



Catholic Social Services  
**Australia**

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**Submission to ALP Family Watch Task Force**

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Pressures on  
Australian Families

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Submission to ALP Family Watch Task Force:

## PRESSURES ON AUSTRALIAN FAMILIES

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## I Introduction

### 1. Catholic Social Services Australia:

- Is the Catholic Church's peak national body for social services.
- Represents 61 social service organisations providing diverse services to over a million Australians each year from over 250 sites in metropolitan, regional and remote Australia.
- Provides advice on social policy issues to the Australian Catholic Bishops Conference.
- Manages government contracts, including Job Network, Personal Support Program and Disability Open Employment Services; and supports a number of Family Relationship Services.
- Is committed to an Australian society that reflects and supports the dignity, equality and participation of all people.
- Has the mission of promoting a fairer, more inclusive society that gives preference to helping people most in need.
- Works with Catholic organisations, governments, other churches and all people of good will to develop social welfare policies, programs and other strategic responses that work towards the economic, social and spiritual well-being of the Australian community.

2. The Catholic Church has always upheld the importance of the family as the primary source of support and formation for individuals. The Church also sees the extrinsic merit of the family as an agent of social cohesion.

The rights of the person...have a fundamental social dimension which finds an innate and vital expression in the family;... the family constitutes, much more than a mere juridical, social and economic unit, a community of love and solidarity, which is uniquely suited to teach and transmit cultural, ethical, social, spiritual and religious values, essential for the development and well-being of its own members and of society.<sup>1</sup>

3. From a Catholic perspective, the support of family life is an indicator of the real prosperity of any society, and this support does not belong exclusively in the private domain:

In a social-democratic country like Australia, it is the responsibility of legislatures, other public authorities and community services to provide families with appropriate moral and material support.<sup>2</sup>

## II General Comments

### (i) Pressures on families must be assessed holistically

4. Catholic Social Services Australia is aware that each increase in petrol prices or interest rates imposes a new strain on families struggling to cope financially. However, we do not believe that such cost pressures should be viewed in isolation. The entire load on the camel's back warrants assessment, not just the straw or two added most recently. The need to consider the broader picture is especially pressing in the case of low-income families, whose struggles have causes and timeframes which are distinct from isolated recent cost increases.

<sup>1</sup> *Charter of the Rights of the Family*, Holy See, 1983.

<sup>2</sup> Australian Catholic Bishops' Conference, *Families Our Hidden Treasure: A Statement of Family Life in Australia*, Aurora Books, Melbourne, 1993.

5. Poverty's key characteristics include compounding tendencies and inter-generational persistence. Where we tolerate poverty among families, we can expect to pay a high cost in both economic and human terms, because the "human capital" of both current and future generations is wasted through lack of appropriate opportunity, interest, training, education and/or experience.<sup>3</sup> This sad waste can be minimised by thoughtful policy-making which keeps the interests of the most disadvantaged at the forefront, emphasises early intervention, and assumes that those "doing it tough" require targeted assistance rather than threats and punishment.

(1) *Catholic Social Services Australia recommends that the Family Watch Task Force consider the full range of factors which pressure families, including systemic poverty, as well as considering increases in selected specific costs.*

**(ii) Need to address neglected plight of low-income families**

6. Low-income families<sup>4</sup> virtually disappear from view in some public debates about the allocation of economic benefits and costs, especially debates concerning taxation policy. We understand the moral and electoral imperatives for political parties to consider the well-being and the perspectives of people of all income brackets. However, the balance often seems skewed toward "middle Australia" and above, with disappointingly little concern about the hardships faced by those on low incomes. This bias has been evident in, for example:

- The Federal Government's table showing how different family types in different income brackets fared in the most recent Federal Budget:
  - For a single-income couple with two children aged 3 and 8, for instance, Budget-sourced improvements in annual disposable income for 2006-07 are: \$365 for families with a private income of \$20,000 p.a.; \$910 at \$30,000; \$1,648 at \$40,000-\$50,000; and \$6,200 at \$150,000.<sup>5</sup>

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<sup>3</sup> For a sobering analysis of some of the human costs referred to here, see Peter Butterworth, A. Kate Fairweather, Kaarin J. Anstey and Timothy D. Windsor, "Hopelessness, demoralization and suicidal behaviour: the backdrop to welfare reform in Australia", 40 *Australian and New Zealand Journal of Psychiatry* (2006) 648-656.

<sup>4</sup> Defining "low income" poses a challenge. We will not enter into technicalities here, except to note that possible yardsticks include household income which:

- (1) Is at or below the Federal minimum wage (\$25,272 p.a.).
- (2) Is below the OECD half median poverty line (this measure adjusts for number and age of persons in household – see Rachel Lloyd, Ann Harding and Alicia Payne, *Australians in Poverty in the 21<sup>st</sup> Century*, NATSEM Paper prepared for 33<sup>rd</sup> Conference of Economists, 27-30 September 2004 (hereinafter "*Australians in Poverty*"), pp.2-4 – see also n.38 below. In 2001, the OECD half-median poverty line for a couple with two children was just over \$21,000 p.a. *net – ibid.*, p.4).
- (3) Makes family eligible for maximum rate of Family Tax Benefit Part A (i.e. less than \$40,000 p.a.).

Our preference is for the third of these yardsticks. However defined, we suggest that a generous buffer amount be added to acknowledge the fact that many families move in and out of poverty: it should not be assumed that those existing just above any arbitrarily-determined level of "low income" are not also experiencing significant financial hardship.

<sup>5</sup> 2006-07 *Budget Overview*, Appendix B, "Benefits for Families", [http://www.budget.gov.au/2006-07/overview/html/overview\\_28.htm](http://www.budget.gov.au/2006-07/overview/html/overview_28.htm).

- The implications for lowest-income families of the taxation and benefits policies put forward by the Australian Labor Party just prior to the 2004 federal election.
- The lack of public debate about the distributional impact of governmental assistance to home owners/purchasers:
  - “Assistance to home owners...primarily benefits higher income households. Nearly 70% of tax benefits to home purchasers [in 1999] went to households with incomes in the top two income quintiles. The tax benefit to home owners without mortgages shows that a significantly higher proportion of this benefit (93%) was received by households with incomes in the top two income quintiles.”<sup>6</sup>
- The lack of attention paid to the fact of differential rates of wages growth at different levels of income:
  - For the period 1998-2004, “the total average weekly earnings of non-managerial adults increased by 3.6%..., with higher income earners (those on the 80<sup>th</sup> or 90<sup>th</sup> percentile) seeing their weekly income increase by 4.8% and 13.4% respectively. Low income earners, those at the 10<sup>th</sup> or 20<sup>th</sup> percentile saw an increase of just 1.2%.”<sup>7</sup>

7. Particular concerns arise about the lack of emphasis on groups known to experience disproportionately high rates of disadvantage, especially Indigenous Australians.<sup>8</sup>

8. We encourage ALP Family Watch Task Force members to give highest priority to low-income families. These are the families who are most severely affected by the pressures identified in the Task Force’s terms of reference, who could derive the most significant benefit from carefully-targeted policy proposals designed to alleviate those pressures, and who stand in greatest need of both practical and rhetorical support from political leaders.

(2) *Catholic Social Services Australia recommends that the Family Watch Task Force give highest priority to low-income families in its examination of pressures affecting families.*

**(iii) Impact on families of living in communities marked by severe social disadvantage**

9. A family’s well-being is affected by the state of the community in which that family lives. A study published by Jesuit Social Services in 2004 measured the concentration of disadvantage according to postcode areas in New South Wales and Victoria, and sought to identify those characteristics of local communities faced with severe social disadvantage which could be promoted to build greater social cohesion rather than social exclusion (copies of this study will be available for interested Task Force members from Frank Quinlan on 21 August).<sup>9</sup> Among many other results, that study found that:

<sup>6</sup> Australian Institute of Health and Welfare, *Australia’s Welfare 2005: The seventh biennial welfare report of the Australian Institute of Health and Welfare*, 2005 (hereinafter “*Australia’s Welfare 2005*”) p.279.

<sup>7</sup> “Real earnings trends by income distribution”, ACIRRT, University of Sydney, August 2005, p.2.

<sup>8</sup> “Indigenous people are twice as likely as other Australians to be in the lowest income quintile...and almost four times less likely to be in the highest quintile” and “the mean income of Indigenous households is around 60 per cent of that of other households” (Boyd Hunter, “Revisiting the poverty war: Income status and financial stress among Indigenous Australians”, in B.H. Hunter (ed.), *Assessing the evidence on Indigenous socioeconomic outcomes: A focus on the 2002 NATSISS*, Centre for Aboriginal Economic Policy Research, ANU, Research Monograph No. 26, 2006).

<sup>9</sup> Tony Vinson, *Community adversity and resilience: The distribution of social disadvantage in Victoria and New South Wales and the mediating role of social cohesion*, Jesuit Social Services, March 2004.

- In both Victoria and New South Wales, a relatively small proportion of postcode areas occupied eight times their share of the top 30 rankings on over a dozen indicators of disadvantage.<sup>10</sup>
- In Victoria, 25% of the total on each of 15 indicators of disadvantage were accounted for by 5% of postcodes.<sup>11</sup>
- In New South Wales, 3-4% of postcodes covered 25% of the incidence of the following three indicators: imprisonment, child abuse and long-term unemployment.<sup>12</sup>

10. Catholic Social Services Australia, together with Jesuit Social Services (JSS), will soon be seeking meetings with interested Federal Parliamentarians to discuss more recent JSS work on the geographic distribution of social disadvantage: a national study to be published in 2007. Evidence of geographical concentrations of disadvantage points to the need for policy-makers to consider measures pitched at particular local communities (not just at the individual or family level) when seeking to alleviate pressures affecting families.

(3) *Catholic Social Services Australia recommends that the Family Watch Task Force consider the geographical distribution of social disadvantage as an integral part of its examination of pressures affecting Australian families.*

### III Specific pressure factors identified in Task Force's Terms of Reference

#### (i) Rising petrol prices

11. Any increase in non-discretionary expenditure, such as fuel, has a differential impact upon poor people. Many clients of our member organisations cannot afford a car, and feel the impact of higher petrol prices in forms other than directly at the bowser. They will not be assisted by the newly-announced subsidy for LPG conversion of cars. The impact of consistently rising petrol prices should be reflected in income support levels and in adjustments to the minimum wage (e.g. in the determination currently underway by the Australian Fair Pay Commission). Higher petrol prices should also prompt debate about whether we as a society are sufficiently prioritising renewable energy sources, and about how the costs of moving to more sustainable forms of energy should be shared across society.

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The report notes that "the concentration of disadvantage within certain postcodes is not simply attributable to the scale of population involved" (*ibid*, p.11). See also Ann Harding, Justine McNamara, Robert Tanton, Anne Daly and Mandy Yap, *Poverty and Disadvantage among Australian children: a spatial perspective*, NATSEM Paper for presentation at 29<sup>th</sup> General Conference of the International Association for Research in Income and Wealth, Joensuu, Finland, 20-26 August 2006.

<sup>10</sup> *Community adversity and resilience*, (n.9 above) p.9. In Victoria, 38.2% of the Top 30 rankings on each of the 13 indicators were accounted for by 4.8% of Victoria's postcodes; in NSW, 48.3% of the Top 30 rankings were accounted for by 6.1% of postcodes (*ibid*). The indicators of disadvantage included mortality rates; sickness and disability support; imprisonment; non-completion of Year 12/non-involvement in further training by 17-24-year-olds; and disconnection of domestic electricity supply (*ibid*, p.8).

<sup>11</sup> *ibid*, p.11.

<sup>12</sup> *ibid*.

## (ii) Spiralling household debt

12. The much-publicised rise in household debt in Australia is extremely disturbing. Rising interest rates place severe financial pressure on some struggling families. One concern is to ensure that the resultant vulnerability is not exploited by lenders charging excessive rates of interest.<sup>13</sup> Another concern is that any future economic downturn is likely to precipitate a very much larger number of families into debt-driven financial crisis.

13. Policies targeting debt could help – such as increasing the availability of free or low-cost advice about financial management; engaging banks and other credit providers about hardship/foreclosure policies; and running public awareness campaigns about the pitfalls of unsustainable debt levels.

14. However, underlying financial security is the root cause of much of the spiral in household debt: families cannot make ends meet, and accrue debt not because of unbridled consumerism but as the only means they can find of meeting essential expenses.

(4) *Catholic Social Services Australia recommends that the Family Watch Task Force consider proposals to alleviate some of the worst effects of spiralling household debt (e.g. increasing access to financial advice, and engaging credit providers on hardship policies), while recognising that its root causes lie in the broader problem of financial insecurity.*

## (iii) Lack of child care accessibility and affordability

15. The Leader of the Opposition, Mr Kim Beazley, has referred to “the most important job there is – raising the next generation.”<sup>14</sup> In contemporary Australia, the accessibility and affordability of high-quality child care are clearly crucial for child-rearing families.

16. Over the period 1991-2004, only high income earners experienced an increase in child care affordability; and affordability for all other groups continued to decline in the period 2000-2004.<sup>15</sup> This was despite the introduction in 2000 of the means-tested Child Care Benefit (CCB). Since 2004, childcare costs have continued to increase faster than the Consumer Price Index and average weekly earnings: increasing by 12% per year for each of the last two years (to March).<sup>16</sup> The new Child Care Tax Rebate (CCTR) is a 30% tax rebate, capped at \$4,000 per child, on out-of-pocket child care expenses. The CCTR can be claimed for the first time in 2005-06 income tax returns for expenses incurred in 2004-05.

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<sup>13</sup> For a cautionary tale about the incidence of such exploitation in the United States, see Howard Karger, “Two Peas in a Pod: Welfare-to-Work and the Making of the Fringe Economy”, July 2006, pp.7-13 (available at <http://www.uq.edu.au/swahs/welfareto-work/HowardKarger.pdf>).

<sup>14</sup> Kim Beazley, “Care for Kids – Labor’s Early Childhood Blueprint”, speech delivered at Australian Technology Park, Sydney, 28 July 2006 (hereinafter “Care for Kids”), p.1.

<sup>15</sup> Australian Institute of Health and Welfare, *Australia’s Welfare* 2005, p.96. During 1991-2004, the only family type to experience an increase in child care affordability was couple families with two incomes who earn 2.5 times the national average weekly earnings. For the period 2000-2004, “the affordability of community-based and private long day care centres declined for all family types except couple families earning 2.5 times AWE” (*ibid*).

<sup>16</sup> Compared to CPI increases of 2.6% in the year to March 2005 and 3% in the year to March 2006. See Task Force on Care Costs, *Where are we now? 2006 Interim Review of the 2005 Creating Choice: Employment and the Cost of Care Report*, 11 August 2006 (hereinafter “Interim Review”), p.34.

17. ACOSS has described the CCTR principle of covering a percentage of child care costs as a good one – but ACOSS has also criticised the CCTR as regressive, as inflationary, as too delayed in payment, and as potentially creating a two-tiered child-care system.<sup>17</sup> For these reasons, ACOSS has proposed replacing the Child Care Tax Rebate with a Child Care Benefit Guarantee which would entitle all families using approved child care to receive at least 30% of a government-recommended fee, with most families receiving substantially more than 30% and those on lower incomes receiving up to 85% of the recommended fee.<sup>18</sup> Catholic Social Services Australia sees value in this ACOSS proposal.

18. We note that the ALP child care policy announced on 28 July 2006 proposes Fringe Benefits Tax reform to extend the childcare exemption to all eligible “employer-provided” childcare (i.e. to remove the current limitation to employers with child care centres on business premises).<sup>19</sup> Catholic Social Services Australia welcomes this initiative, which should in practice enhance the availability of childcare. Catholic Social Services Australia also notes the ALP proposal to retain the Child Care Tax Rebate in modified form, and urges the Labor Party to consider ways in which the rebate scheme might be made to have a more progressive focus.

19. A number of commentators have pointed to the anomaly in indexing both the CCB and the \$4,000 CCTR cap to annual CPI movements when childcare costs have consistently grown faster than the CPI.<sup>20</sup> Catholic Social Service Australia hopes that both this anomaly and the adequacy of the amount paid in Child Care Benefit will receive thorough scrutiny by the Family Watch Task Force, and also by Chifley Research Centre in its current research into childcare.<sup>21</sup>

(5) *Catholic Social Services Australia recommends that the Family Watch Task Force, in considering the affordability and accessibility of childcare, emphasise the need for childcare support to families to be both progressive in impact and adequate in amount.*

**(iv) Rising costs of health care including private health insurance and preventative health measures**

*\*\*\* This part of our submission was prepared by our sister body, Catholic Health Australia \*\*\**

20. Access to health care is an essential component of being able to live in our society. Health care also underpins economic independence – poor health is generally associated with lower ability to participate in the workforce and lower income-earning capacity.

21. As the burden of illness already falls more heavily on lower income earners, increasing out of pocket costs for health care are highly regressive. Safety nets that have an initial gap prior to qualification also impact more severely on low income earners.

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<sup>17</sup> ACOSS, *Fair Start: 10-point plan for early childhood education and care*, ACOSS Info 383, February 2006 (hereinafter “*Fair Start*”), p.10-11.

<sup>18</sup> *Ibid*, p.11.

<sup>19</sup> “Fact Sheet – Childcare Fringe Benefit Tax Reform – 28 July 2006”, attached to Media Release “Investing in Our Kids’ Future” by Tanya Plibersek MP, Shadow Minister for Work and Family, Childcare and Youth, and Women, 28 July 2006.

<sup>20</sup> See ACOSS *Fair Start* (n.17 above), p.9 and Task Force on Care Costs, *Interim Review* (n.16 above), p.34.

<sup>21</sup> The research being commissioned by the Chifley Research Centre was mentioned in a recent speech by Kim Beazley – see Kim Beazley, “Care for Kids” (above n.14), p.9.

22. Over the last four years, health costs have increased at twice the rate of inflation with the out of pocket component increasing rapidly – particularly since 1997-98 (see Attachment A, Charts 1 and 2). Out of pocket fees as a proportion of health costs are now 20.3%. This compares with 14.1% in the United States (see Attachment A, Chart 3).

23. Despite the recent introduction of the Medicare safety nets, average-income families and those of modest household budgets still need to find up to \$500 (health care card holders) or \$1,000 for medical fees and \$239 (concessional) or \$835 (general) in order to gain some financial relief from both the MBS and PBS (see Attachment A, Charts 4 and 5).

24. For privately insured families, even with the assistance of the 30% private health insurance rebate, health premiums have risen 41% over the last four years. Public hospital charges are also increasing for items such as medical appliances and aid and outpatient services are increasingly provided in a private setting.

(6) *Catholic Social Services Australia recommends that the Family Watch Task Force consider ways of mitigating the regressive impact of rising health care costs.*

#### **(v) Rising costs of education and training**

25. Education and training are of critical importance in avoiding the cycle of inter-generational poverty.<sup>22</sup> Educational background is strongly linked to labour force status, with the highest rates of unemployment experienced by those with the lowest levels of education.<sup>23</sup> Unemployed people are at higher risk of poverty, with one study estimating that 41% of unemployed Australians live in poverty compared to 4% of those with full-time jobs.<sup>24</sup> The same study estimated a poverty rate in 2001 of 14% among Australians without post-school qualifications, and that these Australians made up 64% of those living in poverty.<sup>25</sup>

26. Rising costs of education and training will disproportionately mar the life opportunities of Australians from low-income backgrounds, perpetuating disadvantage across generations, unless carefully targeted policies are put in place to avoid this effect. Our member organisations indicate that early intervention strategies are the most effective means of minimising the incidence of inappropriate early school-leaving. Post-school, student poverty and increasing costs combine to place barriers in the path of prospective learners from low-income backgrounds. Another factor is the degree to which employers value education and training, and provide paid time and expenses for employees to improve their skills. Also significant is the degree of government support provided for this purpose.

27. Catholic Social Services Australia notes with disappointment that the recent “Welfare-to-work” changes have removed access to financial assistance for study and training from certain parents and people with a disability.<sup>26</sup>

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<sup>22</sup> See e.g. Community Affairs References Committee, *A hand up not a hand out: Renewing the fight against poverty: Report on Poverty and Financial Hardship*, The Senate, March 2004 (hereinafter “*A hand up not a hand out*”, pp.143-152.

<sup>23</sup> *Ibid*, p.145.

<sup>24</sup> Lloyd et al, *Australians in Poverty* (n.4 above), p.15.

<sup>25</sup> *Ibid*, p.17.

<sup>26</sup> See Simon Smith, “Go and Get a Job’: possible limits to the ‘work first’ approach to employment policy under Welfare to Work”, July 2006 (hereinafter “Work first”), p.4.

- (7) *Catholic Social Services Australia recommends that the Family Watch Task Force address the complexity of rising costs of education and training as:*
- (a) *A major cost increment faced by parents of young people;*
  - (b) *A barrier facing all low-income families seeking to enhance their financial security by upgrading individuals' skills; **and***
  - (c) *A factor requiring recognition in a range of policy areas, including education and skills training, welfare reform and industrial relations.*

**(vi) Other cost pressures: Housing costs and rising interest rates**

28. Accommodation is among the most elementary needs of families, and there exists a human right to adequate housing. Some 100,000 Australians estimated to be homeless on any given night,<sup>27</sup> of whom a significant proportion are children.<sup>28</sup> Housing stress places a significant pressure on many Australian families. For example, in 2004, about 35% of recipients of Commonwealth rent assistance still spent over 30% of their income on rent, while 9% of recipients spent over 50% of their income on rent.<sup>29</sup> And home ownership affordability is declining.<sup>30</sup> Many clients of our member organisations do not even aspire to home ownership, which they regard as beyond their means. Such people tend to feel the effects of rising interest rates in the form of rent increases.<sup>31</sup> Indigenous Australians are more likely than non-indigenous to experience housing stress: with under half the home-ownership rates of other Australians, a greater reliance on community and public rental housing, and higher rates of overcrowding and homelessness.<sup>32</sup>

29. The incidence of housing stress should prompt consideration of policies to alleviate pressures on all affected families, especially families unable to aspire to home mortgages. Affordability of housing for low-income earners could be addressed by, among other measures, better-targeted assistance under the first home-owners' grant and renewed attention to the possibilities offered by public housing. As a means of prompting appropriate research and debate, Catholic Social Services Australia supports the Productivity Commission's 2004 recommendation that:

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<sup>27</sup> This figure is derived from 2001 Census data – see Australian Institute of Health and Welfare, *Australia's Welfare 2005* (n.6 above), p.319.

<sup>28</sup> Clients with children made up 27% of Supported Accommodation Assistance Program (SAAP) "support periods" in 2003-04 (Australian Institute of Health and Welfare, *Australia's Welfare 2005*, 2005 p.124. SAAP is the major Commonwealth Government program addressing homelessness). This submission does not touch on the important related issue of domestic violence, which is the most significant cause of homelessness in women (see *ibid* pp.124 and 340-344, and Access Economics, "The Cost of Domestic Violence to the Australian Economy: Partnerships Against Domestic Violence" (2004), available at [http://ofw.facs.gov.au/padv/docs/cost\\_of\\_dv\\_to\\_australian\\_economy\\_i.pdf](http://ofw.facs.gov.au/padv/docs/cost_of_dv_to_australian_economy_i.pdf)).

<sup>29</sup> *Australia's Welfare 2005* (n.6 above), p.446 at Table A6.11.

<sup>30</sup> Affordability for first-home buyers dropped by 6.1% between Christmas 2005 and June 2006, according to one estimate – which added that there is "every likelihood that affordability will decline further in coming quarters" (HIA / Commonwealth Bank Media Release, "Quarterly Review of Housing Affordability: June Quarter 2006 – Higher Rates Hurt Housing Affordability", 14 August 2006).

<sup>31</sup> Rising interest rates have a significant impact not just on home mortgages but on all those who have levels of credit card debt (or other forms of personal debt) which are high in relation to their income (see item III(ii) above).

<sup>32</sup> Community Affairs References Committee, *A hand up, not a hand out* (n.22 above), p.308.

A national public inquiry should be established to examine the housing needs of low income households across Australia, including in Indigenous communities, and the nature and extent of assistance to help meet those needs.<sup>33</sup>

(8) *Catholic Social Services Australia recommends that the Family Watch Task Force endorse the Productivity Commission's 2004 recommendation for a national public inquiry into the housing needs of low-income households, including in Indigenous communities, and the assistance required to meet those needs.*

#### IV Additional specific pressure factors identified by Catholic Social Services Australia

##### (i) Interaction between taxation and benefits policies

30. The interaction between taxation and benefits policies is necessarily complex. Catholic Social Services Australia is concerned that problems in the interactions among different areas of government policy place undue pressure on struggling families.

31. Among the most glaring examples of such problems are the high effective marginal tax rates experienced by single parents and people with a disability who combine part-time work with benefits. It is unjust that that our lowest-income earners should be subjected to such high effective marginal taxation rates.

(9) *Catholic Social Services Australia recommends that the Family Watch Task Force pay particular attention to the impact on low-income families of high effective marginal tax rates experienced by families where single parents or people with a disability combine part-time paid work with benefits.*

##### (ii) Financial insecurity, the working poor, “WorkChoices” and “Welfare-to-work”

32. While no consideration of pressures on contemporary Australian families can ignore this complex cluster of issues, we highlight only a few points here. Some insights into Catholic perspectives on work are provided by the statement of the (then) Australian Bishops Committee for Industrial Affairs that:

...work exists for the person, not the person for the work. It follows that human work cannot be treated as a resource or as a commodity to be traded in like any other commodity...

Every family has the right to sufficient income through work. Workers have the right to just minimum wages and to just and safe working conditions...

The provision of more work opportunities does not however, by itself, justify reducing below a just level the wages of those already in jobs.<sup>34</sup>

<sup>33</sup> Productivity Commission, *First Home Ownership*, Productivity Commission Inquiry Report No. 28, 31 March 2004, pp.xxxii and 211.

<sup>34</sup> Australian Catholic Bishops Committee for Industrial Affairs, *Industrial Relations – The Guiding Principles*, 1993, p.2.

### *Financial insecurity and family formation*

33. For some Australians, the very *formation* of a family may be jeopardised by financial insecurity and/or assessments that financial circumstances render children unaffordable. Partnering rates are declining noticeably among men with lower educational levels and lower incomes.<sup>35</sup> One study indicated that two-thirds of men and women regard the ability to afford a child as the most important issue in deciding whether or not to start a family – and that both men and women include the male partner’s job security among the top five factors in making that decision.<sup>36</sup> Another important factor here is access to maternity leave, especially for couples where both partners’ employment is casual.

### *The working poor and the minimum wage*

34. “Working poor” people already exist in Australia, as the member organisations of Catholic Social Service Australia can attest. One 2004 study<sup>37</sup> based on an ABS survey conducted in 2000-2001 found that 27% of people living in poverty<sup>38</sup> worked either full-time (16%) or part-time (11%). It estimated that, of all people working full-time, 4% were living in poverty – and that this figure was 8.2% among people working part-time. The study made the following estimates of poverty rates among households with at least one wage-earner: 17.8% living in poverty where the only wage-earner worked part-time; 6.1% where the only wage-earner worked full-time; and 2.4% where two wage-earners worked full-time. Recent research into “living low-paid” fleshes out some of the implications for families of working for low wages.<sup>39</sup>

35. The Australian Catholic Commission on Employment Relations has made a submission (prepared in consultation with Catholic Social Services Australia) to the Australian Fair Pay Commission (AFPC) regarding its first minimum wage determination.<sup>40</sup> That submission stresses that the “safety net for the low paid” required by the AFPC’s statutory wage-setting parameters “is a safety net that meets the needs of low paid workers... [and] those needs must include the needs of those workers *and their families*.”<sup>41</sup> The submission also stresses the need for further research into the needs of low-paid families<sup>42</sup> and the need for the minimum wage to be increased to a more adequate amount.<sup>43</sup>

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<sup>35</sup> For example, between 1986 and 2001, the proportion of all men aged 30-34 who were partnered dropped from 72% to 59%, with an even sharper reduction occurring among men with low incomes and low education levels: from 68% to 52% (see Bob Birrell, Virginia Rapson and Claire Hourigan, *Men and Women Apart: Partnering in Australia* (2004), p. 15). See also Sue Leppert (ed.), *State of the Family 2005*, Anglicare, 2005, p.8.

<sup>36</sup> Weston, Qu, Parker and Alexander, *It's Not for Lack of Wanting Kids*, Australian Institute of Family Studies (2004), pp. 12, 126.

<sup>37</sup> Lloyd et al, *Australians in Poverty* (n.4 above), – see pp. 15-16.

<sup>38</sup> The study used the OECD half-median poverty line at half the median “equivalent income”. “Equivalent income” (IE) was calculated for each income unit (i.e. each household of related people) by dividing the unit’s disposable income (I) by a scale value (S). So IE = I/S. The scale value (S) was assessed by using the “OECD scale”, which assigns the following values to household members: First adult = 1; Other adults = 0.5; and Dependent children = 0.3. *Ibid* at p.3.

<sup>39</sup> Helen Masterman-Smith, Robyn May and Barbara Pocock, “Living Low Paid: Some Experiences of Australian Childcare Workers and Cleaners”, April 2006. See also <http://www.lowpayproject.com.au>.

<sup>40</sup> Australian Catholic Council for Employment Relations (ACCER) to Minimum Wages Review 2006 of the Australian Fair Pay Commission, 28 July 2006, available at <http://www.fairpay.gov.au/fairpay/Submissions/Organisations/community/>.

<sup>41</sup> *Ibid*, p.13 at paragraph 32 (emphasis added), referring to section 23(c) of the Workplace Relations Act.

<sup>42</sup> *Ibid* at paragraphs 48 and 54-55.

<sup>43</sup> *Ibid* at paragraphs 79-89.

## *WorkChoices and “welfare-to-work”*

36. This is not the place for a detailed assessment of the impact on families of recent changes to the welfare system and to industrial relations legislation. Suffice to say that Catholic Social Services Australia is concerned about how they might affect families, and therefore plans to collect data from its member organisations to identify and document their combined impact.

(10) *Catholic Social Services Australia recommends that the Family Watch Task Force specifically consider pressures affecting “working poor” families and how low-income families are affected by the combined impact of “WorkChoices” and “Welfare-to-work” policies.*

### **(iii) Challenges affecting single parent families**

37. Single parent families with dependent children as a proportion of all families with dependent children increased from 7% in 1969 to 22% in 2003.<sup>44</sup> Such families have been described as “the group in society most at risk of poverty”.<sup>45</sup> The following statistics about single parent families flesh this out:

- Poverty rate of 18.2% (2001).<sup>46</sup>
- Median income of \$412 per week (2003).<sup>47</sup>
- Workforce participation rate of 56% (2005).<sup>48</sup>
- 54% rely on government benefits as principal income source (2005).<sup>49</sup>
- Unemployment rate of 11% (2005).<sup>50</sup>
- Are one-quarter of all families in public housing (2005).<sup>51</sup>

38. Catholic Social Services Australia is of the view that single parents should have genuine choice about whether to seek paid employment – which requires access to affordable, high-quality childcare; access to education and training; and some degree of security that work commitments will be sufficiently flexible to co-exist with family responsibilities (e.g. that it will be possible to take leave from paid work to look after sick children without thereby losing much-needed income). This presents real challenges in a climate where welfare policy is dominated by a “work-first” approach<sup>52</sup> and the labour market is characterised by increased casualisation and by questions surrounding the availability of long-established working conditions.<sup>53</sup>

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<sup>44</sup> David de Vaus, *Diversity and change in Australian families: Statistical profiles*, Australian Institute of Family Studies, 2004, p.43.

<sup>45</sup> Community Affairs References Committee, *A hand up not a hand out* (n.22 above), p.239 at paragraph 10.106 (this was despite a decline in the 1990s in poverty rates among single parent families – *ibid* at paragraph 10.105).

<sup>46</sup> Rachel Lloyd, Ann Harding and Alicia Payne, *Australians in Poverty in the 21<sup>st</sup> Century*, Paper prepared for 33<sup>rd</sup> Conference of Economists, 27-30 September 2004 (hereinafter “*Australians in Poverty*”), p.11.

<sup>47</sup> ABS 2003, cat. No. 4442.0, *Family Characteristics Australia* p.39.

<sup>48</sup> ABS 2005, cat. No. 6105.0 *Australian Labour Market Statistics*, p.45.

<sup>49</sup> *Ibid.*

<sup>50</sup> *Ibid.*

<sup>51</sup> ABS 2005, cat no. 6523.0 *Household Income and Income Distribution Australia*.

<sup>52</sup> See Simon Smith, “Work first” (n.26 above).

<sup>53</sup> “Respect for human dignity requires that working conditions, including the length of shifts and the length of a week’s work, be such as to protect the health and well-being of workers and to *recognize their obligations to their family* and the wider society.” (Australian Bishops’ Committee for Industrial Affairs, *Industrial Relations – The Guiding Principles*, 1993, p.2, emphasis added.)

(11) *Catholic Social Services Australia recommends that the Family Watch Task Force prioritise the needs of low-income single parent families.*

**(iv) Pressures on those providing unpaid care in families**

39. Family responsibilities obviously include the crucial role of parenting. But other forms of family commitment are also of great importance and should not be neglected by policy-makers.<sup>54</sup> These include caring for older people; caring for people with a disability; and maintaining healthy relationships with marriage or de facto partners and other close family members.

40. The social and economic contribution made by the unpaid work of carers is grossly under-valued in Australia – not only in moral but in economic terms. An opportunity cost attaches to our failure to provide adequate support to carers. This cost takes several forms: economic productivity suffers as carers work fewer hours than they otherwise would; carers suffer from being impeded from developing their full potential in the workforce; and insufficient support of carers may mean that those being cared for also fail to develop their full potential to participate in society. Where a carer genuinely chooses to provide care in preference to working more hours or acquiring new skills, that carer still suffers from society's under-valuing of his or her caring role.

41. The following figures illustrate the scale of these issues:

- Nearly four million Australians in 2003 needed ongoing assistance because of a disability, a long-term condition or advanced age; and of these 70% were living at home.<sup>55</sup>
- "One-third of people providing primary care for elderly or disabled people live in households whose income places them in the poorest fifth of households in Australia."<sup>56</sup>
- "Carers are, on average, \$5,600 worse off each year than people with no care responsibilities... The labour force participation rate from primary carers is only 39 per cent."<sup>57</sup>
- 71 per cent of primary carers are female,<sup>58</sup> and women make up 90 per cent of Australians under 65 caring for a frail parent.<sup>59</sup>

42. One recent study suggests that, during the period 2004-2006, the availability and affordability of care significantly increased in importance among factors influencing carers' decisions about workforce participation.<sup>60</sup>

43. In view of the benefits derived by broader society from unpaid care in the home, public policy should both enable and support choices by individuals to care directly for children or other family members, rather than to re-engage with the paid workforce. But those individuals

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<sup>54</sup> For primary carers aged under 65 in 2003 in Australia, the breakdown by relationship to person cared for was: child - 32%; parent - 29%; partner – 29%; and other – 10%. *Who Cares? The Cost of Caring in Australia 2002-2005* (AMP.NATSEM Income and Wealth Report Issue 13 May 2006), p.9. "About one in every seven Australians provides informal care services to people with disabilities and the frail aged", and almost 20% of these carers (i.e. almost half a million people) are primary carers for profoundly or severely disabled persons (*ibid*, p.21).

<sup>55</sup> *Ibid*, p.1.

<sup>56</sup> *Ibid*, p.2 and see also p.11.

<sup>57</sup> *Ibid* p.2 and see also p.12.

<sup>58</sup> *Ibid*, p.10.

<sup>59</sup> *Ibid*, p.21.

<sup>60</sup> Task Force on Care Costs, *Interim Review* (see n.16 above), p.37.

who prefer to participate in the paid workforce should also be enabled to do so by the availability of accessible, affordable and high-quality care options. At present, many people with family responsibilities (especially single parents) may feel that they have little choice but to seek paid work.

(12) *Catholic Social Services Australia recommends that the Family Watch Task Force consider ways in which carers can be supported in exercising more genuine choices about providing unpaid care and/or participating in the paid workforce.*

### **Recommendations**

44. Catholic Social Services Australia recommends that the Family Watch Task Force:
- (1) Consider **the full range of factors** which pressure families, including systemic poverty, as well as considering increases in selected specific costs (paragraphs 4-5).
  - (2) Give highest **priority to low-income families** in its examination of pressures affecting families (paragraphs 6-8).
  - (3) Consider the **geographical distribution of social disadvantage** as an integral part of its examination of pressures affecting Australian families (paragraphs 9-10).
  - (4) Consider proposals to alleviate some of the worst effects of **spiralling household debt** (e.g. increasing access to financial advice, and engaging credit providers on hardship policies), while recognising that its root causes lie in the broader problem of financial insecurity (paragraphs 11-14).
  - (5) In considering the affordability and accessibility of **childcare**, emphasise the need for childcare support to families to be both progressive in impact and adequate in amount (paragraphs 15-19).
  - (6) Consider ways of mitigating the regressive impact of **rising health care costs** (paragraphs 20-24 and Appendix A).
  - (7) Address the complexity of **rising costs of education and training** as:
    - (a) A major cost increment faced by parents of young people;
    - (b) A barrier facing all low-income families seeking to enhance their financial security by upgrading individuals' skills; and
    - (c) A factor requiring recognition in a range of policy areas, including education and skills training, welfare reform and industrial relations (paragraphs 25-27).
  - (8) Endorse the Productivity Commission's 2004 recommendation for a national public inquiry into the **housing needs of low-income households**, including in Indigenous communities, and the assistance required to meet those needs (paragraphs 28-29).
  - (9) Pay particular attention to the impact on low-income families of high **effective marginal tax rates** experienced by families where single parents or people with a disability combine part-time paid work with benefits (paragraphs 30-31).
  - (10) Specifically consider pressures affecting **"working poor" families** and how low-income families are affected by the **combined impact of "WorkChoices" and "Welfare-to-work"** policies (paragraphs 32-36).
  - (11) Prioritise the needs of **low-income single parent families** (paragraphs 37-38).
  - (12) Consider ways in which **carers** can be supported in exercising more genuine choices about providing unpaid care and/or participating in the paid workforce (paras 39-43).

### **Conclusion**

45. Catholic Social Services Australia appreciates the opportunity to contribute to the work of the Task Force, and looks forward to seeing a report which emphasises the needs of low-paid families.

## RISING COSTS OF HEALTH CARE

The following charts illustrate the points made at paragraphs 20-24 of the Catholic Social Services Australia submission to the ALP Family Watch Task Force, under item III(ii). As noted in the submission, this material was provided by our sister body Catholic Health Australia.

Chart 1



Changes in CPI, Health Costs and AWE  
March 2002 to December 2005

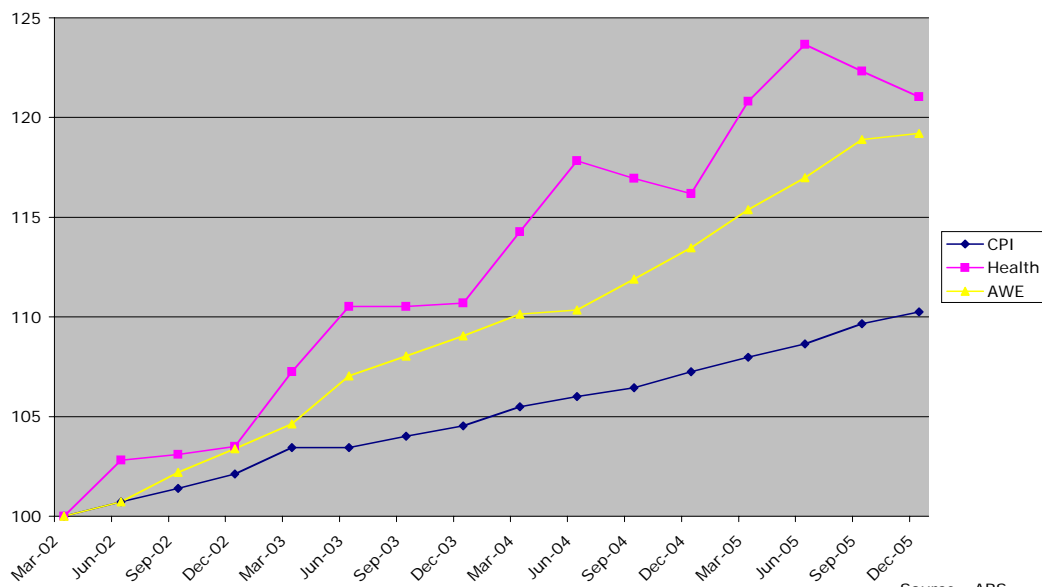
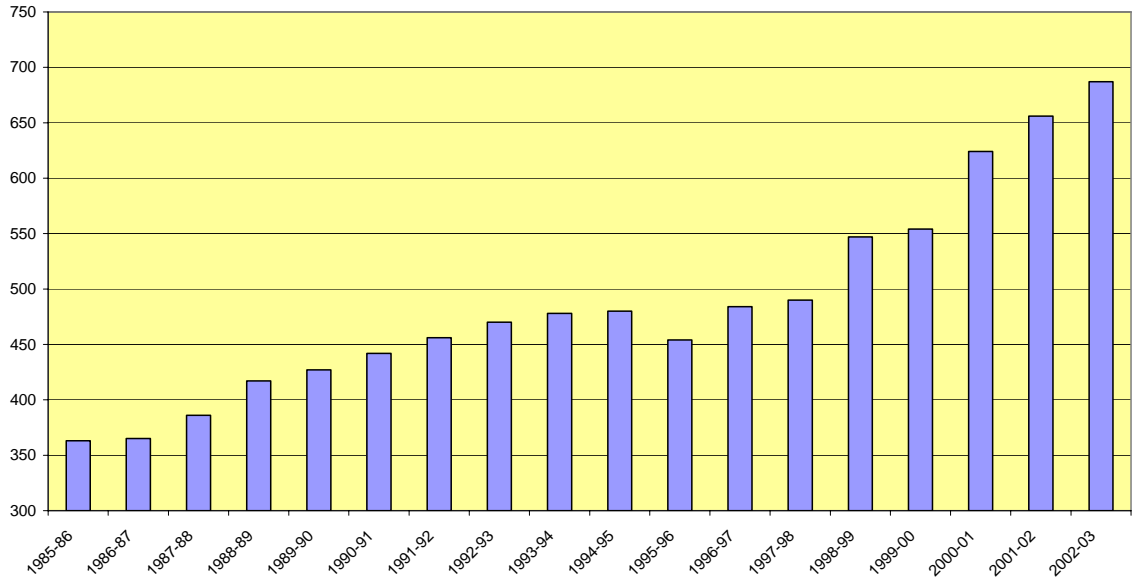


Chart 2



Average Out of Pocket Health Expenditure by individuals per year  
(constant prices)



Source AIHW

Chart 3



Individual Out of Pocket Expenses as proportion of Total Health Spending - Selected OECD Countries 2003

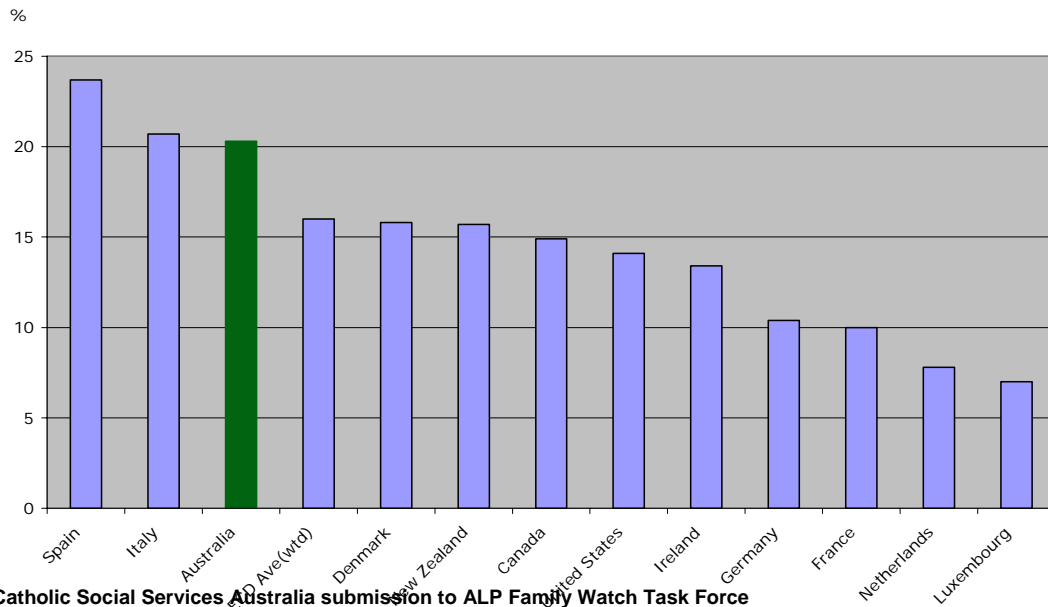


Chart 4



Number of standard GP visits required to reach Safety Net Threshold

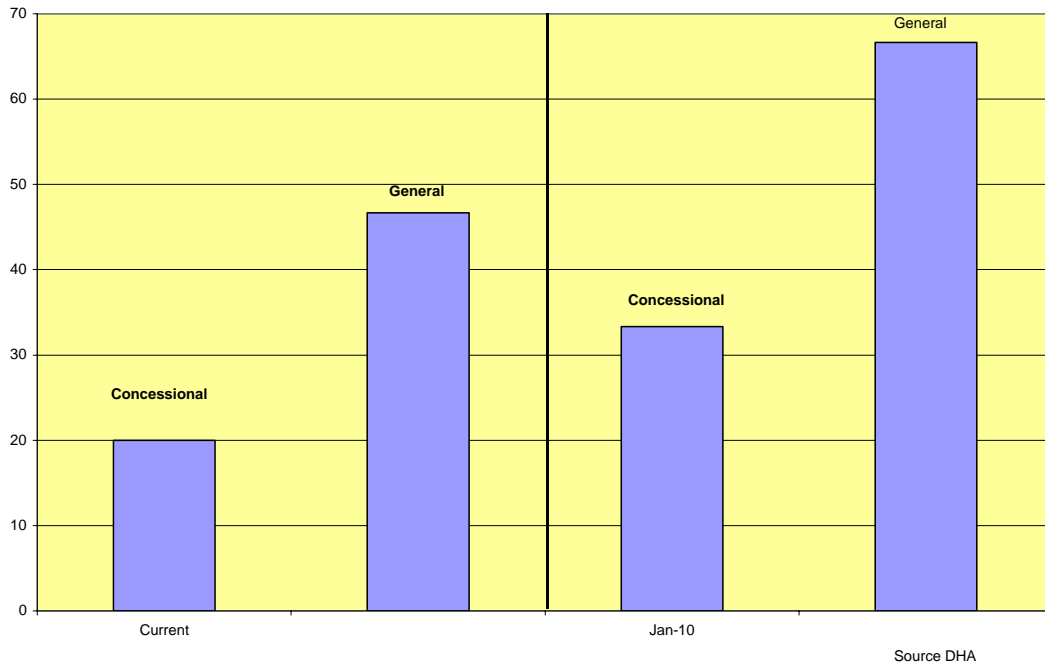


Chart 5



Number of PBS scripts required to reach Safety Net Threshold

