



# Pre-Budget Submission

2009–10

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## **About Catholic Social Services Australia**

Representing 67 member organisations, Catholic Social Services Australia is the Catholic Church's peak national body for social services. It advises the Australian Catholic Bishops Conference and Catholic Religious Australia on social policy issues as well as supporting the delivery of a wide range of social service programs.

For over 50 years, Catholic Social Services Australia has assisted and promoted better social policy for the most disadvantaged people in Australian society. This continues a much longer tradition of such engagement by the Catholic Church in Australia.

Catholic Social Services Australia has the mission of promoting a fairer, more inclusive society that gives preference to helping people most in need. It is committed to an Australian society that reflects and supports the dignity, equality and participation of all people. To this end, Catholic Social Services Australia works with Catholic organisations, governments, other churches and all people of goodwill to develop social welfare policies and other strategic responses that work towards the economic, social and spiritual wellbeing of the Australian community.

Our members employ around 10,000 people and provide 500 different services to over a million people each year from sites in metropolitan, regional and rural Australia. Services provided by our members include aged care, community care, disability services, drug and alcohol services, employment and vocational programs (including Job Network, Disability Open Employment and Personal Support Program), family relationship services, housing, mental health, residential care and youth programs.

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## Summary

Catholic Social Services Australia's budget recommendations are designed around four objectives. To:

- protect Australians from acute disadvantage as a result of recession and position them to take advantage of the recovery (ie prevent acute disadvantage from becoming chronic and intractable);
- improve opportunities for Australians who are chronically disadvantaged (including those identified in the *Dropping Off the Edge* report);<sup>1</sup>
- reduce waste in the administration of government funded programs — particularly the waste generated by red tape and poor coordination between various governments and government agencies; and
- improve the effectiveness of policies and programs directed towards disadvantaged Australians.

To significantly improve opportunities for disadvantaged Australians, the Australian government will need to increase both the scale and scope of assistance. This means not only short term increases in funding to deal with the consequences of the global financial crisis but also long term investments in the capacity of the community sector.

In order to deal with acute disadvantage resulting from the global financial crisis, the community sector requires additional resources. Even before the crisis services were overstretched and agencies were having to turn away eligible clients.

To assist individuals affected by joblessness the government should avoid relying on income support penalties to create incentives. Policies such as conditional cash transfers and an earned income tax credit can help make work pay.

To address problems of chronic disadvantage government should increase its investment in targeted early childhood programs, improve the adequacy of income support and provide funding for intermediate labour market programs designed around broad social inclusion objectives.

To reduce waste and improve efficiency the government should take action to reduce red tape and trial alternatives to program-based funding models. The Australian Government should work with state and territory governments through COAG to streamline funding arrangements and reduce the unnecessary administrative burden placed on community agencies.

To improve the effectiveness of policies and programs directed towards disadvantaged Australians, the government should work with the community sector to support data collection, research and evaluation, and innovation.

Responding to climate change should extend beyond compensation measures. It should also include measures designed to assist low income Australians and the community

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<sup>1</sup> Tony Vinson, 'Speech - Dropping Off The Edge: The Distribution of Disadvantage in Australia.' <http://catholicsocialservices.org.au/node/980>

sector to mitigate their impact on emissions and adjust to the new emissions trading system.

As part of a Compact with the community sector, the government should recognise the importance of working in partnership and building sustainable capacity. Community agencies are more than just service providers to government departments.

## Recommendations

**Recommendation # 1.** Provide community agencies with an additional \$300m per annum to support vulnerable Australian households during the economic downturn and its aftermath.

This need for additional funding was raised at the recent summit on the impact of the global financial crisis convened by Anglicare Australia, Catholic Social Services Australia, and the Salvation Army and UnitingCare Australia.

**Recommendation # 2.** Create a conditional cash transfer program (along the lines of New York's Opportunity NYC) to encourage engagement with employment and other services.

**Recommendation # 3.** Increase the incentive for income support recipients to move into paid work by supplementing earnings with an earned income tax credit.

**Recommendation # 4.** Replace unpaid Work for the Dole type programs with an intermediate labour market program.

**Recommendation # 5.** Introduce a paid parental leave scheme covering full-time, part time, permanent, casual and self-employed workers who have worked in the paid workforce for a stipulated qualifying period.

**Recommendation # 6.** Three and four year old children living within the 10 per cent most disadvantaged localities in each jurisdiction should be guaranteed 18 hours of free preschool.

**Recommendation # 7.** Establish a cross-portfolio funding pool which is able to provide funding for intermediate labour market programs in areas of concentrated disadvantage.

**Recommendation # 8.** Establish an independent Entitlements Commission to set and adjust standards of adequacy for social security payments.

**Recommendation # 9.** The Australian Government, together with state and territory governments, should provide additional funding to significantly increase the supply of public and community housing. This can be negotiated through the National Affordable Housing Agreement.

**Recommendation # 10.** Where possible, funding agreements and contracts with community-sector agencies should be structured around accountability for outcomes. Rather than specifying inputs and processes, agreements and contracts should allow agencies flexibility in the way they deliver results.

**Recommendation # 11.** The Commonwealth Government's social inclusion governance bodies and COAG should consider further ways of reducing duplication and waste in community sector engagement with different levels of government.

**Recommendation # 12.** Trial alternatives to program-based funding models. These may include flexible funding pools and place-based funding agreements which combine funding from a number of separate departments without requiring separate reporting to each funding agency.

**Recommendation # 13.** Create a social policy innovation fund to support new approaches to promoting social inclusion. This fund should pool resources from a number of portfolios and be available for a wide range of activities with a high level of flexibility and control between government and local agencies.

**Recommendation # 14.** Funding for policy innovation should be linked to a requirement to evaluate and report. Government should provide a separate source of funding to support rigorous independent evaluations of new approaches.

**Recommendation # 15.** Government agencies should publicly release confidentialised data relevant to the effectiveness of policies and programs except where there is a compelling public interest reason not to.

**Recommendation # 16.** Government should provide identifiable operational funding in all funding agreements and contracts with community sector agencies to allow them to engage with the local community, to gather, share and utilise local information, and to build the capacity of its leadership and staff to provide sustainable and effective programs.

**Recommendation # 17.** The government's Carbon Pollution Reduction Scheme should include targeted social marketing campaigns to assist disadvantaged consumers respond to the new incentives created by an emissions trading system.

These campaigns should target groups who are less likely to benefit from standard forms consumer information (eg star ratings on household appliances). For some groups, face to face communication may be more effective than printed materials.

**Recommendation # 18.** Strategies for dealing with the financial impact of emissions trading should be identified directly as part of the governments Carbon Pollution Reduction Scheme.

## **The policy environment**

When markets fail and unemployment rises, individuals and families rely more heavily on community services and government transfers. As job vacancies dry up, already overstretched services struggle to meet increasing demand while gaps and rigidities in service provision become more obvious.

During a boom much of the community sector focuses on chronically disadvantaged people — who are unable to take advantage of labour market opportunity. But during a recession this group is joined by people who are ready for work but simply cannot find it. Many of these people will have acute needs for financial support, housing or other services. At the same time short sighted governments can tighten budgets and program expenditure, and donors sometimes find it increasingly difficult to give – as their own investments are returning smaller profits, even losses. Without additional resources, it is impossible for the community sector to meet the increasing demand quickly and effectively.

Without a rapid response, there is a risk that acute problems will become chronic problems. Even a short recession can create effects which take years of strong economic growth to resolve. For example, short term unemployment can become long term unemployment. And long term unemployment in turn, exacerbates other problems such as family breakdown, mental illness, substance abuse and homelessness.

Even before the financial crisis, welfare agencies, including Catholic social services, were overstretched. According to an Australian Council of Social Services survey, agencies turned away 77,083 eligible people in 2006–07 — a 24 per cent increase on the 62,164 people turned away in 2005-06.<sup>2</sup> This crisis in demand is already having an impact on community sector agencies, including Catholic social services.

One of the community sector's strengths is its ability to use on-the-ground knowledge to respond to changing local conditions. But as governments have scaled back their own service delivery networks they have come to rely more heavily on community sector providers. This has meant higher levels of funding, but in the process, community organisations risk becoming an outsourced provider of government services<sup>3</sup> rather than members of a separate and autonomous sector. By tying funding to narrow, program specific objectives, current funding models tend to fragment service delivery, restrict local autonomy and discourage innovation.

Like many other community sector agencies, Catholic Social Services Australia seeks a partnership with government rather than a pure purchaser/provider relationship.

Recession puts fiscal policy in the spotlight. Inevitably, in the lead up to the Federal Budget there will be debate about whether or not Treasury should attempt to stimulate the economy with additional spending. While the global financial crisis dominates the headlines, it ought not be forgotten that prior to the recent crisis, many Australians were already missing out. They ought not be asked to bear the burden of market failure now, simply because others are enjoying smaller profits than they have become used to in the recent decade.

If the Government is to make good on its promise of a more socially inclusive society, the current budget process should be founded on principles that will advance social inclusion rather than hinder it.

Catholic Social Services Australia suggests the following approach<sup>4</sup>:

- *The Common Good*. The principle of the common good refers to “the sum total of social conditions which allow people, either as groups or as individuals, to reach their fulfilment more fully and more easily”<sup>5</sup>. It concerns the life of all and must take account of the needs and aspirations of all members of the community. In pursuing

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<sup>2</sup> ACOSS, *Australian Community Sector Survey: Report 2008*.

[http://www.acoss.org.au/upload/publications/papers/4420\\_Paper%20154%20ACSS%202008.pdf](http://www.acoss.org.au/upload/publications/papers/4420_Paper%20154%20ACSS%202008.pdf)

<sup>3</sup> For Example DEEWR refer to Employment Services as “PAGES” Providers of Australian Government Employment Services. The pun is not lost on many in the sector.

<sup>4</sup> This approach is set out in: *Australian Catholic Bishops, A position paper of the central commission of the Australian Catholic Bishops on the moral reference points for tax reform*. 27 July 1998.

<http://www.acbc.catholic.org.au/documents/199807271728.pdf>

<sup>5</sup> *Gaudium et spes*. n26.

the common good, the Government's role is to arbitrate between particular interests while ensuring that each individual has what they need in order to lead a truly human life. This includes access to food, clothing, health care, employment, education and information<sup>6</sup>. Citizens have an obligation to pay tax and otherwise participate in the life of society in order that the common good is promoted and the welfare of the community is maintained.

- *Distributive Justice*. In distributing goods and burdens, the community must recognise that not all persons can contribute in the same way.<sup>7</sup> While the value of individual merit, effort and utility are recognised, society's burden should be distributed equitably with due emphasis on a person's capacity to contribute. In a system of taxation based on justice and equity, it is fundamental that the burdens be proportioned to the capacity of the people contributing.<sup>8</sup> This is an example of what is known as the principle of distributive justice.
- *Preferential option for the poor*. In a socially inclusive society, the most disadvantaged and marginalised members of the community have priority. The greater a person's needs, the greater the responsibility of governments and of those with capacity to meet those needs. As the US Catholic Bishops have noted, "the prime purpose of this special commitment to the poor is to enable them to become active participants in the life of society. It is to enable all persons to share in and contribute to the common good. The 'option for the poor', therefore, is not an adversarial slogan that pits one group or class against another, rather it states that the deprivation and powerlessness of the poor wounds the whole community. The extent of their suffering is a measure of how far we are from being a true community of persons."<sup>9</sup>

## **Budgeting for recession**

While Catholic Social Services Australia cannot advise on the size or timing of stimulatory measures, we can make a case for how such measures should be targeted. Where possible, additional government spending should benefit the least advantaged in the community and those who are most adversely affected by recession. Targeting should not just be a matter of distributing money to those groups most likely to use it for consumption rather than saving. A stimulus ought to also be used to improve the lot of those Australians who currently do not have the resources to support a satisfactory standard of living.

## **Policy objectives**

Catholic Social Services Australia supports government efforts to find efficiencies in administration and greater effectiveness in program spending. Improvements in cost-effectiveness can improve the lives of disadvantaged Australians without placing greater pressure on budgets. However, cost cutting which undermines fairness and is not in the interests of disadvantaged Australians would not be consistent with the Government's promise of a more socially inclusive society.

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<sup>6</sup> *Catechism of the Catholic Church, (English translation) 1994*. Homebush: St. Paul para 1906.

<sup>7</sup> Pope Leo XIII, 1891, *Rerum novarum* ('On the Condition of the working Classes'). Encyclical Letter. Reprinted 1942, St Paul Editions. N27.

<sup>8</sup> *Mater et magistra*, n132.

<sup>9</sup> US Catholic Bishops, 1986, Economic Justice for All, Pastoral Letter on Catholic Social Teaching and the US Economy <http://www.usccb.org/sdwp/international/EconomicJusticeforAll.pdf>

There are opportunities for government to improve the targeting of programs and services and to correct inequities. For example, unemployment payments already lag dramatically behind pensions. While unemployment payments have been increased in line with the CPI, they have not increased in line with increases in community living standards. The recent targeting of bonus payments to pensioners and families with children was welcome, but it excluded most recipients of unemployment payment. The rationale for this seems to have more to do with maintaining a distinction between deserving and undeserving recipients than with addressing economic need.

Catholic Social Services Australia's recommendations are designed to achieve four objectives:

- improve opportunities for Australians who are chronically disadvantaged (including those identified in the *Dropping Off the Edge* report);<sup>10</sup>
- protect other Australians from acute disadvantage as a result of recession and position them to take advantage of the recovery (ie prevent acute disadvantage from becoming chronic and intractable);
- reduce waste in the administration of government funded programs — particularly the waste generated by red tape and poor coordination between various governments and government agencies; and
- improve the effectiveness of policies and programs directed towards disadvantaged Australians.

To significantly improve opportunities for disadvantaged Australians, the Australian Government will need to increase both the scale and scope of assistance. This means not only short term increases in funding to deal with the consequences of the global financial crisis but also long term investments in the capacity of the community sector. Improvements in program effectiveness and efficiency are a necessary but not a sufficient response to current levels of disadvantage.

## **Responding to climate change**

As a representative of the community sector and an advocate for disadvantaged Australians, Catholic Social Services Australia's major interest in the Government's Carbon Pollution Reduction Scheme is its impact on the well-being of low income households — particularly those relying on income support and government funded services.

Catholic Social Services Australia's recommendations are guided by two principles:

- low income and disadvantaged Australians should not be further disadvantaged as a result of the Government's response to climate change;
- the community sector's ability to provide services to disadvantaged Australians should not be adversely affected by the Government's response to climate change.

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<sup>10</sup> Tony Vinson, '[Dropping off the edge: the distribution of disadvantage in Australia](#)'. Jesuit Social Services and Catholic Social Services Australia. 2007.

## Building a bridge to recovery

At some time in their lives, many Australians will experience unemployment or acute financial hardship. In the wake of the global financial crisis the numbers will rise. Unemployment, underemployment and high levels of household debt will swell the numbers seeking help from welfare agencies.

On top of other problems, job loss and money difficulties can put vulnerable households under stress. Families can lose their homes, relationships can breakdown and people can find themselves in a downward spiral that may be difficult to escape.

Boosting services which help people to stay connected with their local communities, re-train or re-engage with the labour market where possible, and cope with short term financial problems will help prevent problems becoming entrenched.

### Investing in the community sector

To cope with increases in demand, the community sector will need extra resources for assistance across a wide range of programs. Many services are already overstretched at existing levels of need with some services turning applicants away. This issue was highlighted by the recent summit on the impact of the global financial crisis convened by Anglicare Australia, Catholic Social Services Australia, and the Salvation Army and UnitingCare Australia.<sup>11</sup>

The higher costs associated with providing services in rural and remote areas are not always adequately covered in funding agreements and contracts.

The capacity of rural and remote agencies is particularly important given that some regions are still struggling to deal with the effects of drought as well as the global financial crisis. There is a risk that the financial crisis will divert attention away from programs such as drought relief.

#### **Recommendation # 1.**

Provide community agencies with an additional \$300m per annum to support vulnerable Australian households during the global financial crisis and its aftermath.

This need for additional funding was raised at the recent summit on the impact of the global financial crisis convened by Anglicare Australia, Catholic Social Services Australia, and the Salvation Army and UnitingCare Australia.<sup>12</sup>

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<sup>11</sup> See, *The impact of the global financial crisis on social services in Australia: An Issues Paper prepared by Access Economics for Anglicare Australia, Catholic Social Services Australia, The Salvation Army and UnitingCare Australia*, November 2008

[http://catholicsocialservices.org.au/system/files/Impact\\_of\\_Global\\_Financial.pdf](http://catholicsocialservices.org.au/system/files/Impact_of_Global_Financial.pdf)

<sup>12</sup> See, *The impact of the global financial crisis on social services in Australia: An Issues Paper prepared by Access Economics for Anglicare Australia, Catholic Social Services Australia, The Salvation Army and UnitingCare Australia*, November 2008

## **Making work pay**

Relying on income support penalties to motivate job search and engagement with employment assistance exposes vulnerable households to an unacceptable risk of poverty and financial hardship.

To promote engagement and provide a financial stimulus for the economy, the Australian Government should provide positive financial incentives for engagement. One promising approach is Opportunity NYC. A partnership between the government of New York City and a number of philanthropic foundations, Opportunity NYC is a conditional cash transfer (CCT) initiative which provides monetary incentives to poor households when they complete activities designed to develop their human capital and help break the cycle of poverty.<sup>13</sup>

Another way to provide positive incentives for work is to introduce an earned income tax credit. This has the potential to increase labour market participation, particularly in lower-income families.<sup>14</sup>

### **Recommendation # 2.**

Create a conditional cash transfer program (along the lines of New York's Opportunity NYC) to encourage engagement with employment and other services.

### **Recommendation # 3.**

Increase the incentive for income support recipients to move into paid work by supplementing earnings with an earned income tax credit.

### **Recommendation # 4.**

Replace unpaid Work for the Dole type programs with an intermediate labour market program (see section on 'Creating intermediate labour markets' below).

## **Help for new parents**

Catholic Social Services Australia welcomes the findings of the Productivity Commission's inquiry on paid maternity, paternity and paternal leave. The Government should move as soon as possible to implement a system of paid parental leave.

Catholic Social Services Australia and the Australian Catholic Commission for Employment Relations (ACCER) set out principles for such a scheme in a recent submission to the Productivity Commission<sup>15</sup>.

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[http://catholicsocialservices.org.au/system/files/Impact\\_of\\_Global\\_Financial.pdf](http://catholicsocialservices.org.au/system/files/Impact_of_Global_Financial.pdf)

<sup>13</sup> For details on Opportunity NYC see: <http://www.nyc.gov/html/ceo/html/home/home.shtml>

<sup>14</sup> This proposal was discussed in: *Australia's Future Tax System: Submission by Catholic Social Services Australia* October 2008

<sup>15</sup> Australian Catholic Council for Employment Relations and Catholic Social Services Australia, Joint Submission to Productivity Commission Public Inquiry into Paid Maternity, Paternity and Parental Leave, June 2008. <http://www.catholicsocialservices.org.au/node/14539>

### **Recommendation # 5.**

Introduce a paid parental leave scheme covering full-time, part time, permanent, casual and self-employed workers who have worked in the paid workforce for a stipulated qualifying period.

## **Addressing chronic disadvantage**

Many of those seeking help for poverty, unemployment, homelessness or serious illness are able to cope with these problems and continue their lives with only short-term assistance. However, a smaller number of Australians suffer from chronic disadvantage. Some struggle with physical or psychiatric disabilities, some have chronic illnesses and others are coping with the consequences of childhood abuse or neglect. The most disadvantaged people experience a number of problems and often these can reinforce and exacerbate each other. Many of those experiencing chronic disadvantage can benefit from ongoing support rather than just brief interventions. While it is tempting to believe that a brief, low cost program and a paid job will get a person back on track, this is not often realistic.

Scattered across Australia's cities and regions are pockets of concentrated social disadvantage. These are places where problems such as disability, unemployment, welfare reliance, child maltreatment and poor educational attainment reinforce each and disadvantage is passed on from one generation to the next.

In 2007, Catholic Social Services Australia and Jesuit Social Services, published *Dropping Off the Edge*, a report which identified areas of concentrated disadvantage in Australia's states and the Australian Capital Territory.<sup>16</sup>

When Professor Tony Vinson spoke at the report's launch he explained how governments can make a difference by intervening and why they should not wait:

Individual setbacks like frail health at birth, not being inoculated against preventable illness, suffering childhood injuries or being maltreated, or simply developing in poor economic circumstances, can take their toll.

*Dropping Off the Edge* shows that in some Australian communities that toll increases many times over when infant misfortune is followed by a succession of later setbacks. The piling of disadvantage upon disadvantage has harmful consequences for the individuals and families affected that can spill over to the next generation. It can also cultivate a local social climate of resignation to poor circumstances. The result can be very costly to the society as a whole.

The report called for State and Commonwealth governments to work together to deal with the problems that exist today and prevent those that, without intervention, will emerge tomorrow.

Released during an economic boom, the problems identified in *Dropping Off the Edge* are even more urgent today. With the threat of recession, it will be even more difficult for disadvantaged households to access employment, pull themselves out of poverty and give their children a solid start in life.

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<sup>16</sup> Tony Vinson, '[Dropping off the edge: the distribution of disadvantage in Australia](#)'. Jesuit Social Services and Catholic Social Services Australia. 2007.

While the problems identified in *Dropping Off the Edge* are more concentrated in certain areas, chronic disadvantage occurs in neighbourhoods across the country. To prevent problems in the future and to address the legacy of past neglect, Catholic Social Services Australia recommends that the Commonwealth adopt a strategy that:

- builds the capacity of tomorrow's workforce through investments in *targeted* long-term early childhood interventions and other programs;
- helps disadvantaged adults prepare for and search for paid employment; and
- provides *temporary* support to disadvantaged individuals and households who are preparing for work as well as *ongoing* support to those unable to support themselves through paid employment.

While ongoing paid employment is the most effective pathway out of chronic disadvantage, this pathway is not always immediately open to individuals who suffer from a lifetime of accumulated disadvantage. Governments should not exaggerate the effectiveness of labour market assistance in order to justify inadequate material and social support to chronically disadvantaged individuals and families.

For chronically disadvantaged individuals, social inclusion policies should extend beyond measures designed to improve labour force participation. They should also assist disadvantaged older Australians, those caring for young children, and people with severe disabilities, and those who experience social exclusion whether or not they are capable of moving into unsubsidised employment.

Social inclusion means inclusion in families, friendship networks, neighbourhoods, clubs, churches, sporting associations and other groups. A narrow focus on employment falsely equates social inclusion with reduced demands on income support and values individuals for their economic contribution rather than their intrinsic value.

### **Preventing disadvantage through targeted early childhood interventions**

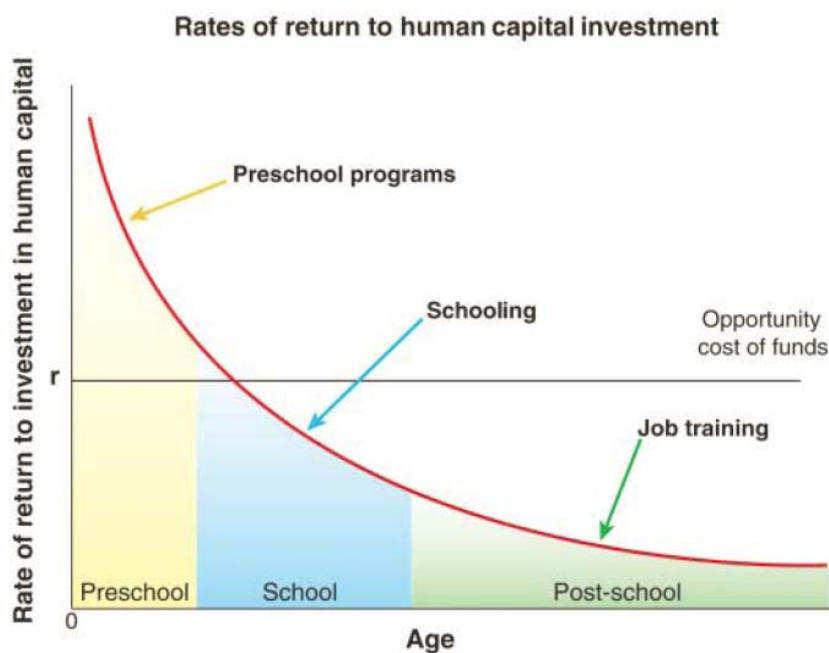
For some chronically disadvantaged adults, the most effective thing government can do is provide ongoing material support. Because this kind of support is costly, policy makers are tempted to offer token self-sufficiency assistance instead.

With children growing up in disadvantaged environments there is much greater potential for prevention. While effective early interventions may be costly, the long term benefits can outweigh the costs. This is not always the case for effective levels of assistance targeted at chronically disadvantaged adults.

US Economist James Heckman argues that "If society waits too long to compensate, [for inadequate investments in early childhood] it is economically inefficient to invest in the skills of the disadvantaged".<sup>17</sup> This position may be based on an overly pessimistic view of adult education and training but even if Heckman is correct, adult interventions would still be justified on social justice grounds. While intervening may reduce gross domestic product per capita, it will improve the well-being of the most disadvantaged. The important point is that early intervention enables policy makers to avoid trade-offs between equity and efficiency.

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<sup>17</sup> James Heckman, 'Skill Formation and the Economics of Investing in Disadvantaged Children' *Science* 312 (30 June 2006): 1900-1902



Rates of return to human capital development in disadvantaged children. From James Heckman, 'Skill Formation and the Economics of Investing in Disadvantaged Children.'

Catholic Social Services Australia welcomes the Government's focus on early childhood and its support for programs such as the Home Interaction Program. And while providing universal access to education opportunities in the year before formal schooling is a positive step, this could be combined with a range of more intensive supports for children who are most at risk of disadvantage.

*Dropping Off the Edge* demonstrates the value of early childhood programs that are more intensive and more tightly targeted.<sup>18</sup>

### **Recommendation # 6.**

Three and four year old children living within the 10 per cent most disadvantaged localities in each jurisdiction should be guaranteed 18 hours of free preschool<sup>19</sup>.

### **Creating intermediate labour markets**

Intermediate labour market programs offer paid work outside the mainstream labour market. They can benefit chronically disadvantaged participants in two ways:

- **A stepping stone to paid employment.** Participants can build skills and gain on-the-job experience which can help prepare them for employment.

<sup>18</sup> Tony Vinson, '[Dropping off the edge: the distribution of disadvantage in Australia](#). Jesuit Social Services and Catholic Social Services Australia. 2007.

<sup>19</sup> Tony Vinson, 'Speech - Dropping Off The Edge: The Distribution of Disadvantage in Australia.'  
<http://catholicsocialservices.org.au/node/980>

- **Direct benefits from participation:** Chronic joblessness is often associated with social isolation, poor mental health and poverty. Paid work offers an opportunity to build social networks, gain confidence and earn extra income.

Intermediate labour market programs would differ from previous employment creation programs such as New Work Opportunities (NWO) or Work for the Dole in three ways:

- **A broader set of objectives.** Programs such as NWO were designed as welfare to work programs. As a result, evaluations of these programs typically ignore the direct benefits of participation for recipients and the value of work for the local community. While moving participants from income support to paid employment would be one of the objectives of an Intermediate Labour Market program, it would not be the only objective.
- **A focus on employment.** Programs such as NWO and Work for the Dole represent attempts to put a time limit on the receipt of passive welfare. As a result they were developed as part of the income support compliance system rather than as a part of the labour market. An intermediate labour market program would be more employment oriented, recruiting only those who were genuinely willing to work and placing greater emphasis on providing useful goods and services. As a result, participation would carry less of the stigma attached to programs such as Work for the Dole.
- **Open recruitment.** Like Green Corps, an intermediate labour market program should mix both disadvantaged and non-disadvantaged participants. While this would increase the cost per disadvantage participant, it would foster a more mainstream work environment.

Because of its broader social inclusion objectives, it would not be appropriate to fund and manage such intermediate labour market programs through the Department of Education, Employment and Workplace Relations (DEEWR)

One of DEEWR's strengths has been its clear focus on employment outcomes. However, this would not be appropriate for the kind of intermediate labour market program proposed here. The program's strength is its ability to deliver benefits across a number of portfolio areas. It is unlikely that such a program would be cost effective if viewed purely as a welfare to work program. DEEWR's tight focus on outcomes would not allow it to treat the program any other way.

#### **Recommendation # 7.**

Establish a cross-portfolio funding pool which is able to provide funding for intermediate labour market programs in areas of concentrated disadvantage.

#### **An adequate income**

While access to employment assistance can improve an individual's chances of escaping from long term reliance on income support, it is not a substitute for adequate rates of income support. Even the most effective welfare to work programs leave many participants jobless at the end of the program. Net impacts are usually positive but modest.

While there is a growing awareness of the inadequacy of income support payments there is no credible standard of adequacy to guide decisions about the amount of support

various groups of income support recipients ought to receive. In the absence of such standards, decisions tend to be made in an ad hoc way in response to political pressure.

Catholic Social Services Australia proposes the establishment of an independent Australian Entitlements Commission to set and adjust standards of adequacy. This body would operate at arms length from government in much the same way as the Fair Pay Commission, the Commonwealth Remuneration Tribunal and the Reserve Bank of Australia. Its terms of reference would be public and its decision making processes transparent.

An independent Entitlements Commission would depoliticise decisions about income support adequacy and consider the needs of all recipients regardless of their level of political influence. The current ad hoc process has contributed to the complexity and inconsistency of the income support system and has tended to overlook the needs of vulnerable groups who lack the ability to lobby effectively.<sup>20</sup>

**Recommendation # 8.**

Establish an independent Entitlements Commission to set and adjust standards of adequacy for social security payments.

**Investing in public and community housing**

One of the most effective ways to increase the supply of affordable housing to chronically disadvantaged individuals and families is to increase the stock of public and community housing.

The recent Senate Select Committee on Housing Affordability identified lack of supply as a key problem for disadvantaged households and recommended that the Australian Government provide additional funding for social housing.

Additional funding for social housing would complement the Government's efforts to increase the supply of affordable housing through the National Rental Affordability Scheme (NRAS).

**Recommendation # 9.**

The Australian Government, together with state and territory governments, should provide additional funding to significantly increase the supply of public and community housing. This can be negotiated through the National Affordable Housing Agreement.

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<sup>20</sup> This proposal is set out in detail in Catholic Social Services Australia's 2008 discussion paper: *An Australian Entitlements Commission: A proposal for an independent commission to inform decisions about the adequacy of pensions and other income support payments.*  
<http://www.catholicsocialservices.org.au/node/14718>

## Reducing waste and improving efficiency

### Reducing red tape

In August 2008 Catholic Social Services Australia surveyed 19 of our 67 members. We found that these 19 agencies are bound by 620 separate government contracts and funding agreements — an average of 32 funding agreements for each agency.<sup>21</sup>

Funding for community agencies typically comes from both federal and state/territory governments. It is worth noting here that if efficiencies are to be gained this will largely require reform of government funding processes, rather than community sector reform.

As Catholic Social Services Australia stated in its 2008–09 budget submission:

... the Commonwealth Government's proposed social inclusion bodies and COAG should consider other ways of reducing waste and duplication in community sector engagement with different levels of government, where a plethora of compliance and accountability arrangements now apply. For example, in a given issue area it may be possible to harmonise approaches across levels of government to core processes such as data collection, program evaluation and tendering procedures.

Providing funding through a mass of separate contracts and funding agreements prevents agencies from adopting a flexible and effective approach to solving problems on the ground. Not only does it undermine effectiveness, but it also impairs efficiency. Resources which could be devoted to service delivery are consumed by administration.

#### **Recommendation # 10.**

Where possible, funding agreements and contracts with community-sector agencies should be structured around accountability for outcomes. Rather than specifying inputs and processes, agreements and contracts should allow agencies flexibility in the way they deliver results.

#### **Recommendation # 11.**

The Commonwealth Government's social inclusion governance bodies and COAG should consider further ways of reducing duplication and waste in community sector engagement with different levels of government.<sup>22</sup>

### Joining-up government

Funding models based around individual programs and departments can prevent a local service provider from coordinating their activities in the most effective and efficient manner. Fragmenting interventions designed to address problems such as homelessness, substance abuse, mental illness and unemployment can undermine effectiveness. When an local agency has the authority to allocate resources between activities and structure delivery around individual client needs, effectiveness is likely to increase.

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<sup>21</sup> Catholic Social Services Australia, *Disclosure regimes for charities and not-for-profit organisations. Submission to the Senate Standing Committee on Economics*, August 2008.  
<http://www.catholicsocialservices.org.au/node/14731>

Program-based funding models discourage activities which deliver outcomes across program and portfolio boundaries (eg a green jobs project that delivers both environmental and employment benefits).

#### **Recommendation # 12.**

Trial alternatives to program-based funding models. These may include flexible funding pools and place-based funding agreements which combine funding from a number of separate departments without requiring separate reporting to each funding agency.

### **Adequate funding for the community sector**

Community sector agencies do more than deliver programs on behalf of government.

They provide services and functions that government do not fund, nor should they fund – they have an existence prior to the existence of government.

They provide services that governments do not fund, but should – they provide services that are in emerging areas of need or are in gaps in government programs.

Community agencies also fund (through subsidy) existing government programs that are inadequately funded, and the research and development that is required to established new and required programs and program improvements.

Public funds are used with sub-optimal efficiency, principally because of government funding silos which are uncoordinated leading to duplication and waste, and because of red-tape and micro management from government agencies.

If the government is serious about a Compact with the sector, and there is every indication to date that they are, then these issues will have funding implications for government and allowance ought to made for this in the current Budget process. Noting that while ever funds are used to address immediate need and prevent longer term problems, there are long term efficiencies for government.<sup>23</sup>

### **Using research and evaluation to create more effective policies**

Catholic Social Services Australia welcomes the Government's commitment to evidence based policy. Trialling and evaluating new policy ideas is a key way government and the community sector can work as partners to create more effective responses to social problems such as poverty, social exclusion and unemployment.

#### **Funding innovation**

Often it is those closest to a problem who are best able to devise innovative solutions. Catholic Social Services Australia welcomes the new innovation fund created as part of the latest employment services tender. Government should build on this approach to provide funding for a broader range of innovations in social policy — particularly those

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<sup>23</sup> Disclosure regimes for charities and not-for-profit organisations Submission to the Senate Standing Committee on Economics. August 2008 <http://www.catholicsocialservices.org.au/node/14731>

whose activities cross portfolio boundaries and cannot be funded within the existing program structure.

**Recommendation # 13.**

Create a social policy innovation fund to support new approaches to promoting social inclusion. This fund should pool resources from a number of portfolios and be available for a wide range of activities with a high level of flexibility and control between government and local agencies.

**Finding out what works**

There is little point to funding innovative projects if these projects are not evaluated and their design and implementation put to the test. By systematically evaluating new ways of addressing problems now, policy makers can learn how to get better results in the future.

**Recommendation # 14.**

Funding for policy innovation should be linked to a requirement to evaluate and report. Government should provide a separate source of funding to support rigorous independent evaluations of new approaches.

**Informing debate by sharing data**

Government agencies such as Centrelink, FaHCSIA and DEEWR have access to large quantities of policy relevant data. While there may be *political* risks to government, releasing more of this data into the public domain would improve the quality of policy debate and aid in policy development.

Government agencies should also be encouraged to evaluate the impact of policies and programs, and to make confidentialised data from these evaluations available to academic and other researchers.

**Recommendation # 15.**

Government agencies should publicly release confidentialised data relevant to the effectiveness of policies and programs except where there is a compelling public interest reason not to.

**Investing in the capacity of the sector**

As government departments increasingly adopt a purchaser/provider model which separates policy from service delivery, policy makers lose access to local knowledge. As a result, the community sector has become an important source of information and advice to government.

One of the community sector's strengths has been its ability to use on-the-ground knowledge to respond to changing local conditions. However, contracts and funding agreements are often narrowly focused. By tying funding to specific activities and objectives, the purchaser/provider model has eroded the capacity of community agencies to act autonomously — to innovate and devise joined-up local solutions.

There is a disconnect between decision making authority and the information required to devise effective local solutions. The authority to make decisions and allocate resources is

typically centralised in government departments while the knowledge needed to make effective decisions often lies with local service providers.

The sector needs funds that can be used to gather and analyse information as well as greater flexibility to adapt national programs to local conditions.

Changes to taxation arrangements (such as those attached to Public Benevolent Institution status) could further restrict the capacity of the sector.

**Recommendation # 16.**

Government should provide identifiable operational funding in all funding agreements and contracts with community sector agencies to allow them to engage with the local community, to gather, share and utilise local information, and to build the capacity of its leadership and staff to provide sustainable and effective programs.

## **Responding to climate change**

Catholic Social Services Australia welcomes the compensation measures the government has included as part of its Carbon Pollution Reduction Scheme. These measures will help ensure that the introduction of an emissions trading system does not make low income and disadvantaged Australians worse off.

Government also needs to ensure that low income households have an opportunity to reduce their energy consumption to protect them from the effects of rising utilities costs for decades to come. The careful implementation of such mitigation strategies also has the potential to provide low income earners with green jobs.

In a joint submission to the Prime Ministerial Taskforce on Emissions Trading in April 2007 Catholic Social Services Australia called on the Task Group to assess emissions trading models against the equity principles of responsibility, capacity and vulnerability.<sup>24</sup>

However, the well-being of disadvantaged and low income Australians depends not just on the level of compensation they receive, but also on their ability to respond to the new incentives created by the emissions trading system. Targeted social marketing campaigns aimed at changing consumer behaviour would help reduce emissions and improve the well-being of disadvantaged households.

**Recommendation # 17.**

The Government's Carbon Pollution Reduction Scheme should include targeted social marketing campaigns to assist disadvantaged consumers respond to the new incentives created by an emissions trading system.

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<sup>24</sup> *Joint submission to Prime Ministerial Task Group on Emissions Trading.* Brotherhood of St Laurence, Catholic Social Services Australia and National Welfare Rights Network. April 2007  
<http://www.catholicsocialservices.org.au/node/14532>

These campaigns should target groups who are less likely to benefit from standard forms of consumer information (eg star ratings on household appliances). For some groups, face to face communication may be more effective than printed materials.

The community sector provides a wide range of services to disadvantaged Australians. While many of these services are funded by government, a significant amount of funding comes from donations and returns on investments.

To maintain the current level of services after the introduction of an emissions trading system, the community sector will need to find additional resources.

**Recommendation # 18.**

Strategies for dealing with the financial impact of emissions trading should be identified directly as part of the Governments Carbon Pollution Reduction Scheme.

Catholic Social Services Australia provided detailed recommendations in a joint submission to the Prime Ministerial Task Group on Emissions Trading.<sup>25</sup>

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<sup>25</sup> *Joint submission to Prime Ministerial Task Group on Emissions Trading.* Brotherhood of St Laurence, Catholic Social Services Australia and National Welfare Rights Network. April 2007  
<http://www.catholicsocialservices.org.au/node/14532>