



# Australian Council of Social Service

22/08/14

Senator Di Natale  
Chair  
Select Committee into the Abbott Government's Budget Cuts  
PO Box 6100  
Parliament House  
Canberra ACT 2600  
Email: [budgetcuts.sen@aph.gov.au](mailto:budgetcuts.sen@aph.gov.au)

Dear Senator,

**Re: ACOSS submission to the Inquiry into the Abbott Government's Budget Cuts**

Thank you for the opportunity to provide a submission to your Committee's Inquiry into the Abbott Government's Budget Cuts.

The ACOSS *A Budget that Divides a Nation: 2014-15 ACOSS Budget Analysis* provides a comprehensive analysis of all major budget measures and their impacts on people on low and moderate incomes. The *ACOSS Submission to the Social Security Bills Budget Inquiry* highlights the negative impacts that proposed changes to social security will have on unemployed youth, people with disabilities, older people, and low to moderate income people receiving income support payments.

ACOSS has described the 2014-15 Budget as divisive. We believe it will exacerbate and further entrench divisions between older and younger people and between those on higher and lower incomes. Most of the pain will be felt by people on low incomes, young people, single parents, those with illness or disability, and those battling to keep a roof over their heads. Analysis by Professor Peter Whiteford and Daniel Nethery shows that after the Budget, an unemployed 23-year-old stands to lose \$50 per week or 18 per cent of their disposable income, while an unemployed lone parent with one 8-year-old child loses \$60 per week or 12 per cent<sup>1</sup>. As a percentage of income, lone parents earning around two-thirds of the average wage lose between 5.7 to 7.1 per cent of their disposable income. A single-income couple with two school-age children and average earnings stand to lose nearly \$90 per week or 6 per cent of their disposable income<sup>2</sup>. By comparison, an individual on three times the average wage will contribute just \$29 or less than 1 per cent of disposable income through the Deficit Levy<sup>3</sup>. We do not accept that those with the least should be asked to do the Budget 'heavy lifting'.



ACOSS understands the long term budget challenge the nation faces, with revenue declining and the needs of an ageing population increasing. For this reason, we support responsible reform to our tax and transfer systems to ensure we can maintain a robust system of supports and services into the future, for all of those who need them.

We also support sensible reform which appropriately targets assistance to those who most need it, including the following budget social security measures

- Abolishing the Seniors Supplement which currently goes to seniors with significant assets who are ineligible for the age pension;
- Lowering income eligibility for Family Tax Benefit Part B from \$150,000 to \$100,000; and
- Freezing asset tests for the age pension, which currently enables those with assets of up to \$1.1 million in addition to the family home to access a part pension.

However, the spending cuts and changes proposed in the budget disproportionately affect people on low and moderate incomes and in most need of government assistance. The changes removing income support to young people for 6 months of the year, reducing the value of pensions over time, freezing family payments, restricting access to family payments for sole parents and tightening eligibility for the Disability Support Pension are major changes that risk entrenching disadvantage and creating long-term social and economic problems that will not aid in making the budget more sustainable.

The community services that many people on low incomes rely on have also been put in a precarious position by budget funding cuts and changes. A pause on the indexation of 112 grant programs will result in a reduction in funds over time to the community sector, causing uncertainty over the ongoing provision of some services for vulnerable and disadvantaged people. Aboriginal and Torres Strait Islander people in particular will be hit hard. Close to half a billion dollars in funding over four years has been withdrawn from Aboriginal and Torres Strait Islander services, with the 'consolidation' of 150 diverse programmes into just five. We are deeply concerned about the impact this dramatic change will have on people relying on these services and to the Closing the Gap agenda.

Also troubling are the initiatives in the budget that undermine the principle of universal access to basic services. These include removing the universality of free access to health care with a \$7 Medicare co-payment, and restricting social mobility by creating a higher financial barrier to tertiary education with the deregulation of university fees and abolition of interest-free student loans.

In contrast, the budget changes aimed at those on high incomes are likely to have only a marginal impact that will be fairly easily absorbed, and are largely short term imposts only (e.g. the deficit levy). Quarantined from reform were the tax treatment of superannuation, private trusts, and negative gearing, which most advantage those on high incomes and deprive Government of much needed revenue.



ACOSS is very concerned that the cuts and changes contained in the budget fall unfairly on those who can least afford to bear it, and will have the undesirable outcome of entrenching disadvantage and widening inequality in Australia.

ACOSS is happy to appear before the Committee to support this submission in person and answer any questions the Committee may have.

In the meantime, please feel free to contact ACOSS Director of Policy, Jacqueline Phillips, at this office should you have further inquiries about this submission.

Yours faithfully,

Dr Cassandra Goldie  
CEO, ACOSS