, with this trend continuing into the 1990s'. Harding and Greenwell concurred (2002, 21): 'There is strong evidence that income inequality increased between the late 1980s and mid-1990s and there is some evidence to suggest that it has continued increasing since then.' The increase in inequality was driven by 'a decline in the income share of the bottom 10 per cent' and, a marginal decline in the income of the middle 20 per cent of Australians during the 1990s, 'and an increase in the income share of the top 10 per cent'. Peter Dawkins attributed 'about half the increase in inequality over the last 20 years (that inherent in Australian Bureau of Statistics income survey data)... to changes in the distribution of employment' (in Saunders and Tsumori, 2002b, xiii).

Growing inequality derived from the increasing reliance on the market mechanism to determine wage levels and the distribution of wealth through the bargaining process. Particularly significant were the reduction of the powers of the Conciliation and Arbitration Commission, the weakness of trade unions and the de-unionisation of large sections of the workforce, and the introduction of workplace agreements. Julia Kaul (2001, 47) argued that 'The Government is no longer seen as responsible for ensuring the equitable distribution of wealth', and has placed increasing reliance on market mechanisms to determine income distribution.

Conclusion

Though it is clear that inequality has increased in Australia, there is considerable debate about the nature and causes of poverty, the concept and level of a 'poverty line', the statistics about how many are in poverty, and the best measures to alleviate poverty. Assumptions in social philosophy also play a critical role in how one evaluates this debate. While neoliberals minimise or altogether reject concepts of social or distributive justice, the churches and others must defend and develop their philosophy of social justice, and encourage practical measures to shape a more just society.

Other OECD countries ensure that income support for unemployed citizens is sufficient to prevent them falling into poverty. Australian policy makers need to avoid ideologically following down the US path of welfare reform and consider what can be learned from the European experiences with a much greater emphasis on social equity and social cohesion (see Goodin *et al.* 1999).

It is clear from the range of experience in Europe and elsewhere that economic constraints can be configured in quite different ways to secure greater social justice, equality of opportunity and increased social participation. One's philosophy of justice can make a profound difference to social and economic policies. In Australia it is vital that the philosophy behind neoliberal economic policies be debated and contested with a view to shaping a fairer and more inclusive society.

Saunders wrote (2001, 294): 'how much inequality a society is prepared to accept is something over which it has a choice.' Though it is basically a political decision, it is not simply a matter of 'moral views about justice and inequality', since one must recognise constraints from 'incentive structures and how these affect entrepreneurship, competitiveness and productivity and ultimately, economic growth.'

As Peter Dawkins suggested, it would be very helpful if some of the experts in poverty and inequality in Australia would meet 'to seek some agreement about useful ways forward' to define and measure poverty, and consider capacity building and alternative measures along the lines pioneered by Amartya Sen (Saunders and Tsumori, 2002b, xiv).

Addendum: The Poverty Debate and the Centre for Independent Studies (CIS)

There has been some debate about the extent of poverty in Australia after a report by the National Centre for Social and Economic Modelling (NATSEM) and the Smith Family in 2000 estimated that 2.4 million Australians (13%) were living in poverty, an increase from 11.3% in 1990 (Harding and Szukalska, 2000).

The Centre for Independent Studies challenged the claims in this study and argued to wind back policies of redistribution and income support. The CIS champions the neoliberal economic philosophy imported from the United States and has some influence with the Australian Coalition government.

By a curious coincidence, the CIS is headed by another Professor Peter Saunders, formerly of the University of Sussex, who argues a classic neoliberal line that it is 'immoral for the government to take money away from people who are maintaining themselves and their families through their own efforts and to redistribute it to people who have no intention of even trying to achieve self-reliance' (Arndt, 2002).

The CIS Saunders and his colleagues argued that the Smith Family Report did not follow the convention of using half the median (i.e. mid-point in a series) income as the poverty line, instead using half mean (i.e. average) income, which resulted in a higher poverty line. So instead of reaching an estimation of the numbers in 'relative poverty' as about one in twelve, the Smith Report concluded one in eight was in poverty, and that poverty had worsened in the last ten years. The CIS authors argued that the Smith Family had relied on income surveys in which low-income groups understate their income (especially because of income from the 'black economy'), instead of relying on more accurate expenditure surveys (Tsumori, Saunders and Hughes, 2002, 1). Using half median income as the poverty line, the poverty rate was no more than 8.7% (instead of 13%), 'only half a percentage point higher than the 1990 figure'. Moreover, they wrote that the average income of poor families had increased by \$38 a week during the 1990s (2002, 3; also Saunders and Tsumori,

2002b, 14.). Saunders and Tsumori in effect argued that the concept of 'relative poverty' be abandoned.

Helen Hughes of the CIS claims that the bottom quintile of households under-reported their income by 20% because of their involvement in the 'black economy' (2002,16), but she gave no estimates of how the 'black economy' affected other income groups. She argued: 'Since the 1970s, the proportion of people in poverty has fallen and the real value of low incomes has risen more than that of middle and high incomes. The rich have not benefited at the expense of the poor' (p. 13). She contended that not more than 5% of the population were below the poverty line. 'It is now widely agreed that low incomes have risen more rapidly than middle and high incomes in Australia from the 1970s, with accelerating rises from the mid-1990s... Trends in the 1980s and 1990s are in dispute.' (p. 16). *Hughes blamed the social welfare sector for exaggerating the extent of poverty and income inequality because of its 'vested interest' (p. 17).*

The CIS's Saunders also argued that the 'welfare policy debate is driven by the 'politics of envy', with 'anger and resentment' that some people are better off than others (Saunders and Tsumori, 2002, 36). Increasing 'state welfare spending does not abolish poverty, it reproduces it' (p. 37). The authors challenged ACOSS figures that one fifth of the Australian population was poor, arguing that no more than 5% were in long-term poverty (p. 32).

In their *Poverty in Australia: beyond the rhetoric*, the CIS Saunders and Kayoko Tsumori advocated cuts to taxes and welfare spending, and following down the US road of welfare reform to eliminate the welfare mentality and so-called dependency. 'There is no need any more for the majority of the population to have these services organised and provided for them by politicians and bureaucrats... The embarrassing secret of the 21st century welfare state is that most of us do not need it any more' (2002b, 83). Instead they advocate moving from 'universal mass welfare' to 'a system of individual household purchasing' to enhance control of one's own spending and reduce the 'spiralling upward trend in government spending' (2002b, 85). 'Taking money from people who work hard and save to give it to people who do not want to work and who have little regard for the future is unlikely to strike many ordinary Australians' as fair (2002b, 92).

Though the CIS has highlighted problems with the definitions of poverty and methodological matters that need clarification, its views and philosophical assumptions are often in profound disagreement with the social justice tradition of the churches. Particularly troublesome is its failure to distinguish between social equity and egalitarianism, implying an extreme socialistic meaning to the latter term; and its libertarian individualism in philosophical assumptions.

Saunders and Tsumori argue against 'egalitarian ethics', asserting that there 'are other moral positions, just as lucid and just as compelling, which hold that redistribution to bring about equality is the antithesis of "social justice" and fairness', and which 'require us to recognise the egalitarian redistribution of people's incomes is profoundly unjust and a negation of "progress"' (2002b, 75).

The Church does not accept such a claim to moral relativism, and on the contrary insists that social and distributive justice are essential foundations for a just and prosperous society.

