

# Declaring War on Family Poverty

Address by Bishop Peter Hollingworth, Executive Director, The Brotherhood of St. Laurence, Melbourne, to The Children's Bureau of Australia Inc. on Tuesday November 26th, 1985.

The great challenge in the mid 1980's is to find ways to insulate children from the lingering political and economic malaise which has overtaken many families in Australia.

Family poverty, as many of you will know, has overtaken the poverty of the aged with which Australian society and welfare organisations were so familiar until the 1970's.

Nevertheless it came as a shock to me to see in black and white from the Social Security Department the figures which showed that the number of children living in poor families had quadrupled between 1973 and 1983 to the point where nearly one in five children in Australia is being raised in poverty.

That amounts to more than 800,000 children, an awful figure which ought to shock the most hardened politician or economic analyst into action.

That's what I thought when in July last year, I wrote an open letter to Mr. Hawke and managed to get it published on the front page of the Age. It began a new episode for the Brotherhood, which has always been a campaigner and advocate of structural solutions to poverty and disadvantage while simultaneously doing our best to make the poor's life more bearable.

The thrust of this campaign has been to try to get the federal government to see that it should adopt a comprehensive anti-poverty strategy in order for Australia to be able to celebrate its Bicentenary in 1988 confident that it was doing its best not to perpetuate the causes of poverty and disadvantage into our third century.

It has always seemed to me that Australia ought to do better than circuses and festivities for our birthday party and give ourselves a lasting achievement.

The form of the campaign has been both public, through many articles in the press and speeches to groups like yourselves, and private, through a correspondence with the Prime Minister. It has taken us to the tax summit, seeking to use tax reforms as a Trojan Horse in order to make a real gains for low income families, and it has brought us back again with little more than the status quo. In fact, the prospect for 1987-88 look positively gloomy.

By our calculations, the extensive tax cuts promised for that year will cost much more than tax reform is likely to generate, and this means the pressure will be on for reductions in outlays. In this climate, it will

be very difficult to make real gains and relative improvements in the income support levels of pensioners and beneficiaries, while family and community support services may also come under siege.

Although many people are now saying that the tax reform debate is virtually over, the Brotherhood intends to push on seeking a change in the tax reform outcomes for 1987-88 in order to see substantial gains for the poor.

We believe the tax cuts for that year can be redirected to lower income groups, real increases provided to pensioners and beneficiaries, and the income tax base broadening proposals can be further strengthened. This is necessary, particularly in the areas of the capital gains tax, negative gearing tax, the many tax concessions, action to reduce income splitting and to tighten the tax treatment of trusts.

Even if the government increased the amount of revenue from tax reform measures, the 1987/88 tax cuts must be restructured. Priority should be given to:

- targeted income security increases;
- increases to family allowances as a means of reducing the tax burden on households with children; and
- raising the thresholds at which the marginal tax rates apply rather than reducing the rates as a more effective way of providing tax relief to low and middle income earners.

If these further measures cannot be achieved, low income families will emerge from the tax reform debate beaten, with no prospect of substantial gains during the life of the second Hawke government.

The obstacles are daunting, but that has always been the prospect as we see things from Brunswick Street in Fitzroy.

In the first place, the government is mainly preoccupied with getting the economic fundamentals right. Of course, it must do that, but it should never forget that a wider perspective is required to achieve social goals such as the elimination of poverty than just the economic health of the nation. The government has placed all its eggs in the basket of economic growth, and this will pay off in reduced numbers of poor through a drop in the levels of unemployment with more jobs and more people back in the workforce.

But very large numbers of poor will be largely untouched by the improvement in

the labour market, notably poor families, especially female headed single parent families containing more than a quarter of a million of the children presently being raised in poverty.

Living on benefits around 20% and worse below the poverty line, this group has suffered the consequences of the enormous social change of the past 20 years. Mostly, they have come out of marriage with all the associated problems and a lot less money. Recent work has pointed up the unequal outcomes of divorce and helped explain why so much poverty today has a female face. We have made a contribution to knowledge in the area with a report called "Paying the Price for Sugar and Spice", a study of women's pathways into social security recipiency. It is a significant piece of work by Dr. Meg Montague and Jenny Stephens, and we expect to have it printed and for sale early next year.

Alongside the difficulties in getting government to make a comprehensive commitment to fight family poverty, we now face another problem widely known as the anti-welfare backlash. In particular, this is falling upon those groups of poor women trying, in the most difficult circumstances, to bring up the next generation.

I believe there are some deep-rooted cultural factors behind this backlash.

It is worth remembering that when economic times are tough, people tend to cast around for scapegoats, a search for a simple and symbolic cause upon which to vent frustration and sometimes anger. For example many hard pressed single income working families feel strongly that they should not have to support the unemployed through their taxes.

The big bogey on the conservative agenda at the moment is the level of government expenditure. We have had two governments of differing complexion, both composed of dedicated expenditure cutters, yet the level of expenditure stubbornly refuses to shrink at the required pace.

They cannot help looking at the welfare bill, and when they see amongst its component items the rapid rise in the outlays for supporting parents, the scene is ready made for scapegoats.

The opposition leader, Mr. Howard, has been providing grist for this mill of discontent with repeated statements that

the opposition will be looking to cut costs in this area should it become the government. To his credit, he has guaranteed that actual rates of benefit levels will not be cut, and that those in need can feel secure.

Yet he is being egged on by commentators and others on the fringe of politics, frequently in the most intemperate language, who persist in believing that there is somehow large savings to be made in welfare. They are deluding themselves. Australia already has one of the most tightly means tested welfare systems in the world and there are no easy options left. It is extremely difficult to see how payments could be targeted much better through further restriction of categories, and any further tightening of the income tests would go totally against the Prime Minister's laudable intention through the tax reform process to reduce or remove the so-called "poverty traps" which are created by the high effective marginal tax rates which apply when pensioners or beneficiaries earn small amounts of private income. These are major problems of incentive.

Of course, another alternative is to try to change the mix of public and private provision, and in this area, it seems all eyes are now focused upon the maintenance collection issue.

Although we have not done very detailed policy work on maintenance yet, I think we will be supporting the intention of the present government to move to collect maintenance through the tax system. It seems to us a better alternative than the sort of maintenance collection agency which was recommended by the National Maintenance Inquiry last year.

If you recall, that sort of system promised a bureaucratic behemoth in order to generate savings to the government of up

to \$25 million – but with a cautionary bottom line that the agency would be able to cover its own costs.

Unfortunately, the maintenance issue has arisen in this context of demands for reduced government expenditure. It should always be remembered that the intended beneficiaries of improvements to maintenance must be the custodial parents and especially their children. This, it seems is easily forgotten.

For instance I notice that on page 17 of today's Sun there is a story about a "\$200 million divorce saving" which the government could make by using the tax system to collect maintenance. In the Age on page 16 is an article which tells us that a draft ALP platform on social security introduces the maintenance issue for the first time, and that this reflects increasing concern in the government about welfare funds being spent of single parent families. Once again, I say that the real challenge is to collect maintenance in order to make significant net improvements to the living standards of single parents and their children. It would be a Pyrrhic victory to reform the maintenance collection system purely to offset existing government expenditure while at the same time leaving the acute poverty problem untouched.

Of course there is another option available to those who wish to reduce the deficit, and that is to collect more revenue by limiting or abolishing many of the tax concessions and subsidies, especially which go predominantly to upper middle and higher income earners.

For instance, the Brotherhood submitted in its tax reform policy that some \$2000 million could be saved in this area, mostly by reducing the enormous subsidy to superannuation. We are not the only ones who think so. The Campbell Committee suggested that the income generated

within the superannuation funds should be taxed. The office of EPAC estimated for the tax debate that \$1350 was all gone this year through under taxation of superannuation fund earnings. But it seems that this option is just too hard – it's always easier to think about tightening the welfare belt.

What does all this say to us? There is a growing family poverty problem which is partly caused by long term unemployment and by increased family breakdown rates. For the thirty years after the end of World War 2 Australian Governments had a strong commitment to supporting family life which seems to be weakening. For example, the failure over the past decade to index Family Allowances and allowances to the dependents of pensioners and beneficiaries is a direct factor in the increase in family poverty.

Those of us involved in family welfare must therefore keep the pressure on government, both to lift income security payments and also improve family support services in local communities. The fact that I have not discussed the issue of human services does not mean that I under rate their significance – that would be the subject of another address. I have focussed on income support, for if we fail to tackle the problem now it will be much difficult to solve later.

In conclusion, we will need to increase our efforts to explain to the public the importance of the notion of a "welfare society" with its reciprocal rights and duties. As far as family life is concerned, the family unit is the essential micro structure in which these reciprocal values, tasks and obligations are learnt, practised and transmitted. Any weakening in family life therefore poses dangers for the whole of the society.



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