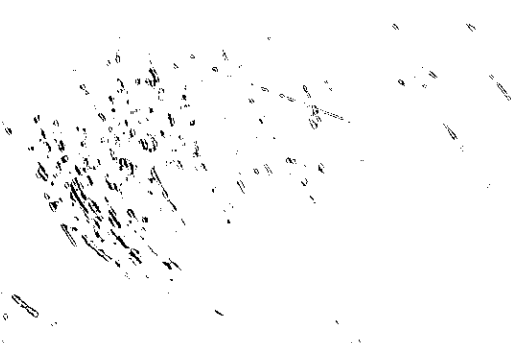


September 8, 1993

Merila

YOUTHS?



Average Printing 19,617,000 Published in 81 Languages

What Hope for Today's Youths?

3-10

Why are so many young people dying prematurely?
And why often by suicide?
Are there solutions to this tragedy?



A Language That You See! 19

Examine the fascinating and challenging world of the Deaf and how they see themselves. Learn about their amazing languages and means of communication.



Should We Blame Satan for Our Sins? 26

Is Satan to blame for our sins? What measure of responsibility do we ourselves have for our actions?

The Tragedy of Youthful Deaths	3
Suicide—A Scourge of Young People	4
When Hope and Love Vanish	6
When Hope and Love Return	9
From Small Island to Busy Airport	11
Brasília—Young, Different, and Growing Up Fast	14
Listening With Your Eyes	24
Watching the World	28
From Our Readers	30
Jenny Wren—Tiny Bird, Powerful Song	31
"A First-Rate Magazine"	32

THE TRAGEDY OF YOUTHFUL DEATHS

"I just have this feeling that our generation is dying away."

—Johanna P., 18-year-old university freshman, Connecticut, U.S.A.

A GRISLY sight met the eyes of police officers on a farm just outside Hobart, capital city of Tasmania, Australia's island state. Inside the house were four girls ranging in age from 10 to 18. All were dead, killed by their father, who lay nearby, with a mortal rifle-shot wound to his head. He had severed his right hand with an ax. This murder-suicide rocked the entire population of Tasmania. And it left a puzzling question in people's minds—Why? Why those four innocent girls?

Belgium is still reeling in the aftermath of the sexual abuse of six girls and the murder of four of them by a rapist who was out on parole. And the same question—Why? In Argentina some mothers believe that 30,000 people, many of them their sons and daughters, disappeared in what is now known as the dirty war.* Some of these unfortunates were tortured, drugged, and then flown out to sea and dumped into the ocean from a plane. Many of them were thrown out while still alive. Why did they have to die? Their mothers are still waiting for answers.

In 1955 the World Congress of Mothers denounced the futility of war and declared

that the congress is "above all a great cry, a cry of warning from all women struggling to protect their children, big and small, from the evils brought by war and the preparations for war." Ironically, the number of youths who have died in bloody conflicts since that congress continues to mount up worldwide—a huge loss from mankind's genetic pool.

Long History of Youthful Deaths

The pages of history are saturated with the blood of young people. Even in our so-called enlightened 20th century, racial and tribal conflicts have made youths a prime target for slaughter. It seems that youths have to pay with their lives for the mistakes and ambitions of their elders.

In one African country, a band of religious teenage soldiers calling themselves the Lord's Resistance Army have been indoctrinated to believe that they are impervious to bullets, reports the journal *The New Republic*. No wonder the article is entitled "Teenage Wasteland"! Families bereft of sons and daughters—who were not bullet-proof after all—therefore rightly ask: Why did our youths have to die? What was the point of it all?

Added to all this misery and suffering is the suicide death toll among youths.

* The so-called dirty war took place during the rule of a military junta (1976-83) in which thousands of people suspected of subversion were killed. Other estimates of the number of victims give figures between 10,000 and 15,000.

SUICIDE —A SCOURGE OF YOUNG PEOPLE

AS IF war, murder, and atrocities were not enough to devastate our youths, there is self-destruction in the form of youth suicide. Drug and alcohol abuse ravage the minds and bodies of youths, causing many deaths among young people. An increasingly familiar epitaph is that the victim OD'd—died of a drug overdose, either deliberately or accidentally.

The *Morbidity and Mortality Weekly Report* of April 28, 1995, said that “suicide is the third leading cause of death among adolescents aged 15-19 years in the United States.” Dr. J. J. Mann writes in *The Decade of the Brain*: “More than 30,000 [in 1995 the figure was 31,284] Americans commit suicide each year. Tragically, youth are commonly the victims . . . Ten times more than those 30,000 people attempt suicide, but survive. . . . Identifying patients who are at risk for suicide is a major clinical challenge because clinicians cannot easily distinguish between patients with major depression who will attempt suicide and those who will not.”

Simon Sobo, chief of psychiatry at New Milford Hospital, Connecticut, U.S.A., observed: “There have been more suicide attempts this spring [1995] than I have seen in the 13 years I have been here.” In the Unit-

ed States, thousands of teenagers attempt suicide each year. Every attempt is a cry for help and attention. Who will be there to lend support before it is too late?

A Worldwide Problem

The picture is not much different in many other parts of the world. In India, according to *India Today*, some 30,000 youths committed suicide during 1990. In Canada, Finland, France, Israel, the Netherlands, New Zealand, Spain, Switzerland, and Thailand, suicide rates among young people have increased. A 1996 report from the United Nations Children's Fund (UNICEF) states that the highest youth suicide rates are in Finland, Latvia, Lithuania, New Zealand, Russia, and Slovenia.

Australia also has one of the world's highest youth suicide rates. In this country in 1995, 25 percent of all deaths among young males and 17 percent among young females were suicides, according to a report in *The Canberra Times* newspaper. The rate of “successful” suicides among Australian boys is some five times greater than among girls. A similar ratio is found in most countries.

Does this mean that boys are more likely to attempt suicide than girls? Not neces-

Awake!

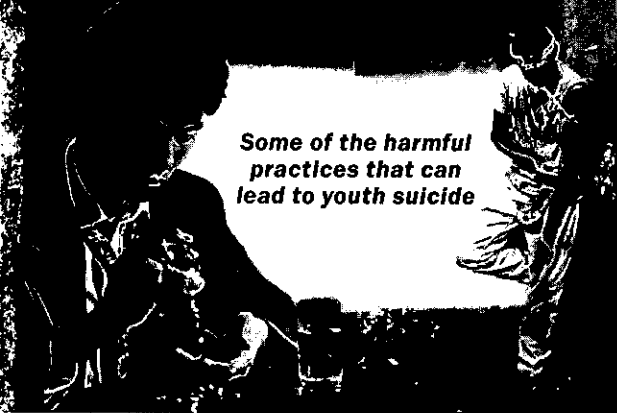
Why Awake! Is Published *Awake!* is for the enlightenment of the entire family. It shows how to cope with today's problems. It reports the news, tells about people in many lands, examines religion and science. But it does more. It probes beneath the surface and points to the real meaning behind current events, yet it always stays politically neutral and does not exalt one race above another. Most important, this magazine builds confidence in the Creator's promise of a peaceful and secure new world that is about to replace the present wicked, lawless system of things.

Would you welcome more information? Write Watch Tower at the appropriate address on page 5. Publication of Awake! is part of a worldwide Bible educational work supported by voluntary donations.

Unless otherwise indicated, *New World Translation of the Holy Scriptures—With References* is used.

Awake! (ISSN 0005-237X) is published semimonthly by Watchtower Bible and Tract Society of New York, Inc., 25 Columbia Heights, Brooklyn, NY 11201-2483 and in Australia by Watchtower Bible and Tract Society of Australia, 2-4 Zouch Road, Denham Court, NSW 2565.

Vol. 79, No. 17



Some of the harmful practices that can lead to youth suicide

sarily. Available data shows little difference between the sexes in occurrence of suicide attempts. However, "about four times as many young males as females commit suicide in the industrialized nations according to the latest figures from WHO [World Health Organization]." —*The Progress of Nations*, published by UNICEF.

But even these horrific statistics may not tell the full extent of the problem. Statistics on youth suicide, couched in clinical and analytic terms, are surprisingly easy to read. However, often not appreciated or seen behind each cold statistic are the shattered families and the heartache, misery, pain, and despair of those left behind as they search for reasons.

So, can such tragedies as youth suicide be prevented? Some key factors have been identified and could prove helpful in avoiding this sad situation.

Motivations for Suicide

There are many theories about the motivations for suicide. "Suicide results from a person's reaction to a perceived overwhelming problem, such as social isolation, death of a loved one (especially a spouse), a broken home in childhood, serious physical illness, growing old, unemployment, financial problems, and drug abuse."—*The American Medical Association Encyclopedia of Medicine*.

According to sociologist Emile Durkheim, there are four basic types of suicide:

1. Egoistic suicide—This "is thought to stem from an individual's lack of integration into society. Largely left to themselves, victims of egoistic suicide are neither connected with, nor dependent on, their community." They tend to be loners.

2. Altruistic suicide—"The individual is overly integrated into a group so that he or she feels no sacrifice is too great." Examples given are Japanese kamikaze pilots in World War II and religious extremists who blow themselves up while killing their supposed enemies. Other examples would be those who have died by self-immolation in order to draw attention to a cause.

3. Anomic suicide—"The victim of anomic suicide is not capable of dealing with a crisis in a rational manner and chooses suicide as the solution to a problem. [This] occurs when the individual's accustomed relationship with society is suddenly and shockingly altered."

4. Fatalistic suicide—This is "thought to be caused by excessive societal regulation that fundamentally restricts an individual's freedom." Such victims "feel that they have no viable future." —*Adolescent Suicide: Assessment and Intervention*, by Alan L. Berman and David A. Jobes.

Semimonthly Languages Available by Mail:

Afrikaans, Arabic, Cebuano, Chinese (Simplified), Croatian, Czech, Danish, Dutch, English, Estonian, Finnish, French, German, Greek, Hungarian, Iloko, Indonesian, Italian, Japanese, Korean, Malayalam, Norwegian, Polish, Portuguese, Romanian, Russian, Serbian, Slovak, Slovenian, Spanish, Swahili, Swedish, Tagalog, Tamil, Ukrainian, Zulu

Monthly Languages Available by Mail:

Albanian, Amharic, Chichewa, Cibemba, Ewe, Georgian, Gujarati, Hebrew, Hilgaynon, Hindi, Igbo, Kannada, Latvian, Lithuanian, Macedonian, Malayalam, Marathi, Myanmar, Nepali, New Guinea Pidgin, Papiamentu, Sepedi, Sesotho, Shona, Sinhalese, Tahitian, Telugu, Thai, Tsonga, Tswana, Turkish, Twi, Xhosa, Yoruba

* Audiocassettes also available.

© 1998 Watch Tower Bible and Tract Society of Pennsylvania. All rights reserved.

Offices of the Watch Tower Society in selected countries

America, United States of, Wallkill, NY 12589

Australia, Box 280, Ingleburn, NSW 2565

Fiji, Box 23, Suva

New Caledonia, B.P. 1741, 98810 Mont Dore

New Zealand, P.O. Box 142, Manurewa

Papua New Guinea, Box 636, Boroko, NCD 111

Samoa, P.O. Box 673, Apia

Solomon Islands, P.O. Box 166, Honiara

Tahiti, B.P. 7715, 98719 Taravao

Changes of address should reach us 30 days before your moving date. Give us your old and new address (if possible, your old address label).

Printed in Australia by Watchtower Bible and Tract Society of Australia, 2-4 Zouch Road, Denham Court, NSW 2565.

WHEN HOPE AND LOVE VANISH

A 17-YEAR-OLD Canadian girl wrote down her reasons for wanting to die. Among others, she listed: 'Feeling lonely and scared about my future; feeling really inferior to fellow workers; nuclear war; the ozone layer; I am really ugly, so I'll never get a husband and I'll end up being alone; I don't think there's really too much out there, so why wait around to discover it; it'll take the burden off everybody else; I'll never get hurt by anyone again.'

Could these be some of the reasons why young people are killing themselves? In Canada, "except for motor-vehicle accidents, suicide is now the most common cause of deaths among them."—*The Globe and Mail*.

Professor Riaz Hassan, of Flinders University of South Australia, states in his paper "Unlived Lives: Trends in Youth Suicide": "There are several sociological reasons which bear on the question and appear to have significantly influenced the increase in adolescent suicide. These are the high youth unemployment rate; changes in the Australian family; increasing drug use and abuse; increasing youth violence; mental health; and an increasing disjunction between 'theoretical freedom' and experiential autonomy." The paper further states that the results of several surveys have revealed a sense of pessimism about the future and suggest that "a large proportion of young people regard their future and that of the world with fear and trepidation. They see a world devastated by nuclear war and ravaged by pollution and

environmental degradation, a dehumanized society in which technology is out of control and unemployment rampant."

According to a Gallup poll of 16- to 24-year-olds, additional causes of suicide are the expanding gap between rich and poor, increasing numbers of single-parent households, the growing gun culture, child abuse, and a general "lack of faith in tomorrow."

Newsweek reports that in the United States, "the presence of firearms may be the most pivotal factor [in teenage suicide]. A study comparing adolescent suicide victims who had no apparent mental disorders with kids

Some Indicators of Suicide

- Problems sleeping, loss of appetite
- Isolation and withdrawal, accident proneness
- Running away from home
- Dramatic changes in appearance
- Drug and/or alcohol abuse
- Agitation and aggression
- Talk about death; written messages of self-destruction; artwork depicting violence, especially against self
- Guilt feelings
- Hopelessness, anxiety, depression, crying spells
- Giving away personal possessions
- Shortened attention span
- Loss of interest in pleasurable activities
- Self-criticism
- Sexual promiscuity
- Sudden drop in school performance, school attendance problems
- Cult or gang membership
- Euphoria after depression

Based on *Teens in Crisis* (American Association of School Administrators) and *Depression and Suicide in Children and Adolescents*, by Philip G. Patros and Tonia K. Shamoo

"A large proportion of young people regard their future and that of the world with fear and trepidation"

who didn't commit suicide found only one difference: a loaded gun in the house. So much for the idea that guns don't kill people." And millions of homes have loaded guns!

Fear and an uncaring society can quickly push vulnerable youths to the edge of suicide. Consider: The rate of violent crimes committed against 12- to 19-year-olds is more than double that of crimes against the population in general. Studies found that "young women from 14 to 24 are most likely to be assaulted," reported *Maclean's* magazine. "Women are most often attacked and murdered by the people who say they love them." The result? These and other fears "erode the confidence and sense of security of these girls." In one study, almost one third of rape survivors interviewed had considered suicide.

A New Zealand report offers another perspective on young suicide, stating: "The prevailing materialistic, worldly values that equate individual success with wealth, good looks, and power make many young people feel quite worthless and cast out by society." In addition, *The Futurist* says this: "[Youths] have a strong propensity for instant gratification, wanting it all and wanting it fast. Their favorite TV programs are soap operas. They would like their world to be filled with the same good-looking people, dressed in the latest fashions, with lots of money and prestige, and without having to work too hard." The sheer volume of such unrealistic, unfulfillable expectations appears to cause a measure of despair and may lead to suicide.

A Life-Saving Quality?

Shakespeare wrote: "Love comforteth like sunshine after rain." The Bible says: "Love never fails." (1 Co-

"The opportunity to talk to a sympathetic, understanding listener is sometimes enough to prevent the despairing act"

rinthians 13:8) In that quality there is a key to the problem of young people prone to suicide—their yearning for love and communication. *The American Medical Association Encyclopedia of Medicine* states: "Suicidal people usually feel desperately lonely, and the opportunity to talk to a sympathetic, understanding listener is sometimes enough to prevent the despairing act."

Youths often have an overwhelming need for love and a feeling of belonging. Satisfying this becomes harder as each day passes in a loveless and destructive world—a world in which they have little or no say. Parental rejection because of family break-up and divorce can be a contributing factor



Qualified Help Needed

The American Medical Association Encyclopedia of Medicine says that "more than 90 percent of suicides occur as the result of psychiatric illness." It lists such illnesses as severe depression (about 15 percent), schizophrenia (about 10 percent), alcohol dependence (about 7 percent), antisocial personality disorder (about 5 percent), and some form of neurosis (less than 5 percent). It counsels: "All suicide attempts should be treated seriously. Twenty to 30 percent of people who attempt suicide repeat their attempt within a year." Dr. Jan Fawcett writes: "More than 50 percent of suicides [in the United States] occur in individuals who have had no contact with a mental health professional." And another source says: "The most important aspect of treatment is for the person to see a psychiatrist as soon as possible to help resolve the underlying depression."

in adolescent suicide. And this rejection has many faces.

Consider the case of parents who are rarely at home with their children. Mom and Dad may be totally tied up in their jobs or given to some form of recreation that excludes the children. The indirect message to their offspring is a not-too-subtle rejection. Prominent journalist and researcher Hugh Mackay notes that "parents are becoming more and more self-centred. They put themselves first in order to preserve their lifestyles. . . . To put it brutally, children have gone out of fashion. . . . Life is tough and it all gets a bit self-absorbed."

Then, in some cultures men with a macho self-image may not wish to be seen in a nurturing role. Journalist Kate Legge puts it well: "Men with a public service bent generally choose lifesaving or firefighting over the nurturing tasks . . . They prefer the strong, silent heroism of battling external forces to the people-intensive jobs." And, of course, one of the most people-intensive jobs today is being a parent. Poor parenting is tantamount to re-

jection of the child. As a result, your son or daughter may develop a negative self-image and poor social skills. *The Education Digest* notes: "Without a positive image of themselves, kids don't have the basis to make decisions in their own best interests."

Hopelessness Can Result

Researchers believe that hopelessness is a major contributor to suicide. Gail Mason, a writer on youth suicide in Australia, observed: "Hopelessness is considered to correlate more highly with suicidal thoughts than depression. Hopelessness is sometimes defined as one symptom of depression. . . . It commonly takes the form of a general sense of despair and despondency concerning young people's futures, and in particular their economic future; and to a lesser degree a feeling of hopelessness regarding the global situation."

Poor examples of honesty by civic leaders do not inspire youths to raise their own levels of ethics and morals. The attitude then becomes, "Why bother?" *Harper's Magazine* comments on youths' ability to detect hypocrisy, saying: "The young, with their keen noses for hypocrisy, are in fact adept readers—but not of books. What they read so acutely are the social signals emanating from the world in which they will have to make a living." And what do those signals spell out? Author Stephanie Dowrick observes: "We have never been more deluged with information about how to live. We have never been richer or better educated, yet there is despair everywhere." And there are so few good role models in the upper echelons of political and religious society. Dowrick asks a few pertinent questions: "How do we salvage wisdom, resilience and even meaning out of meaningless suffering? How do we cultivate love in a climate of selfishness, petulance and greed?"

You will find the answers to these questions in our next article, and they may surprise you.

WHEN HOPE AND LOVE RETURN

PARENTS, teachers, and others who deal with adolescents realize that neither they nor youths nor any other person can change the world. There are forces at work that are like tidal waves, which no one can halt. Yet, there is much that we can all do to contribute to youths' being happier, healthier, and well adjusted.

Since prevention is better than cure, parents should think carefully about how their life-style and priorities may shape the attitudes and behavior of their children. Providing a loving and caring environment in the home gives the security that can best prevent self-destructive behavior. One of the most desperate needs of youths is having someone who will listen to them. If parents won't listen, perhaps less-desirable people will.

What does that mean for parents today? Make time for your children when they need it—when they are young. For many families this is not easy. They struggle to make ends meet, with both parents having no choice but to work. Those who have been willing and able to make sacrifices in order to have more time with their children have often reaped the reward of seeing their sons and daughters make a better success of life. However, as noted earlier, sometimes even with the best of efforts on the part of parents, serious problems with their children can develop.

Friends and Other Adults Can Help

Wars, rape, and abuse of youths call for extraordinary efforts in damage control on the part of adults who truly care for them. Youths traumatized by such negative experiences may not react well even to efforts to help them. It may mean a great investment of your time and effort. Certainly it is not wise or loving to belittle them or reject them. Can

we dig a little deeper into our own emotional resourcefulness and show the needed kindness and love to reach out to those at risk?

Not only parents but friends and even siblings need to be especially vigilant to note tendencies in young ones that may indicate a fragile and possibly unbalanced emotional state. (See the box "Qualified Help Needed," page 8.) If signs are there, be quick to lend a hearing ear. If possible, try to draw troubled youths out with kind questions to assure them of your genuine friendship. Trusted friends and relatives may be able to support parents in handling difficult situations; but, of course, they should be careful not to take over the role of parents. Very often youths' suicidal tendencies are a desperate plea for attention—parental attention.



One of the best gifts anyone can give to youths is a solid hope for a happy future, an incentive for living. Many youths have come to recognize the truthfulness of Bible promises of a better world system soon to come.

Rescued From Would-Be Suicide

From Japan, a young woman who often contemplated suicide has this to say: "How many times I have longed to take that road. When I was a toddler, I was sexually abused by someone I trusted. . . . In the past, I have written so many notes saying 'I want to die' that I have lost count. I have since become one of Jehovah's Witnesses, and I now serve as a full-time evangelizer, but this urge still comes over me from time to time. . . . But Jehovah has allowed me to stay alive, and he seems to be telling me gently, 'Keep on living.'"

A 15-year-old girl from Russia explained: "When I was eight years old, I started feeling that nobody needed me. My parents did not have time to speak with me, and I tried to solve my problems by myself. I withdrew into myself. I quarreled constantly with my relatives. Then the thought of suicide came into my mind. How happy I was to meet Jehovah's Witnesses!"

And from Australia come these encouraging comments from Cathy, now in her early 30's, which show that despair can really turn to hope: "I constantly dreamed about different methods of ending my life and finally attempted suicide. I wanted to escape this world, which is full of hurt, anger, and emptiness. Depression made it difficult for me to get out of the 'spiderweb' I felt I was trapped in. Therefore, suicide seemed to be the answer at the time.

"When I first heard about the possibility of the earth's becoming a paradise, with a peaceful, happy life for all, I really yearned for it. But it seemed just an impossible dream. However, I gradually began to un-

derstand Jehovah's view of life and how precious each one of us is in his eyes. I began to feel confident that there is hope for the future. At last, I found a way out of that 'spiderweb.' To get out of it, however, proved to be difficult. At times depression would overcome me, and I would feel terribly confused. Yet, making Jehovah God my focal point allowed me to draw very close to him and to feel secure. I thank Jehovah for all that he has done for me."

No More Youthful Deaths

By studying the Bible, a young person can come to realize that there is something better to look forward to—what the Christian apostle Paul calls "the real life." He counseled the young man Timothy: "Give orders to those who are rich . . . to rest their hope, not on uncertain riches, but on God, who furnishes us all things richly for our enjoyment; to work at good, to be rich in fine works, . . . safely treasuring up for themselves a fine foundation for the future, in order that they may get a firm hold on the real life."—1 Timothy 6:17-19.

Paul's counsel, in effect, means that we should get involved with other people, helping them to have a solid hope for the future. "The real life" is what Jehovah has promised in his new world of "new heavens and a new earth."—2 Peter 3:13.

Many youths who were once at risk have come to understand that drug abuse and immoral life-styles are nothing but a long and winding road to death, to which suicide is but a shortcut. They have come to realize that this world, with its wars, hatred, abusive behavior, and loveless ways, will soon pass away. They have learned that this-world system is beyond redemption. They have taken to heart that God's Kingdom is the only real hope, for it will usher in a new world where not only youths but all obedient mankind will never have to die—no, nor even want to die anymore.—Revelation 21:1-4.

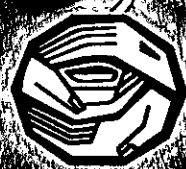
IN DEFENCE OF THE BUSH

Issues confronting rural people in NSW/ACT



A SOCIAL JUSTICE STATEMENT
from
THE SOCIETY OF ST VINCENT DE PAUL

APRIL 1998



Cover photograph: The people in this photograph are a rural family. They support this Social Justice Statement but do not reflect the circumstances and situations described within in any way.

In Defence of the Bush

by Andrew Barton "Banjo" Patterson

*So you're back from up the country, Mister Lawson, where you went,
And you're cursing all the business in a bitter discontent;
Well, we grieve to disappoint you, and it makes us sad to hear
That it wasn't cool and shady - and there wasn't plenty beer,
And the loon bullock snorted when voti first came into view;
Well, you know it's not so often that he sees a swell like you;
And the roads were hot and dusty, and the plains were burnt and brown,
And no doubt you're better suited drinking lemon squash in town.
Yet, perchance, if you should journey down the vern, track you went
In a month or two at furthest you would wonder what it meant,
Where the sunbaked earth was gasping like a creature in its pain
You would find the grasses waving like a field of summer grain,
And the miles of thirsty gutters blocked with sand and chocked with mud,
You would find them mighty rivers with a turbid, sweeping flood;
For the rain and drought and sunshine make no changes in the street,
In the sullen line of buildings and the ceaseless tramp of feet;
But the bush hath moods and changes, as the seasons rise and fall,
And the men who know the bush-land-they are loyal through it all.*

*But you found the bush was dismal and a land of no delight,
Did you chance to hear a chorus in the shearer's huts at night?
Did they 'rise up, William Riley' by the camp-fire's cheery blaze?
Did they rise him as we rose him in the good old droving days?
And the women of the homesteads and the men you chanced to meet -
Were their faces sour and saddened like the 'faces in the street',
And the 'shy selector children' - were they better now or worse
Than the little city urchins who would greet you with a curse?
Is not such a life much better than the squalid street and square
Where the fallen women flaunt it in the fierce electric glare,
Where the seamstress piles her sewing till her eyes are sore and red
In a filthy, dirty attic toiling on for daily bread?
Did you hear no sweeter voices in the music of the bush
Than the roar of trams and 'buses, and war-whoop of 'the push'?
Did the magpies rouse your slumbers with their carol sweet and strange?
Did you hear the silver chiming of the bell-birds on the range?*

*But, perchance, the wild birds' music by your senses was despised,
For you say you'll stay in townships till the bush is civilised.
Would you make it a tea-garden and on Sundays have a band
Where the 'blokes' might take their 'donahs', with a 'public' close at hand?
You had better stick to Sydney and make merry with the 'push',
For the bush will never suit you, and you'll never suit the bush.*

1. FOREWORD

Recently, the Society of St Vincent de Paul received a request for assistance from a Rural Counsellor on behalf of a farming family. The family has been on the land for several generations and is respected in the community for being good farmers. After experiencing several years of drought, the family had few resources left to fall back on, so they eagerly awaited the cheque they were to receive from this season's wool clip. Imagine their disappointment when the total return amounted to a mere \$2,000. This was not nearly enough to even pay their bills like electricity, water, telephone, fuel and, most importantly, stock-feed. In fact they needed at least \$3,000 to cover these costs let alone purchase essentials such as food for themselves.

It will be another 12 months before they are able to sell any more produce, so how are they to survive? The two elders of the family are in their seventies but they are not eligible for an aged pension because they fail the assets test. They are not unusual in this regard as many farmers are ineligible for government pensions and benefits because their farms are deemed an asset, although as one farmer said during the research that went into producing this Social Justice Statement: "You can't eat dirt!"

Fortunately, the Society was able to provide financial assistance to the family and this will at least tide them over. But they are not the only family feeling the pinch of hard times in the bush. That is why the Society has produced *In Defence of the Bush*. We are concerned that the bush is dying and unless a concerted effort is made now, an invaluable part of all our lives will be lost forever.

The Society of St Vincent de Paul has a long and proud association with rural communities. Since the establishment of our first Conference at Goulburn in 1895, the Society has developed an extensive volunteer network throughout NSW and the ACT with over 7,000 members and other volunteers. Often 'Vinnies' are the only providers of welfare assistance to rural and remote areas and it is not uncommon for some towns to only have a pub, a service station and a Vinnies shop.

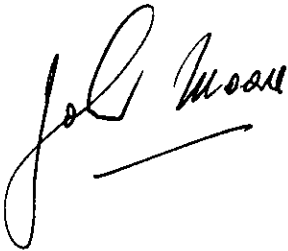
Our volunteers are highly active in helping victims of drought, floods and bushfires, to get back on their feet. One example of this was in 1994 when we raised more than \$300,000 for drought assistance to rural communities. Also, during the height of the drought we played a major role in distributing emergency relief funds to affected areas.

Last financial year the Society provided over \$2.7 million in emergency financial assistance to rural people and a further \$500,000 in material relief such as food parcels. 337,000 people benefited from this and other assistance.

The Society operates 150 centres (or Vinnies shops) in rural NSW and the ACT, and also runs over 50 Special Works ranging from emergency accommodation for families and individuals to aged care hostels, meal centres and respite holiday facilities. Clearly, the Society is heavily involved in rural communities. That is why it is important we speak out on their behalf.

The extent of the difficulties and poverty being experienced in rural and remote areas is shameful. Let all of us, whether we live in the bush or in the cities, make an effort to ensure that the people of rural NSW/ACT, receive the support they so richly deserve.

John Moore AO

A handwritten signature in black ink, appearing to read 'John Moore', with a long horizontal flourish extending from the bottom of the signature.

President
NSW/ACT State Council

2. SUMMARY OF RECOMMENDATIONS

RECOMMENDATION 1

That the Commonwealth and NSW Governments , in consultation with rural communities, develop a detailed blueprint for both economic development and social justice in rural NSW/ACT.

Without such a plan, the current and future well-being of rural people cannot be assured. There is an urgent need to examine the social cost to rural communities from the pursuit of economic rationalist policies of government and industry.

RECOMMENDATION 2

That the first priority in the blueprint for rural NSW/ACT is the creation of socially useful jobs.

There are many jobs that need to be done to ensure rural communities are able to sustain and enjoy a good standard of living. Much work needs to be done in the health, community services, education and training areas. Generally these areas are viewed by governments as a deficit on the public purse rather than the primary source of social cohesion and wealth generators in their own right.

RECOMMENDATION 3

That Commonwealth, State and Local Governments urgently re-examine the scope for further incentives and concessions for businesses to move to, or remain in, rural areas.

RECOMMENDATION 4

That the Commonwealth and the NSW Government re-affirm their commitment to the practical and meaningful support of rural communities by:

- a) taking positive steps to ensure that the retention of jobs in rural areas is an essential condition in the sale of public assets*
- b) accepting that the additional cost of retaining or providing offices and services in rural areas is a necessary consequence of government responsibility. ie. rationalisation programs should not automatically lead to closure of offices and loss of jobs.*

Furthermore, the NSW Government should take the lead and further decentralise its offices to country areas.

RECOMMENDATION 5

That the Commonwealth Government give urgent consideration to the introduction of reciprocal trade barriers to create a 'level playing field' with countries such as Brazil to counteract the current disparities as evidenced in the export/import of oranges.

These three recommendations, if followed, would provide a better economic environment for rural areas. A review of a range of government policies from tariffs to the public ownership of public utilities such as power generation and communications is essential. To implement the suggested policies aimed at reversing the trend for less industry protection and privatisation, we realise would take great courage on behalf of governments, but the benefits to their rural constituents would be enormous.

RECOMMENDATION 6

That the NSW Government establish a Rural Investment Fund.

One source of revenue that could be made available for the development of rural NSW are those held by Superannuation Funds. If a proportion of these funds were earmarked for investment in rural communities the necessity for governments to use the depleted taxation revenues available to them would be lessened.

Banks and other corporations who have gained much of their profits as a result of rural economic activity, should be levied a percentage of profits as a contribution to the Fund.

RECOMMENDATION 7

That the NSW Government join with the Society of St Vincent de Paul in approaching the Commonwealth Government to:

- a) review the status of farm properties in assessing eligibility for Aged Pensions*
- b) allow unemployment benefits to recommence promptly for casual rural workers*
- c) not insist that rural unemployed move to other areas for work causing family break-ups*
- d) review the provision of Austudy to rural students.*

To overcome some of the poverty being experienced by rural people, there is a need to examine some clear 'poverty traps' that exist in the current Social Security system.

RECOMMENDATION 8

That the NSW Government review their Drought Relief policy to ensure that funds are not prematurely withdrawn.

It takes several years for farms to recover from severe drought. Without on-going assistance, many farmers are unable to survive even when the drought is officially over. It needs to be recognised that behind one farmer who is unable to pay his debts, there can be up to 10 small businesses whose cash flow dries up.

The Society of St Vincent de Paul believes that if steps are taken to address the issues outlined in this paper and the recommendations made are followed, much of the current distress and uncertainty being experienced in the bush will be alleviated.

Rural life is important. We cannot stand back and allow people's lives to be sacrificed on the wheel of economic rationalism. After all, to speak in defence of the bush and the people who live there, is to speak in defence of all Australians.

3. INTRODUCTION

The vast majority of people in NSW/ACT live in Sydney, Canberra and in the major regional centres on the coast. A far smaller proportion of the state's population live in rural communities. Most urban people, caught up in the demands of modern city life, seldom have time to seriously consider the situation facing rural communities. If concern is expressed at all it usually centres around sympathy for victims of natural disasters such as floods, fire or drought. Sometimes events such as the 'riots' in places like Bourke or Moree attract media attention, but rarely do the day to day struggles and aspirations of the majority of rural people register in the urban centres.

To many people, rural NSW/ACT is 'another planet', a place inhabited by farmers and the dwindling farming communities established to service the farmers' needs. This in itself is a misnomer. Not all rural communities are dependent on farming activity. Rural NSW contains a great diversity of people involved in a wide range of activities. In fact rural areas, according to rural researchers, Dr Jonathon Sher and Katrina Rowe Sher:

...are the foundation of a disproportionately high share of Australia's economic assets and economically productive activity. A significant amount of urban economic activity - such as the operations of insurance companies, banks, sharebrokers and government bureaucracies - generate no new wealth. It merely circulates and redistributes existing wealth.'

The Society of St Vincent de Paul recognises that, although rural communities are still responsible for generating much of the state's wealth, fewer and fewer benefits are received back by these communities, despite their efforts. This injustice is a result of the application of economic rationalist principles to all aspects of rural life. Whilst these principles have had a negative impact on the lives of many Australians, particularly the poor and disadvantaged, in rural communities the effects have been even more drastically felt.

That many country towns are in decline is a fact that should concern us all. To simply allow the heart of the country to stop beating will have serious repercussions for all Australians. The rapid reduction of a wide variety of services has already led to the greater isolation and marginalisation of rural communities.

The aim of this Social Justice Statement is to raise the issues of concern in rural communities. To do so, it is necessary to examine the changing structure of the rural economy and to examine the impact of these changes on the lives of rural people. Therefore, the first chapter is devoted to providing an overview of the difficult economic circumstances confronting our major 'wealth producers'.

Whilst poverty and disadvantage has often characterised many areas of rural NSW, there is clear evidence that increasing numbers of families and individuals in the bush are struggling to make ends meet. At the same time the withdrawal of essential services such as government agencies, welfare and schools is exacerbating the situation. This is

¹ Sher, Dr J. & K. R. 1994, *Rural Development as if Australia's Rural People Really Mattered*. Journal of Research in Rural Education, Vol. 10, No 1.

demonstrated by the increase in social problems such as illegal drug use, crime, family breakdown and suicide. Previously stable communities are being de-stabilised by thoughtless, ill-informed decisions that are usually made in the cities far removed from the realities of contemporary rural life.

To say that the whole rural scene is one of struggle and despair does not do justice to the many thousands of people who are striving to make life in the bush both fruitful and fulfilling. Innovative solutions to the problems afflicting country towns are being devised by the local people themselves. There is no shortage of ideas for employment generation, development of services or re-vitalisation of the communities but to ensure any of these dreams become reality, resources and support are needed.

One important issue not addressed in this Statement concerns Aboriginal people and their lives in rural communities. This is because the Society believes it is a crucial issue needing fuller attention than can be given in the context of this Statement. Consequently the Society intends to produce a full Statement on Aboriginal issues later this year.

However, it is clear that any future development of rural NSW has to take into account the needs and aspirations of Aboriginal people. The current climate of divisiveness and distrust that exists between the two communities in some rural areas can be overcome if goodwill and understanding prevail.

3. SCRATCHING GRAVEL

We're all just scratching gravel.

FAMILY FARMER FROM MID WEST NSW

Over the past 20 years the rural economy has undergone fundamental structural change. Farming and agriculture, once considered a way of life, has become more like any other business. Agriculture has experienced the rationalising of farms in a number of regions, to the detriment of local community infrastructure.

As agriculture has been rationalised, it has become less important as an employer, with farmers and farm workers becoming displaced at a rapid rate. Women and children are called upon to assist, in what was once full employment for an extra farm worker. Farmers are not employing full time labourers and will take on workers only during peak periods such as harvesting. Consequently, many farm hands experience short periods of employment followed by long stretches of unemployment. At a forum on rural issues held in Parkes one participant pointed out:

Because their work situation is so unstable some who want to work have found it easier to stay on the dole. If they take a short-term job they have to wait for their dole payments to start up again which defeats the purpose of having the work in the first place.

This is particularly so if the income gained from employment is low. Currently the farm hand award rate in NSW is \$359.40 per week. This is clearly insufficient to support a family. A similar situation also confronts other rural workers such as timber workers, cotton chippers, fruit pickers and feedlot hands many of whom earn between \$6 and \$11 per hour.²

Many farmers and small businesses also claim the cost of labour, including items such as Workers' Compensation and superannuation plus the red tape associated with employing staff, acts as a disincentive.

Additionally, rural areas throughout NSW have experienced years of extreme, unrelenting and debilitating drought. The cost both economically and socially has been enormous. Despite this, the drought assistance available to farmers has been withdrawn as the drought has 'officially' ended. As one farmer said:

The bureaucrats in the city have decided the drought has ended and have advised a scaling down of drought relief. What they don't seem to realise is that even if we have good rain it still takes 2 or 3 years after the drought has ended to recover.

Whilst it is true that the rural community has always had to battle against the elements, the current farming crisis has seen a range of other adverse factors occurring simultaneously. These factors include:

* Interest rates have been high (sometimes over 20%) for a number of years,

² According to the 1997 edition of What Jobs Pay farmers and farm managers themselves are the lowest paid full time workers in the nation grossing approximately \$324.00 per week.

- * Commodity prices have fallen dramatically,
- * Costs of production are continually increasing,
- * Government funds, which previously have been used to provide relief, have become less available, and
- * Tariff protections for primary production have been dismantled.

Orange juice and bacon

In 1997 the Commonwealth Government reduced the tariff on orange juice to 5%. Consequently growers can no longer compete with Brazilian orange juice concentrate which is imported at \$30 per tonne compared to local production costs of \$200 per tonne.

Citrus growers in south western NSW have bulldozed and burnt half a million healthy 40 year old Valencia orange trees because they cannot afford to pick and sell the fruit.

The economic irrationalism of the decision to reduce the tariff to 5% can be contrasted with the fact that imports of Australian juice into Brazil are subject to a 40% tariff.

Similarly, the pig industry is faced with competition from overseas primarily Canada and Denmark. Pig farmers are the biggest buyers of grain in NSW/ACT and so imported pork has a drastic effect on both the producers of pork and the grain growers.

The cost of producing one kilo of pork in Australia is \$1.97. The returns are \$2.06 per kilo. Clearly, this is not a sufficient 'profit' to support a family or employ extra staff.

Currently farmers are also witnessing a further downturn in prices as a result of the Asian currency crisis. Wool prices have fallen a further 10% and growers are being forced to withhold from sale, a significant proportion of this season's clip. The International Wool Secretariat has expressed '*deep concern with the gravity of the Asian situation*' confirming that annual sales to Korea, valued at \$240 million, had dried up. As Sorensen and Epps point out:

We are getting to the stage where the future of rural areas depends significantly on the decisions of foreign investors over this, that or the other feedlot, abattoir, mine smelter, holiday resort or golf course.³

The importance of agriculture to many rural communities in NSW is paramount. An illustration of the links between the downturn in fortunes for farmers and other rural businesses is provided in the following:

*Having spent 40 years in retail business in country NSW; Cootamundra, Temora, Yass, Forbes and Parkes, the value to business is greatly dependent on the man on the land. We have witnessed and enjoyed the good times but the current trends in country areas for the smaller farmer-grazier is creating hardship personally and has a disastrous effect on country communities. Small businesses are being forced to close due to lack of business created through hardships for the country man on the land.*⁴

³ Sorensen, T. & Epps, R. 1993. Prospects and Policies for Rural Australia. Longman Cheshire.

⁴ Crowe, B. 1998. Unpublished letter.

However, the rural economy in NSW is not completely dependent on agriculture and farm production. In fact the majority of rural communities have their economic foundation in something other than farming. Unfortunately though, many of these other areas have also experienced a down-turn in economic fortunes.

The recent closure of the Berlei factory and the Clarence Colliery in Lithgow received extensive media coverage and prompted the NSW Government to prepare a package of measures to address the community's spate of job losses. But Lithgow is not the only centre to be experiencing these changes. Other mining towns are also suffering a drastic reduction of employment opportunities.

Cobar - town in crisis

In February this year 260 workers at the CSA copper mine lost their jobs overnight as the company's owner, Ghana based and New York Stock Exchange listed, Ashanti Goldfields, refused to cover its losses. The workers were laid off with a month's wages and accrued leave still owing. They were owed approximately \$9 million.

Every business in Cobar has been affected. At least \$1 million was owed to a number of local enterprises. This meant that they laid off staff as well.

** 18 full-time workers at the brick works were sacked as CSA owed the company \$145,000. The owner has been unable to draw a wage for himself in over a month and had to borrow \$16,000 to pay the severance pay for his staff.*

** An engineering workshop was left with a bad debt of \$90,000 forcing the retrenchment of 5 full-time workers. The jobs of five young trainees and apprentices are also under threat.*

** The local hardware store has been forced to lay off two full-time staff and three casuals.*

** Cafes, corner stores and other retailers have cut casual staff hours. The situation in Cobar has been duplicated in many other towns in rural NSW. Anger at foreign ownership is high but there is little that can be done. The lay offs continue.⁵*

In smaller towns job losses are also occurring as a result of the privatisation of essential services. For example the North West County Council, which provided over 100 jobs in Inverell, was taken over by NorthPower leaving 6 power workers in town.

The list of job losses in rural areas is long:

- * 1,200 jobs lost in the last decade as a result of abattoir closures or cut backs
- * 1,000 jobs lost as a result of amalgamation of 24 County Councils into three electricity groups
- * 10,000 jobs lost in rail transport
- * 1,500 Road Traffic Authority jobs lost in restructure
- * 1,000 Telstra jobs lost and more expected if the proposed corporatisation occurs

⁵ From a report by Lagan B. 1998 Mine Closure Rips the Soul from Cobar. Sydney Morning Herald February 7th p 7.

The increasing settlement along the state's coastal fringe has tended to blur the rural/urban dividing line. Nevertheless, whilst many people may not be engaged in or supporting rural industries, they frequently live in smaller towns and villages. These towns often have a scattered population and little specialisation in terms of goods and services compared to that available in larger centres. Their position may not be as extreme as areas in the west of the state but they experience similar disadvantages.

For example in the Bega Valley:

- Banks are closing in Cobargo, Bombala and Bermagui
- In Eden a small business has been closing once every six weeks
- 200 jobs have been lost in forestry restructuring. Sawmills and logging contractors have gone out of business
- Bega Hospital has been downgraded with the loss of 12 jobs
- CES and Social Security downsized with the loss of a further 12 jobs.
- 3,000 people are registered as unemployed, but the real figure could be 50% higher
- At the same time the Bega Valley is experiencing its worst prolonged drought in memory, with serious impact on graziers and breeders.

A major source of concern to rural communities is the withdrawal of banking services. Many towns are seeing a drastic reduction of services which creates a number of difficulties. For example to transfer loans from one bank to another, a fee of up to \$2,000 is charged to the customer. This means that if a loan is held at one bank and that bank closes its doors, the customer is forced to pay for this decision.

Rural people, particularly those involved in agriculture, are also expected to pay far higher interest rates than other businesses. This is a result of the 'risk management' practices of banks. Rural people seeking finance, particularly those involved in agriculture, are expected to pay higher risk margins than some other business sectors particularly the housing industry.

Mungindi - Closing the bank

Mungindi is a rural town in the north west of NSW with a population of 1,400. The town had one bank until August 1996 when one month's notice was given that it was being closed as a result of a feasibility study showing it was unprofitable. Customers were told their accounts would be transferred to Moree which is 120 kilometres away. The road to Moree is only sealed for half the distance.

To overcome this problem the bank suggested to the people of Mungindi that they arrange to send their deposits with one person. This person could then return from Moree with the town's cash requirements. Small businesses in particular thought this suggestion was ludicrous. The risk involved for the individual carrying large amounts of cash from Mungindi to Moree and back was obviously high.

The businesses were then offered EFTPOS facilities but not all were prepared to offer cash unless purchases were made. The local hotel took on the role of 'bank' offering a cash only EFTPOS facility. However, problems arose because there was not always enough cash for the demand and not everyone wanted to go to the pub for cash.

Because people travelled to Moree for banking, businesses in Mungindi suffered as people tended to shop in Moree. A local chemist who has had a reasonable return over the years, has

had his business on the market for three years and not one person has shown any interest in purchasing it.

Fortunately after several months a Credit Union was established in town. In the twelve months since its inception it has had \$3.6 million deposited proving there is money in the town and district. The Credit Union operates three days a week and has created three part-time jobs for local residents.⁶

Another important factor in the rural economic picture is the fact that whilst jobs are being lost and more farmers and farm workers are being forced to leave the land, the costs of living in the country rise steadily. Comparative to Sydney house prices are low but in most other essential items costs are higher.

Fuel prices are one particularly contentious issue. Rural people have to pay from 10 to 20c a litre more for petrol than their urban counterparts. Given that a car is needed to travel even short distances in the bush this clearly places rural people at a disadvantage. Furthermore, public transport is more readily accessible in urban areas and is much cheaper than the far fewer services that exist in rural areas. In fact many small country towns have no public transport at all.

3,000 out of the 9,000 service stations in rural NSW have closed in the past few years. One operator who has been in the business for 23 years said:

Ten years ago I had six staff including two apprentices. Now my wife and I run the whole show. Large retail companies have entered the industry and are able to sell their petrol at much lower cost. This is good initially for customers but they force the smaller businesses out. Once the competition is gone the big companies put the price up again.

A whole range of items including basic necessities such as food, clothing and furniture are also more expensive. This is particularly ironic as the raw materials used in the manufacture of these goods generally would have been produced in the bush.

The much heralded communications revolution has also failed to make a positive impact in the bush. Prices for computers, mobile phones, fax machines and the like are generally higher and many communities complain of being in a 'black spot' as far as mobile phone reception is concerned. Also for many people to make a phone call to the nearest large town means being charged at STD rates.

The recent announcement by the Commonwealth Government concerning the planned privatisation of Telstra, caused an immediate backlash in the bush as fears that the sell-off would lead to higher costs and fewer services were expressed by many rural people.

Given the job losses, low incomes and escalating costs, it is not surprising that increasing numbers of rural people are experiencing poverty:

⁶ Information supplied by Sisters of Mercy Rural Support Group, Gunnedah.

The poorest of the poor

In the bush, the proportion of 'working poor' families is twice that of the cities and regional centres. In towns like Balranald, Coonamble, Kyogle, Walcha and Young, one-third or more of the population qualify for Additional Family Payment. This means they earn less than \$24,000 per year. In Young, 31% of the towns 2,800 children live in 'working poor' families.

The bottom five areas in terms of median weekly income are in the New England region. The towns are Nundle, Bingara, Severn, Barraba and Manilla. The median incomes range from \$183 to \$91 per week.

40% of children in the Richmond - Tweed area, live in families dependent on sole parent or unemployment benefits.

Many seasonal workers prefer to leave their work options open and bypass the dole because of difficulties experienced in accessing Social Security payments. Often they have long distances to travel to visit a Centrelink office and there is a long delay between application and receiving the first payment. There are also numerous inconsistencies in the social security system. These families, though eager to work, are often left for periods of time with no income except for family allowance. They are sometimes forced to sell off the few assets they have like white-goods and electrical appliances to try and make ends meet. It is only as a last resort that they will contact a St Vincent de Paul Centre for food or assistance with household bills.

Poverty is often 'exported' to the bush as poorer families from the cities seek cheaper housing or are allocated Department of Housing accommodation in rural areas. Many of these families are dependent on welfare payments to survive and come ill-equipped to deal with life in often isolated settings.

Despite all the economic problems affecting rural communities it is not a result of producing less wealth. In fact a high proportion of Australia's export earnings are still attributable to rural activities. What is creating the poverty, unemployment and foreclosure of family farms is the fact that the nation's economy has become part of the international financial market and profits derived from the bush end up in the hands of local and overseas financiers and not in the rural communities that so sorely need them. The continuing drive by industry and government to rationalise and streamline in the quest for higher profits and more attractive outcomes, has a disproportionate negative effect in rural areas.

It's the worn faces of aging populations and the stress of people battling 3 or 4 part-time jobs in a desperate attempt to keep afloat, that tell the real story.⁷

⁷ Barnard M. 1994 Sept 10, *Australia's Country Towns: down the drain?* News Weekly No 2441 p 12

5. A DISAPPEARING COMMUNITY

Decisions on the continuation of such services as transport, health, post office and schools in rural areas should be influenced by social considerations, not purely economic factors.⁸

For many rural communities, isolation and a lack of services and recreation alternatives are a common feature. Rural residents endure travelling long distances to access a particular service or have to “go without”. This has always been the case, particularly in more remote areas of NSW.

However, in recent years essential government services such as health, education and welfare as well as the provision of financial services through banks and other institutions have become even less accessible than previously. The contracting out of postal services and the closure of small retail businesses has also had a negative effect on country towns. Taken together the process of ‘rationalisation’ of all types of services are creating enormous problems for rural residents and is making it increasingly hard for some small communities to survive at all.

Without a decent level of service to even the most isolated of areas, communities are in danger of falling apart completely. It is increasingly difficult for communities to access government funding for community development projects and there is an expectation by government that the community themselves are in a position to largely subsidise such initiatives. In particular there is an expectation that people with time and expertise in community project management are readily available, but the reality is that in many rural areas it is the same half a dozen people who are willing and able to take on community management positions voluntarily.

Many rural communities are fighting hard to hold onto what they have in the face of pressures to rationalise the government and other services upon which they depend.

You touch our hospital and we'll fight you

The closure of hospitals in smaller communities has been one of the most devastating effects of the rationalisation of services. Rural communities throughout NSW are fighting to retain hospital beds and health services generally.

In the small mining town of Tingha, near Inverell, a town meeting to discuss the down grading of the local hospital was not only packed with local residents but attracted 11 mayors from neighbouring shires. Assurances have been given by the NSW Minister for Health that the 29 bed facility will not close.

** However, in Barraba, west of Armidale, over the past three years hospital beds have been reduced from 29 to 6.*

** Hospitals at Coolah, Dunedoo, Peak Hill, Trundle, Tottenham, Gilgandra, Narromine, Warren, Gulargambone, Tullamore, Trangie and Brewarrie are also understood to be under threat.*

As the President of the NSW Rural Doctors Association, Dr Jon McKeon, said:

⁸ Australian Catholic Bishops' Conference. 1992, *Common Wealth for the Common Good*. Collins Dove.

Our major concern is we see Tingha as an easy target before they get onto the major exercise. There is already a shortage of doctors in rural areas. The one reason most of us continue to work here is the ability to use all our skills, delivery of babies and delivery of entire medical services. Our hospitals are downgraded, so it is no longer possible. There won't be any doctors in the country.

Reduced community and health services has increased the workload of rural women as they are the ones usually called upon to care for the sick, elderly or disabled. This is as well as being a part-time income earner, parent and carer. Respite services for these women are generally impossible to access.

The economic and demographic changes that have occurred throughout rural areas have been accompanied by social and cultural changes, including the breakdown in rural culture and traditions.

Today the traditional sense of community, the mateship and the self reliance, is diminishing in many rural communities. Individuals faced with hardship respond to their individual interests rather than preserving the interests of a larger group such as their community. As one woman from Tottenham said:

When things are tough you don't visit neighbours. You don't want them to know you're doing it hard. We used to have barbeques and enjoy things together but not any more, we're all struggling just to get by ourselves.

For young people in particular, isolation and limited services can lead to boredom and possible participation in risk-taking behaviour. Where there are few entertainment alternatives a major focus of a town is the pub. Drinking may become a frequent form of leisure and social interaction for both young and old.

The use of other, illegal recreational drugs such as heroin has also increased. A recent article in the Central and Western Sunday claimed:

There were more than three reported narcotic overdoses in the region every day.

Narcotic overdoses only represent the tip of the iceberg as these were the cases reported to ambulance officers. It is also of great concern in rural areas that even tiny towns like Peak Hill and Gulgong have cases of narcotic overdose.

It appears that decision-makers have been slow to realise that the abuse of drugs is no longer just a big city phenomenon. Drug and alcohol detoxification and rehabilitation programs are thin on the ground but there is no shortage of illegal drugs.

There is also the connection between drug use and increased crime, particularly break and enter and vandalism. This increase in crime is being experienced in many country towns. Under-resourced police services are finding it difficult to counter this trend. Most small country towns have part-time police coverage at best.

Education is another issue of particular concern to rural communities. As jobs dry up on the land, in the mines and industry, many families leave in search of better opportunities. This means that fewer children are attending the smaller schools scattered throughout rural NSW. Fewer children means fewer teachers are allocated to these schools by the Department of School Education.

For example, six farming families in one area decided to leave their land and jointly appoint a farm manager to care-take their properties. They moved to towns in search of employment. This meant that the school their children had been attending lost twenty-two pupils in one go. Consequently, the school was allocated one less teacher.

For each person leaving agriculture, there is the potential loss of at least one other person from the towns which service the farms. A decline in farm population means a reduced demand for goods and services supplied by the retail sector of the small rural townships.

Many young people have to leave their communities if they wish to attend tertiary education. In many cases this puts an enormous strain on the family financially because Austudy is not readily available particularly if you are deemed to have assets. It also means one less person to assist on the farm or in the business. Finally, most young people don't return, as the opportunities available to them in the city or regional centres are far greater than in smaller communities. As one mother noted:

Why would they come back? They've seen us struggle and work long hours for nothing. What incentive is there to return?

Like contemporary society generally, family structures are changing. Single-person households, single-parents and other non-nuclear families are becoming more common in rural areas than they once were. Whilst these changes in themselves may not be considered a negative factor, when coupled with economic, demographic and other social changes they can create a kind of uncertainty in already vulnerable or stressed communities.

Relationship breakdowns and domestic violence are also as prevalent in rural areas as in the city. However, for a rural woman experiencing domestic violence, isolation both geographically and socially, can heighten an already frightening reality as the following story illustrates.

One woman I know was living miles out of town. Her husband would come home and beat her regularly. She had no access to transport as he wouldn't let her drive their car. After one particular bad incident she literally walked out. But he caught up with her and beat her again leaving her at the side of the road. Fortunately a neighbour found her and took her to the hospital.

Also in small communities it is difficult to seek assistance without everyone else knowing the situation. Pride often prevents rural people asking for help. Unfortunately some leave it too late to ask for a helping hand and take their own lives.

Suicide; not an option

Concern with reports of increasing numbers of suicides in rural communities prompted the Churches Caring in Crisis (CCC) group in Parkes and surrounding districts to call for people to share their problems more, before they feel too overwhelmed. The CCC works to help farmers and businessmen and women cope with stress and prevent suicides. A spokesman for the CCC, Mr Ian Unger said:

It has been difficult to get in contact with people who may be feeling driven to suicide. Usually when stresses pile up the affected person withdraws or is too proud to admit feelings that are quite normal.

As well as providing friendship to people in trouble on a one-to-one basis, the CCC runs workshops, with topics such as decision-making, the varying needs of men, women and children, causes of anger, types of stress and warning signs of potential suicide.

Population movements away from rural areas, the downturn in the farming economy and declining industries, the reduction in services and shrinking job opportunities are having an enormous impact on many communities. As one participant at a forum on rural issues said:

We're told small, family farms are not viable. To provide services like hospitals in our towns is not viable. It's not viable to set up new industries. Bus services are not viable. It's getting to the point where our communities are not viable. What do they want us to do; disappear because we're not viable?

If rural communities continue to suffer economically, social problems will continue to increase. Many social commentators have argued that a decline in traditional values and concurrent rise in social problems can be directly attributed to the increasingly individualistic and consumer-driven society in which we live. As we have noted, the interaction between economic rationalism and falling confidence in traditional values has wrought untold damage in rural communities. The days when everyone left their doors open and enjoyed a relaxed lifestyle, appear to be over. But does this have to be the case?

Solutions to social problems such as drug abuse, crime and domestic violence are difficult to devise. Often, it is the symptoms that are treated and not the causes. Without gainful employment, secure incomes and a re-vitalisation of rural life, social problems will only continue to proliferate.

5. SECURING A FUTURE

For society as a whole, and governments, in particular, to do all they can to support rural self determination and to promote rural well being does not constitute an act of charity, kindness or magnanimity. Rather, investing in the rural sector is nothing more (or less) than an act of common sense, of well earned respect, of enlightened self interest and of simple justice.⁹

The major question posed by this Social Justice Statement is; Do we as a community want to witness the complete demise of rural NSW or can we take measures that will secure a better future for people in the bush? To ensure the latter course is taken, parliamentarians representing the people in Sydney and in the large regional centres have to play a major role. But firstly they have to recognise the importance of re-creating a thriving rural community and the positive effect this would have on their day-to-day lives.

Rural communities need the support of their city counter-parts because they do not have the power to influence governments as successfully as they did in the boom years of the 50s and 60s. In those days the fact that Australia 'rode on the sheep's back' was recognised by everyone, and government policies and programs were designed to protect and nurture rural industry. Slowly these protections have been removed and, apart from the attempts made at decentralisation and regionalisation by the Whitlam Government between 1972 -75, there have been no major efforts by governments to develop holistic rural policies.

Policies that have been developed have tended to be piecemeal and focus on purely economic issues. Increasingly these policies have been developed from an 'economic rationalist' perspective and therefore fail to take into account that communities are made up of people with varying needs and aspirations and are not merely economic units that can be discarded because they are no longer perceived by the market as being 'viable'.

From the overview provided in In Defence of the Bush, it is clear that there are a range of inter-connected difficulties confronting rural communities. To address all these issues will take some long and hard thinking. There is no quick fix. What is required is a commitment to the concept of a strong and diverse rural community and the development of rural policies that will enable rural people to take charge of their lives.

Rural people and rural communities, for the disproportionately high contributions they long have made, are still making, and will continue to make to the nation's well being, deserve nothing less than our very best efforts to help them help themselves create a brilliant future.¹⁰

To this end the Society of St Vincent de Paul makes the following recommendations. We do so in the knowledge that both a Federal and State election will be occurring within the next 12 months and it is up to the major political parties to articulate their vision and commitment to

⁹ Sher, Dr J. & K. R. 1994, *Rural Development as if Australia's Rural People Really Mattered*. Journal of Research in Rural Education, Vol. 10, No 1.

¹⁰ Ibid

rural communities. As was noted in a recent editorial in The Land rural newspaper (March 19th 1998):

There is a growing swell of resentment, frustration and anger in country areas and politicians of all persuasions would do well to heed the warning.

RECOMMENDATION 1

That the Commonwealth and NSW Governments , in consultation with rural communities, develop a detailed blueprint for both economic development and social justice in rural NSW/ACT.

Without such a plan, the current and future well-being of rural people cannot be assured. There is an urgent need to examine the social cost to rural communities from the pursuit of economic rationalist policies of government and industry.

While regional economic development is important and strategies need to be devised which build on the strengths and potential of the rural economy, there needs to be simultaneous development of **social policies**. To achieve this goal, governments need to more actively seek to understand the social trends and their impacts on rural communities and not only look at the latest trade figures and commodity prices for signs of life in the bush.

There also needs to be much more done about 'irresponsible' foreign ownership of primary and mining production. The situation in Cobar, detailed in this statement, should not be allowed to occur again. Investment decisions made on the other side of the world cannot be expected to have much regard for their economic and social impact in Australia. If governments really are concerned about their constituency, they should do everything in their power to ensure that not only those directly involved in production are protected, but also the communities of which they are a part.

The real drought in rural Australia is in the failure of the much touted 'trickle down' effect to produce results for these communities. Leaving the future of rural communities in the hands of market forces and large corporations is to condemn them to extinction.

RECOMMENDATION 2

That the first priority in the blueprint for rural NSW/ACT is the creation of socially useful jobs.

If economic development remains focussed on the supposed ability of market forces to solve the employment crisis in the bush, then there will be no jobs growth. This is because primary production and other large scale enterprises are becoming more technologically intensive rather than relying on labour.

Yet there are many jobs that need to be done to ensure rural communities are able to sustain and enjoy a good standard of living. Much work needs to be done in the health, community services, education and training areas. Increasingly these areas are viewed by governments as a drain on the public purse and not a high priority. Yet, it is precisely these areas that are the primary source of social cohesion. Abstract generalisations, favoured by politicians of all persuasions, do

not keep communities together and alive. It is the practical provision of health, community and educational services that provide the foundations for continued community development and well-being.

These areas are also 'wealth generators' in their own right. For example, the more people that are employed in health, community and educational activities, the greater the revenue from taxation, and, most importantly for rural communities, the more people can spend in local businesses.

This does not mean efforts should not be directed to more traditional areas of employment, particularly in the primary production area, but this would necessitate a review of a range of government policies from tariffs to the public ownership of public utilities such as power generation and communications. To implement policies aimed at reversing the trend for less industry protection and privatisation, would take great courage. However, the Society recommends that:

RECOMMENDATION 3

That Commonwealth, State and Local Governments urgently re-examine the scope for further incentives and concessions for businesses to move to, or remain in, rural areas.

RECOMMENDATION 4

That the Commonwealth and the NSW Government re-affirm their commitment to the practical and meaningful support of rural communities by:

- a) taking positive steps to ensure that the retention of jobs in rural areas is an essential condition in the sale of public assets*
- b) accepting that the additional cost of retaining or providing offices and services in rural areas is a necessary consequence of government responsibility. ie. rationalisation programs should not automatically lead to closure of offices and loss of jobs.*

Furthermore, the NSW Government should take the lead and further decentralise its offices to country areas.

RECOMMENDATION 5

That the Commonwealth Government give urgent consideration to the introduction of reciprocal trade barriers to create a 'level playing field' with countries such as Brazil to counteract the current disparities as evidenced in the export/import of oranges.

These three recommendations, if followed, would provide a better economic environment for rural areas. One good example that contains elements of each of these recommendations, is the International Marketing Corporation (IMC) proposal developed by a range of community interests in Parkes. Basically the proposal aims to increase farm profitability and diversification by establishing an international freight airport in Parkes. By basing a freight airport in central west NSW, fresh agricultural exports would more easily be transported to Asian markets, particularly high quality 'boutique' fruit and vegetables. The infra-structure required to develop and consequently operate the airport would create more jobs in a range of occupations.

The proposal contains many positive elements and has the support of a substantial proportion of rural communities, some many miles away from Parkes. What the proposal demonstrates is how

creative, innovative proposals can be developed by rural communities. However, the proposal has yet to be endorsed by the Commonwealth Government. This has proved to be a bitter disappointment to the many rural people who support the objectives of the IMC.

RECOMMENDATION 6

That the NSW Government establish a Rural Investment Fund.

One source of revenue that could be made available for the development of rural NSW are those held by Superannuation Funds. If a proportion of these funds were earmarked for investment in rural communities the necessity for governments to use the depleted taxation revenues available to them would be lessened.

Banks and other corporations who have gained much of their profits as a result of rural economic activity, should be levied a percentage of profits as a contribution to the Fund

RECOMMENDATION 7

That the NSW Government join with the Society of St Vincent de Paul in approaching the Commonwealth Government to:

- a) review the status of farm properties in assessing eligibility for Aged Pensions*
- b) allow unemployment benefits to recommence promptly for casual rural workers*
- c) not insist that rural unemployed move to other areas for work causing family break-ups*
- d) review the provision of Austudy to rural students.*

To overcome some of the poverty being experienced by rural people, there is a need to examine some clear 'poverty traps' that exist in the current Social Security system. Asset testing, to determine eligibility for a range of Social Security payments, is not the most appropriate method of determining need particularly in the case of farmers.

RECOMMENDATION 8

That the NSW Government review their Drought Relief policy to ensure that funds are not prematurely withdrawn.

It takes several years for farms to recover from severe drought. Without on-going assistance, many farmers are unable to survive even when the drought is 'officially' over. It needs to be recognised that behind one farmer who is unable to pay his debts, there can be up to 10 small businesses whose cash flow dries up.

Consideration should also be given to how the drought relief funds are expended. For example, the cost of carting water to outlying areas is more expensive than buying the water itself.

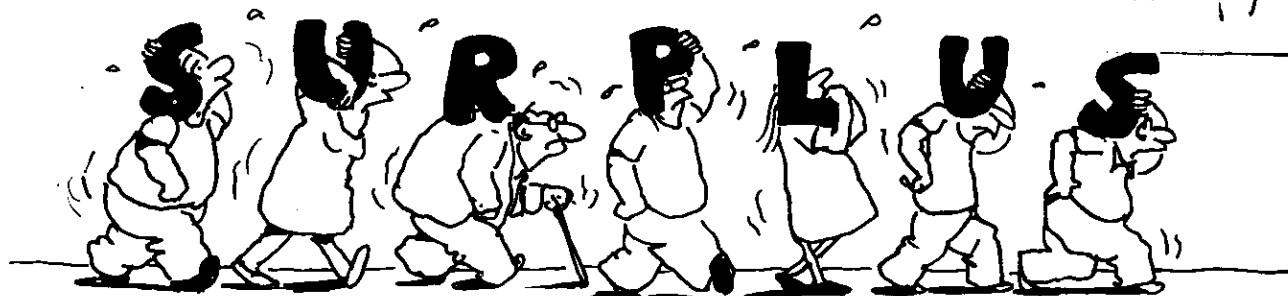
Written and Researched by Colin Robinson

Research Assistance by Anthea Parker and Jude Robinson

Reference Group: Patricia O'Donnell, Ron McMullen, Stan Lewis, Owen Rogers, Greg Hogan,
Lucy Limbers and Stephanie Gray.

*Quotes for
Pen Con &
Housing Stats*

Budget Special



Budget surplus — no cause for celebration



Michael Raper,
ACOSS President

The government's Budget surplus is no cause for celebration. It's been paid for mainly by low income people through the massive expenditure cuts in this and the two previous Budgets. At least one-third of these cuts have affected mainly the poorest Australian households who have seen their access to essential services and benefits dwindle.

Low income Australians have contributed more than their fair share to the government's deficit reduction strategy. They had a right to reap some rewards in this Budget. But the pickings are thin. ACOSS welcomes the small but beneficial spending measures, such as:

- the restoration of full Rent Assistance to people in boarding houses and hostels (though the implementation delay is unjustifiable);
- the increased funding for literacy and numeracy training;
- the one-off crisis payment for people in extreme circumstances;
- the increased resources for multi-purpose health and family services and community legal services in rural and regional Australia;

- the extra funding for Aboriginal health and to give indigenous people working on community projects the same access to income support entitlements as other Australians in similar circumstances.

However, one very poorly targeted measure is the extension of Seniors Health Cards to relatively affluent retirees. This is an extravagance we simply cannot afford while other groups live in great hardship, and while nursing homes in low income areas are starved of funds.

In contrast to this generous treatment, unemployed Australians will still have to struggle to survive on inadequate payments and jostle for places in the under-funded employment services market. It is particularly shameful that a further \$36 million per annum has been removed from employment services assistance as a result of "savings" made in the competitive tender process.

Needs ignored

Other pressing needs have also been ignored. This Budget:

- makes no changes to child care assistance to help struggling families;
- provides no extra capital funding for aged care facilities;
- has not upped the offer to the states for public hospital and health care funding, and only marginally

improves their funding for disability services;

- swells the number of new migrants affected by the withholding of most income support payments for two years;
- halves the Pensioner Education supplement for many people, including sole parents.

Looking to the future, the Asian crisis presents new risks and uncertainties for our economy and society, with the possibility that unemployment will not just stay stalled at the 8% level but grow. Positive government intervention is needed to bring unemployment down and alleviate the poverty it brings in its wake. The massive job-shedding caused by social expenditure cuts should be reversed, the public revenue base needs strengthening (especially by closing off income tax loopholes), and employment and training assistance for long-term unemployed people should be boosted.

The government moved quickly after the Budget was brought down to shift the focus onto tax reform, including the promise of widespread income tax cuts, and to gear-up for the election. While our immediate response was that there must be no increase in the consumption tax burden for low income people, we also urged the government to reinstate services and assistance and not use the Budget surplus for tax cuts. Any tax cuts which are delivered must be funded from reforms in the income tax system.

"Low income Australians have contributed the most to the surplus and had a right to reap some rewards in this Budget. But the pickings are thin."





The Australian Council of Social Service is the national peak council of Australia's community welfare sector and links more than 2,500 organisations throughout the country.

For information about membership call Gill Whan.

Impact

Impact is the national monthly magazine for the community welfare sector which is published eleven times per year by ACOSS.

The views expressed in Impact are not necessarily those of ACOSS.

This publication is copyright. Apart from fair dealing for the purpose of private study, research, criticism, or review, as permitted under the Copyright Act, no part may be reproduced by any process without written permission.

Enquiries should be addressed to the Editor.

Editor

Ian Wilson (02) 9310 4844

The editor will consider unsolicited articles for Impact (up to 1,400 words). Please send a double-spaced hard copy, an IBM disk if possible, and a daytime contact telephone number.

Designer

Libby Blainey

Subscriptions

Subscription rate \$45 per year.
Concession rate is \$30 for 11 issues. Airmail is \$25 in addition to subscription.

Advertising

Rates start at \$90.
There are special rates for members.
Call the Editor for details.

Registered by Australia Post:
PP 235387/00047
ISSN 1032-4321

ACOSS

Locked Bag 4777
Strawberry Hills 2012 Australia

Tel: (02) 9310 4844
Fax (02) 9310 4822

email: acoss@acoss.org.au
<http://www.acoss.org.au>

Web and internet services supplied by
A.R.Internet
Ph (02)9809 0999 Fax (02)9809 9199

June Impact 1998 - Budget Special

Contents

Overview	Budget surplus — no cause for celebration — Michael Raper	1
Economics + tax	Budget fails to deliver jobs and growth — Alison McClelland	3
EET	Little joy for unemployed people — David Thompson	4
Housing	Housing policy without direction — John Nicolades	5
Social security	Nothing for the most vulnerable — Merle Mitchell	6
Health	Unanswered health questions remain — Alan Owen	7
Community services	Some gain, but more pain for the community — Libby Davies	8
Rural + regional	Few positives for rural communities — Gordon Gregory	9
Law + justice	'Do nothing' Budget brings no 'credit' — Bill Smith	10
Indigenous people	Budget surplus, surplus need — John Taylor	11
People with disabilities	'Disability Budget' leaves unmet needs — Rod Irwin	12
Migrants + refugees	Little hope for ethnic Australians — Randolph Alwis	13
Young people	Disappointment for young people — David Matthews	14
Older people	A poke in the arm for low income older people — Edith Morgan	15

Subscribe to Impact

The monthly magazine which keeps you up to date on the latest news and views in the community welfare sector - 11 issues per year

Subscriptions:	Organisation	\$45	<input type="checkbox"/>
	Individual	\$45	<input type="checkbox"/>
	Concession (full time students, pensioners & organisations staffed by volunteers)	\$30	<input type="checkbox"/>
	Overseas airmail add	\$25	<input type="checkbox"/>

Name/Organisation _____

Address _____

Postcode _____

Phone _____

I enclose a cheque for \$ _____ payable to ACOSS

or by credit card Amex ☐ Bankcard ☐ Mastercard ☐ Visa ☐

card number _____ expiry date _____

cardholder's name _____

cardholder's signature _____

Send to: Australian Council of Social Service
Locked Bag 4777 Strawberry Hills NSW 2012
Phone 02•9310 4844 Fax 02•9310 4822
email: acoss@acoss.org.au

Budget fails to deliver jobs and growth



Alison McClelland,
ACOSS Deputy President
& Director, Brotherhood
of St Laurence

The greatest disappointment with the Budget is that, yet again, there is inaction on unemployment with only a minor decline to 7.75% by June 1999 anticipated.

This is mainly due to anticipated lower levels of economic and employment growth next year as a result of Asia's economic difficulties. However, the Budget strategy has no decisive proposals to lift economic growth to more acceptable levels. Growth could be even lower than forecast if the economic situation in Japan and the United States worsens, or if Asian events have a larger impact on Australia. Some analysts interpret the Budget forecasts as optimistic.

The main features of the Budget are:

- the expectation of a \$2.7 billion underlying surplus;
- net spending increases of around \$2 billion per year;
- few substantial revenue measures; and
- continuing high unemployment.

Move to surplus

The Budget moves from an underlying deficit to a surplus, primarily because of the large spending cuts in the two previous budgets which, in gross terms have taken almost \$10 billion in spending from the 1998-99 Budget alone. In net terms (i.e. after spending increases) more than \$12 billion has been cut from federal spending over the three years to 1998-99. These cuts have impacted heavily on the lives of many low income people.

The surplus is expected to increase further in future years and federal spending is anticipated to decline to its lowest level since the early 1970s — 22.8% of GDP by 2001-2. This decline will be helped by the promised sale of the remaining publicly owned share of Telstra because of the anticipated reduction in public debt interest costs. Such a low level of spending will be inadequate for future governments to fulfill their responsibilities to low income Australians.

Awaiting tax reform

Revenue is to increase slightly by 3.4% after inflation, to 25% of GDP. But this small growth is mainly due to changes in the Budget outlook rather than policy measures, which are only expected to increase revenue, in net terms, by

around \$30 million in 1998-99. In future years, revenue will again drop slightly to between 24.7% and 24.9% of GDP (depending on the particular year).

Most increased revenue comes from extending Tax Office funding to investigate and curb tax minimisation by high wealth individuals (\$100 million increase). Other revenue raising initiatives include discriminatory visa application charges and an increase in departure tax.

On balance, policy measures increase revenues slightly in 1998-99 and reduce them significantly over the following 3 years. Business receives most benefit to the tune of almost \$1 billion in future years through the new Automotive Competitiveness and "millennium bug" deductions.

Two small welcome measures are the extension of the beneficiary tax rebate to CDEP recipients and some tightening of the exemption from Capital Gains Tax for assets held before 1985 by public companies.

Main revenue initiatives, however, await the government's tax reform package. This package must be capable of improving revenue in the future, improve the fairness of the tax system and have a positive impact on economic and employment growth.



"More than \$12 billion has been cut from federal spending over the three years to 1998-99. These cuts have impacted heavily on the lives of many low-income people"

Estimates for Key Economic Parameters	1997-98	1998-99 ^a
Gross domestic product	3.75%	3%
Employment	1.25%	1.75%
Unemployment *	8.25%	8%
Average weekly earnings	4.75%	4.25%
Business investment	8%	6%
Current account deficit **	4.5%	5.25%

Source: Budget Paper No1 (1998-99)

Note: # projections only

* Average level during the year — forecast to fall to 7.75% by June 1999

** Per cent of GDP

Little joy for unemployed people



David Thompson,
ACOSS Policy Resource
Co-ordinator and
CEO, National Skillshare

The 1998-99 federal Budget contains little joy for the nearly 740,000 people who are currently officially unemployed and the many thousands of other unemployed and under-employed people not counted in the official statistics.

The Budget forecasts a 'small fall' in the headline unemployment rate to 7.75% by June 1999. Although overall unemployment fell by 23,000 to a low of 7.9% in April, long term unemployment increased to 239,600 people or nearly one third of all unemployed people. To add to this grim picture, 128,600 people or 53.7% of long term unemployed people have been unemployed for 2 years or more.

The 1998-99 Budget contains mostly expected and previously announced additional spending on some employment programs which will provide some welcome additional assistance for more unemployed people and mainly young people, but which will not make a dent on the massive reduction in spending (\$1.8 billion over 4 years) on employment assistance since the government came to office.

Total spending on assistance to jobseekers and industry continues to fall

— by 5.4% (\$94.3 million) this financial year and a further \$85.3 million reduction is to take effect next financial year.

Employment Services Market

Hapless jobseekers have now suffered two years of chaos and disarray in the transition to the new competitive employment services market. The Budget rubs salt into their wounds by estimating savings of \$147.6 million from the tender process to establish the Job Network. \$53.3 million of these savings has been transferred to the Regional Assistance Programme while the remaining \$94.3 million has been lost to unemployed people.

The Department of Employment, Education, Training and Youth Affairs has recently confirmed that only one in three long term unemployed people will have access to services at any one point in time.

Mutual obligations

Earlier in the year, the government announced a series of measures for young unemployed people as part of its "mutual obligations" initiative. The initiative involves a number of measures, the major component of which is an expansion of the "Work for the Dole" scheme (\$259.5 million over 4 years). The expansion is being implemented before the 10,000 place 'pilot' phase

(almost half of these places are still unfilled) has been properly evaluated.

Other measures in the initiative include:

- Additional funds for career counselling and literacy and numeracy training for young people — welcome moves, though both would be more productive if uncoupled from compulsion.
- An extension of the very valuable Job Placement, Employment and Training (JPET) Program which addresses difficulties faced by young people with multiple barriers to employment and education, particularly homelessness.
- A pleasing additional \$6.4 million allocated over two years to assist an extra 1,900 people through the New Apprenticeships — Access Programme.

While some of this new spending is welcome, the reality is that overall spending on assistance to unemployed people has been massively cut and continues to be reduced despite the continuing increase in long term unemployment. Most long term unemployed people are going to have a very long wait before they get to the front of the queue. By the time they get there, they'll need more help and they may well find themselves in a labour market with even fewer vacancies and even higher levels of unemployment and long term unemployment. They deserve better.



"Hapless jobseekers have now suffered two years of chaos and disarray in the transition to the new competitive employment services market"

Employment, Education and Training — Key Budget Measures \$ million	Effect on Outlays	
	98-99	99-00
Unemployment		
Work for the Dole Expansion (a)	102.5	109.2
Extension of JPET Program	1.4	11.4
Savings in Employment Services	-36.0	-36.6
Education		
Impact of Youth Allowance Assistance	21.7	17.2
Extension of National Asian Languages and Studies in Australian Schools Strategy	25.4	17.2
Illicit Drugs Strategy — Education	2.6	3.0

Note: (a) Funding for this measure will be provided across more than one portfolio. The amount stated is that apportioned to the Department of Employment, Education, Training and Youth Affairs.



LOCAL GOVERNMENT
COMMUNITY SERVICES
ASSOCIATION
OF AUSTRALIA INC.

Presents



**The Local Government Community Services Association of Australia
7th National Conference on Local Government and Community Development
14-16 October 1998 - The Wesley Centre, Sydney**



Endorsed by



AUSTRALIAN LOCAL GOVERNMENT ASSOCIATION

Proudly sponsored by





14-16 October 1998 - The Wesley Centre, Sydney

**The LGCSAA Conference Secretariat
PO Box 514, EDGECLIFF NSW 2027
Tel: (02) 9363 9858 Fax: (02) 9362 0265
E-mail maaconf@cyber.net.au**

Housing policy without direction



John Nicolades,
ACOSS Policy Resource
Co-ordinator and
Manager, Community
Services, Board for
Social Responsibility,
Uniting Church

On a Budget night of mixed journeying metaphors, it appears that housing policy has lost clear national direction — it is certainly not, as the Treasurer would have it, “back on track”.

The federal government has sliced another \$103 million from its commitments to public housing — reducing expenditure on the Commonwealth-State Housing Agreement (CSHA) to \$965 million in 98-99. This incorporates a cut of \$50 million plus an “efficiency dividend” of \$53 million. However, this is not the complete story, as spending on housing may fall by a further \$75 million if Queensland, South Australia and the ACT proceed to use part of their CSHA allocation to repay debt owed to the commonwealth. While the cuts are wholly unjustified and extremely hard to reconcile with the growing demand for low cost housing, the silence of the federal government in this Budget regarding the long-term continuation of the CSHA is more important.

Existing CSHA funding is only secure to June 1999. The commonwealth has

remained silent on a new national strategy to deal with housing need beyond this date. The only positive sign is that the commonwealth has indicated that an agreement could be negotiated in September 1998. The next three months may be a critical time for laying the basis for the future level and nature of federal funding for housing.

It is essential that a CSHA with strong national agreement is secured during this period and that it includes:

- guaranteed funding for public housing;
- strong multilateral elements with flexibility for bilateral agreements with each state; and
- a genuine reform agenda.

States are preparing to present a proposal for a new CSHA to the commonwealth later this month (June). The proposal is for a five-year CSHA, with funding for the first year commencing at 97-98 levels and indexed for the period of the agreement. The suggestion from the states is that the Minister's timeframe of September 1998 is far too late to negotiate an agreement which provides sufficient notice of post-June 1999 CSHA funding and policy.

Budget bright spot

Changes to Rent Assistance eligibility provide the only bright spots in the housing component of the Budget.

People lodging in private hotels, boarding houses and hotels will now be eligible for the full single rate of Rent Assistance (\$74.80 per fortnight), instead of the single sharer's rate (\$49.80 per fortnight) which had been introduced in last year's Budget. This partial reversal of a 1996-97 Budget measure will assist approximately 12,000 people who are currently only receiving the sharer's rate of Rent Assistance.

Unfortunately, this vulnerable group of renters will have to wait for another year for this payment increase as the measure will not be introduced until July 1999. This delay is particularly parsimonious and should be immediately reviewed.

Aboriginal participants in Community Development Employment Projects (CDEP) will now be eligible for Rent Assistance. CDEP was developed to allow Aboriginal communities to pool individual entitlements to provide funds for paid work. The community defines what constitutes work. This measure will assist 4,800 of the current 26,400 CDEP workers.

These Rent Assistance measures are welcomed, however they certainly do not deal with the continued reductions in CSHA funding and the uncertain future of the agreement.



“The cuts to commonwealth funding are extremely hard to reconcile with the growing demand for low cost housing”

Housing — Key Budget Measures		Effect on Outlays	
\$ million		98-99	99-00
Apply full rate of Rent Assistance to people lodging in marginal accommodation		1.6	6.7
5% reduction to Commonwealth-State Housing Agreement funds from 1996-97 levels through efficiency dividend		-53.4	-53.4
Annual reduction to Commonwealth-State Housing Agreement funds of \$50 million		-50.0	-50.0
Extend the Housing Reform Fund		0.0	1.7
Continuation of funding for the Supported Accommodation Assistance Programme			
National Data Collection Agency		0.6	0.8
Amendment to allow Rent Assistance to sub-tenants in public housing where relevant State Housing Authority has been notified		55.5	57.0

Nothing for the most vulnerable



Merle Mitchell, ACOSS
Social Policy Resource
Co-ordinator

The call to address the desperate poverty and disadvantage of unemployed people and sole parents has been ignored in the Budget.

Social Security outlays will increase by \$47.8 million next year but over the next three years, as savings measures are implemented, there will be a gradual reduction in spending. By the year 2001-02, the reduction in spending will be \$41.3 million.

A number of savings will come from changes to payments for unemployed people.

- If unemployed people have looked for work which is more than 90 minutes travelling time from their home and are then offered a job, they will be compelled to take it.
- People who have moved to an area of lower employment prospects prior to applying for Newstart Allowance will now be subject to the 26 week waiting period.
- Extra obligations imposed on 18-24 year olds are predicted to produce savings of \$83.6 million in decreased unemployment payments.

By way of contrast, more affluent retirees with taxable incomes of up to \$40,000 (singles) and \$67,000 (couples) will now be eligible for the Commonwealth Seniors Health Card, at a cost of \$191 million over four years.

The safety net has been withdrawn for yet another group of permanent residents. People from New Zealand and the UK will now be subject to the two year waiting period for most income support payments — and it will no longer be possible to serve part of the waiting period overseas.

Good and bad CDEP news

While there is good news for most Community Development Employment Program (CDEP) participants, Aboriginal sole parents are likely to be worse off. A CDEP supplement of \$20 per week will be payable to low income workers who will also now be able to access Rent Assistance, Bereavement Payments, Telephone Allowance, Pharmaceutical Allowance and pensioner concession cards.

However CDEP sole parents who formerly lost only 50 cents for every dollar of CDEP income earned will now have their pension reduced by \$1 for every \$1 earned. Despite the fact that they will receive the \$20 per week CDEP supplement, some will be worse off. Sole parents may also face halving

of their Pensioner Education Supplement, and reductions in Family Allowance, due to changes in the means testing of non-cash maintenance.

A crisis payment of up to \$175 for people in crisis or in extreme circumstances who need to leave their home and set up a new one, such as women fleeing domestic violence, has been introduced. Unfortunately this assistance will not be available to women or young people living in refuges.

The introduction of the Carer's Allowance (which combines Child Disability Allowance and Domiciliary Nursing Care Benefit) has been welcomed by ACOSS as we have been calling for such simplification for a number of years.

Another positive Budget measure we argued strongly for is the restoration of the full rate of Rent Assistance for people in private hotels, hostels, boarding houses and rooming houses. However this change does not go far enough as it still leaves many of those who are not in a relationship but who are sharing accommodation with severely reduced incomes.

It is a great tragedy that once again those who have borne the greatest burdens over the past years are those who have been asked to make further sacrifices and forgo any benefits which they could have rightly expected to reap from the surplus.



"Those who have borne the greatest burdens over the past years have been asked to make further sacrifices"

Social Security — Key Budget Measures		Effect on Outlays	
\$ million		98-99	99-00
Community Development Employment Project		3.1	-1.3
Expand the definition of suitable work to cover out-of-area jobs		-1.2	-3.9
Mutual obligations for young people (a)		-4.5	-26.5
Introduction of Youth Allowance		-88.5	-106.9
Staying at Home — care and support for older Australians (b)		5.3	1.6
Child Support changes		16.6	8.0
New guidelines for migrant two year waiting period for social security payments		15.2	18.3
Extension of Commonwealth Seniors Health Card eligibility (b)		1.4	2.2
Extend Mobility Allowance for people with disabilities		3.3	3.5
Agriculture — Advancing Australia (Farm Welfare) (b)		6.9	11.5

Note: (a) Funding for programs for enhanced mutual obligations has been provided through the Employment, Education and Training Portfolio. The amounts stated are estimated savings from Social Security outlays.
(b) Costs for this measure are spread across a number of portfolios. The amounts stated here are only costs to the Social Security portfolio.

Unanswered health questions remain



Alan Owen, ACOSS
Policy Resource
Co-ordinator

In health and community care terms the Budget was notable for a number of welcome gains, but with unanswered questions remaining — about dentistry, about public hospital funding, about private health insurance, and about measures necessary to meet the needs of older people and people with disabilities.

In the big ticket health item, funding for public hospitals, the commonwealth is using the 98-99 Budget to put pressure on the states and territories to sign the Health Care Agreements. The current Medicare Agreements are due to expire on June 30 1998. Only the ACT and Queensland have signed on to new Agreements at this stage, however, the Budget papers assume full acceptance by all states and territories of the current offer.

Health insurance changes were also missing from the Budget, and the expectation is there will be a new package announced soon. A series of failed and expensive strategies are likely to be supplemented by more of the same.

The Budget contains no new measures relating to the Home and Community Care (HACC) Program. Last year's

forward estimates continue to apply and what is, in effect, a real increase of only 3.5% falls far short of the government's pre-election commitment to real growth of 6%.

Turbulent year

As expected after such a turbulent year, aged care has made some gains apart from the Staying at Home Package. Across the different portfolios, Budget changes have resulted in the return to residential aged care of \$233 million of the \$500 million that was cut two years ago. However, the nature of the package signals the preference of the government to channel funds directly to recipients, rather than through the states via HACC. In the long term, this approach will impact significantly on the availability of support services for people with a disability who are part of the HACC target group.

Other welcome gains include:

- The continuation of commonwealth support for mental health and palliative care programs.
- A range of initiatives to assist GPs and reform general practice which will strengthen primary health care, but is unlikely to address the discrepancy between the percentage of claims bulk billed in metropolitan areas (90%) and those in rural areas (54%).

There were also gains for health research, public health and health

promotion in the Budget. In a welcome step, the government has decided to provide an ongoing base level of funding for public health programs, thus averting the need to have virtually every program periodically reviewed and renewed.

Sensible substitution

The Budget also contained incentives for the sensible substitution and combination of services in ways that are arguably beneficial to patients, including:

- A package aimed at halving the 12% per annum growth in Medicare costs for diagnostic imaging services.
- Promotion of the better use and disposal of medicines.
- The establishment of 30 new Multipurpose Services — more than doubling the existing network in rural and remote Australia and broadening the range of services available.

Taken overall, the health component of the Budget has given some welcome recognition for those areas that reflect the Minister's stated priorities: strengthening primary medical care and public health, mental health and palliative care.

In areas like hospital funding, private health insurance, dental health and residential aged care, the long term outlook, however, is not too optimistic.



"In a welcome step, the government has decided to provide an ongoing base level of funding for public health programs"

Health — Key Budget Measures		Effect on Outlays	
\$ million		98-99	99-00
Australian Health Care Agreements		241.9	308.8
Extension of Commonwealth Seniors Health Card eligibility		24.1	50.5
Health and Medical Research Council		15.3	50.5
Diagnostic Imaging Package		-2.0	-18.4
National Illicit Drugs Strategy		13.4	14.8
Preventative health		14.4	19.0
PBS — improved data analysis and compliance activities		-3.0	-21.2
General Practice		11.4	10.5
Increased access to Medicare claiming through pharmacies		4.0	2.0
Adjustment of the reciprocal Health Care Agreement with New Zealand		-3.0	-3.4
Increased funding to Aboriginal and Torres Strait Islander primary health care services to reflect population growth		3.0	5.9
Increased funding for Aboriginal and Torres Strait Islander health services		1.3	2.6

Some gain, but more pain for the community



Libby Davies, ACOSS
Executive Member and
National Director, Uniting
Church Community
Services Australia

For community services, this was a Budget of no surprises except for the unexpected failure to provide relief in the child care area. It contained virtually no new initiatives or programs which had not previously been announced. As many have commented, it is a Budget with a \$2.7 billion surplus achieved largely at the expense of very vulnerable and marginalised Australians through massive expenditure cuts announced in the previous two years.

The Budget offers a mixed response to the needs of elderly Australians. On the positive side, new funding for residential aged care across the three portfolios of Social Security, Veterans Affairs and Health and Family Services gives effect to announcements made in the past 12 months and returns \$233 million of the \$500 million cut from the area two years ago.

The *Staying at Home* package of community care and support for older Australians and their carers (announced prior to the Budget), and the extension of the Gold Card for health care to all World War II veterans will also be of benefit.

On the negative side, the new funding does little to redress the continuing substantial underfunding of residential aged care capital infrastructure. In addition, older Australians living in hostels have still been left with inadequate disposable income to purchase the basic necessities of life, and there has been no real increase in the amount of funds for the Home and Community Care Program. There are extensive waiting lists for people needing HACC services and the increase of only 3.5% in real terms is totally unrealistic.

The news for families is also mixed. ACOSS welcomes the commitment to increase the number of health and community services in regional Australia with the extension of the Rural Multipurpose Health and Family Service Network. However, the success of the Network will rely heavily on existing government and non-government agencies agreeing to network and commit funds to capital infrastructure, and on ensuring that the extended services, particular those depending on expanded information technology, are actually accessible by those families most in need.

For families using child care the news is not good. The decision to extend the

freeze on fee ceilings for Child Care Assistance and Child Care Cash Rebate offers no relief for families struggling with ever-increasing fees.

The Budget also contains very little new funding for people with disabilities. The federal government claim that new Commonwealth/State Disability Agreement (CSDA) money totals \$159 million is a misrepresentation. Only \$80 million is actually a new allocation. Of the remainder, \$15.4 million is part of the *Staying at Home* package, and \$63.6 million appears to be a reallocation of funds from specialist employment services.

The sector will continue to have to carry the huge burden imposed through massive funding cuts of the previous Budgets under increasing pressure to provide desperately needed services. A Budget so low on additional spending is dismissive of the need of the increasing number of low income and disadvantaged people in Australia. It is synonymous with an illogical view of the world that sees social infrastructure as a bonus of economic growth rather than running parallel to, and underpinning, economic growth.

Despite the "surplus", the Budget remains costly for many vulnerable Australians.



"Despite the 'surplus', the Budget remains costly for many vulnerable Australians"

Community Services — Key Budget Measures		Effect on Outlays	
\$ million		98-99	99-00
Staying at Home — Care and support for older Australians (a)		22.9	60.6
Increased funding for the Commonwealth/ State Disability Agreement		6.4	15.2
Improving services for families through enhancement of family and community service networks		1.0	2.5
Continued funding for child abuse prevention and parent support		0.2	0.6
Continuation of funding for child care communication strategy		0.6	0.0
Business and community sector partnerships		3.2	4.0
Expansion of the volunteer management program		1.6	1.6
International Year of Older Persons		4.5	1.5
Expansion of the rural multi-purpose health and family services network		1.0	6.0
Establishment of a peak body on homelessness		0.2	0.2
Allowing new aged care residents a 28 day period of grace from income testing		2.6	2.7
Additional funding for the Implementation of Residential Aged Care (including the concessional resident subsidy)		1.9	7.8
Delay income test for residential aged care and exempt existing residents		55.1	38.0
Residential aged care — charges, transitional arrangements and industry restructuring (b)		11.3	0.9

Notes: (a) Measure also affects the Social Security portfolio.
(b) Measure also affects the portfolios of Social Security and Veterans' Affairs.

Few positives for rural communities



Gordon Gregory,
ACOSS Policy
Resource
Co-ordinator

For low income and disadvantaged people in rural areas, this Budget has left the major outstanding problems unaddressed.

There will still be reduced employment services, a lack of targeted job generation programs, continuing poor access to other services, and holes in the health and welfare safety nets. The few positive measures — an increase in the number of Multi-Purpose Services and community legal services in rural and regional Australia — are far outweighed by the Budget's lack of action on other fronts.

Sadly, it appears that those who are disadvantaged in rural areas will either remain more disadvantaged than their city colleagues or they may up-sticks and join them.

Neither option can be justified in social, economic or environmental terms. Australia's cities are already overcrowded. The choice to live in rural Australia should not be compromised by

urban and market focused policies which result in the further marginalisation of families, older people, women, youth or Aborigines living in rural areas.

Life in rural Australia can be great. There are more opportunities than in the capital cities to be on your own, in both economic and social terms. You can be closer to nature and there are some wonderful communities in which to live.

However for people who do not have life's fundamentals — a job, a house, good health and human contact — living in rural and remote areas is a risk factor in itself. The causes of malaise are as common as in the cities but the options for alleviating them are fewer, less varied, more difficult to access, and often more expensive.

The 1998 federal Budget has done very little to reduce the extent of disadvantage in rural areas of those who have borne the brunt of long-term structural change in the national and international economies. In a one-bank town, the rationalisation of retail banking services has impacts more severe and quite different to those experienced in the cities. In a town without a doctor, the mal-distribution of GPs in Australia is

not at all theoretical.

Budgets come and go, but the arguments for positive discrimination to improve rural and remote well-being remain. The policies justified by this special need may be narrow and direct, such as programs for the rural medical workforce and schooling assistance to isolated children. Or they may be broad and fundamental, such as the Universal Service Obligation imposed by regulation on Telstra.

For rural Australia, the important decisions in any federal Budget include those related to the retention of these programs — maintaining their real value and building on their successes.

It is disappointing that the ACOSS proposals for public infrastructure in rural and regional areas and for a Regional Employment and Social Development Programme, among others, have not been picked up.

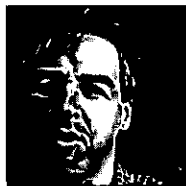
Given the lack of real gains for rural people in this and previous federal Budgets, we must now keep our eyes on election platform proposals and continue to push for new policy approaches to unemployment, tax, child care, aged care and indigenous affairs which have a rural and regional focus.



"For people who do not have life's fundamentals, living in rural and remote areas is a risk factor in itself."

Regional Development — Key Budget Measures		Effect on Outlays	
\$ million		98-99	99-00
Regional Assistance Programme		13.0	13.2
Regional Development and Coordination Strategy		2.5	2.5

'Do nothing' Budget brings no credit



Bill Smith, ACOSS Law and Justice Policy Resource Co-ordinator and Director, Launceston Community Legal Centre

The writing of the Lord's prayer on the back of a postage stamp is correctly held to be a not inconsiderable feat. Sadly, in the years ahead no one will be able to take much credit for listing the accomplishments of the law and justice segment of the 1998-99 federal Budget on the back of any postage stamp. There is so little to report a postage stamp would hardly be needed.

So far as law and justice is concerned the 1998-99 federal Budget is a "do nothing" Budget which brings no credit to a national government which is content to sit idle while all around Australia, people are denied access to the legal system because that access is beyond their financial means.

The rule of law is fundamental to a democratic society such as ours. It permeates all aspects of human activity and regulates our daily lives. It creates and confers a range of rights and entitlements on citizens, setting and maintaining standards in relation to

health, education, housing, social security, consumer protection, commercial dealings, child abuse, family violence and discrimination.

It is only the law, and the capacity of the state to enforce that law, which transforms abstract concepts such as "justice" and "human rights" into meaningful and tangible outcomes. Yet, without access to the legal system that upholds these rights, the rights themselves are meaningless.

Critical lack of legal aid

For many Australians, access to the legal system is attainable only through publicly funded legal services such as legal aid and community legal services. Nevertheless, in last year's Budget the federal government cut more than \$100 million dollars from the legal aid system despite reputable research which indicated that \$50 million more per annum was needed just to maintain access at 1988 levels.

This year, in its submission to the Senate References Committee, National Legal Aid estimated that to now provide somewhere near the level of legal aid that was available ten years ago, the additional funding that would be required had risen to approximately \$65 million per annum.

Despite these facts, the 1998-99 Budget allocates no new funding to the legal aid system, and only a small expansion in community legal services.

The extra funding (\$11.4 million over four years) for community legal services is, of course, welcome. Approximately \$4.9 million is to go towards the expansion of existing "community legal services" and the establishment of six new services in regional areas. An additional \$3.09 million will be directed towards regional, rural and remote areas by way of a national network of telephone advice services.

There is also an allocation of \$1.74 million to fund a Clinical Legal Education Project with the intention of enhancing the quality of community legal services directed to disadvantaged clients.

Welcome as these initiatives are, they fall a long, long way short of addressing the critical problem of under-funding which currently confronts the Australian legal aid system, and community legal centres.

Providing \$11.4 million worth of community legal services is hardly commensurate with taking more than \$100 million out of the system generally — especially a system that was already short changed by \$65 million per annum.



"These initiatives fall a long, long way short of addressing the critical problem of under-funding which currently confronts the legal aid system"

Law and Justice— Key Budget Measures		Effect on Outlays	
\$ million		98-99	99-00
Changes to profile and skill mix in the Australian Federal Police and increased AFP Adjustment Scheme costs		7.7	0.0
National Illicit Drugs Strategy — supply reduction — second instalment (a)		13.0	11.7
Additional Funding for increased assistance under s.183 of Native Title Act 1993		3.3	3.1
Community Legal Services Program — Rural and Network Enhancement		3.4	3.1
Upgrade of technical support unit in Australian Security Intelligence Organisation		1.5	0.1
Redevelopment of Villawood Detention Centre		nfp (b)	nfp
Enhancement of visa processing and border monitoring		19.4	11.8

Notes: (a) Measure affects more than one portfolio
(b) Not for publication

Budget surplus, surplus need



John Taylor, Fellow,
Centre for Aboriginal
Economic Policy
Research, Australian
National University

Against the background of an historic legacy of disadvantage suffered by indigenous Australians, this Budget, like all its predecessors, falls far short. In indigenous affairs, business as usual is simply not enough (*see inset*).

The overall Budget allocation to federal programs for indigenous people sees funding stabilised, on a per capita basis, at the level prior to the substantial expenditure cuts of 1996-97. The major emphasis of Budget measures in the portfolio appears indicative of government moves towards further mainstreaming.

Overwhelmingly, the focus has shifted to health spending. Substantial initiatives in immunisation and screening, eye health, hearing services, mental health and primary care infrastructure will now test the proposition that enhanced funding can make a difference. However, the need for a holistic approach to ensure health improvement appears to have

been overlooked with no equivalent boost to spending in other vital social policy areas.

True, the Department of Social Security is now in a position to restore welfare equity for participants in the Community Development Employment Program (CDEP), though sole parent participants will be worse off (see Merle Mitchell's article, *page 6*). There is also now access for scheme participants to a tax rebate plus a \$20 per fortnight supplement, but this very fact of further welfare provision is ironically a tacit admission of failure to generate meaningful employment.

In overcoming the employment problems facing indigenous Australians, there is a need for a vast improvement in education outcomes and skill levels, but DEETYA funds are remain roughly at the level to support existing initiatives. The situation for job-seekers is less clear. In the new world of privatised employment services, it is difficult to ascertain where indigenous jobseekers now stand. At this stage, the Budget assumption that adequate labour market outcomes will flow is frankly no more than a statement of faith, especially in respect of remote areas.

Equally unhelpful as a guide to the fortunes of indigenous jobseekers is the

Budget forecast of unemployment just below 8%. At best, this simply suggests that the official indigenous rate will be around 23%.

W(h)ither ATSIC?

In terms of indigenous control of government spending, an underlying message in the Budget is a diminishing role for ATSIC.

Taking the Aboriginal and Torres Strait Islander Affairs portfolio as a whole, spending in this area has steadily declined from \$621 million in 1995-96 to \$592 million in 1998-99. This calculation is net of CDEP and the Commission's allied statutory bodies.

This decline in funding reflects a movement of resources away from ATSIC to the Torres Strait Regional Authority, the Commercial Development Corporation, and to the Department of Prime Minister and Cabinet. It also indicates a continuing squeeze on discretionary spending available to ATSIC with the bulk of Budget allocations still quarantined in national programs.

In conclusion, the continuing plight of indigenous Australians epitomises the paradox underpinning this Budget — that a surplus has been achieved in the face of substantial surplus need.



"The Budget forecast of unemployment just below 8% suggests that the official indigenous rate will be around 23%"

Indicators of indigenous disadvantage

- Housing and infrastructure backlog of \$4 billion
- Life expectancies stuck at 20 years below the general population
- School retention to Year 12 less than half the national average
- Official unemployment three times the national average
- Mainstream employment rate half the national average
- Average individual incomes stuck at less than two-thirds the national average
- Population growth at twice the national rate

'Disability Budget' leaves unmet needs



Rod Irwin, Executive Director, Head Injury Council of Australia*

The adverse reaction of the aged community to the federal government's residential care reform package in 1997 made it inevitable that this Budget would give prominence to the needs of older citizens in the health and community services portfolio.

The disability sector has also been given some attention.

Most states and territories had accepted the new Commonwealth/State Disability Agreement (CSDA) by the time of the Budget. The new Agreement will govern the allocation of \$2.53 billion over the next four years.

While it is a relief to people with a disability that the government has committed to a new CSDA, its low level will rule out progress towards eliminating the estimated \$600 million in unmet needs for disability services and programs. It is this high level of unmet need which underlines the disadvantaged status of people with a disability in Australia.

The Minister for Family Services, Warwick Smith has indicated that he intends to address this problem. The first step will be an early meeting with state and territory ministers. There is a long way to go from there. Previous governments have made similar commitments...

Accommodation program

A new program of \$15.3 million over four years will assist in developing alternative accommodation for many adult sons and daughters with severe or profound disabilities who are cared for at home by ageing parents. Many parents have cared for their sons and daughters with a disability over a long period and are finding it increasingly difficult to cope with the strain of caring. While this funding is very limited, its provision underlines a welcome commitment by the government to addressing this serious problem.

The Minister is also committed to meeting with his state and territory counterparts with a view to developing and implementing a national plan of action to meet the accommodation needs of all younger people with disability.

An amount of \$20 million is to be provided over four years for the enhancement of linkages between the corporate and community sectors to help meet the needs of disadvantaged people. Of this amount, \$13 million has been set aside for projects to be identified by working groups drawn from the representatives of business and community leaders who attended a round-table conference with Prime Minister Howard. The intention is to help resolve major difficulties experienced by disadvantaged groups in society.

One such difficulty is that people with a disability have little influence over commercial decisions affecting their lives. This is nowhere more evident than in the banking sector. Rapidly decreasing numbers of bank branches, combined with new communications technology, create special problems for people with sensory cognitive and physical disabilities as well as frail aged people. Banks do not see themselves any longer as having an obligation to provide a community service, whether to disadvantaged groups or to small or isolated communities.

The federal government should provide the leadership necessary to ensure that people with a disability, especially those with a severe or profound disability, do not find themselves further isolated in a society which already is highly dependent on computer-based communications and becoming more so every day.

It is hoped that the working groups established under the Prime Minister's initiative will identify solutions to problems such as these. A quick response would help offset the disappointment of many people in the sector that a serious approach to meeting the vast unmet needs of people with a disability in Australia is yet to begin.

**The views expressed in this article are personal.*



"The estimated \$600 million in unmet needs for disability services and programs underlines the disadvantaged status of people with a disability in Australia"

Little hope for ethnic Australians



Randolph Alwis,
Chairperson,
Federation of Ethnic
Communities'
Councils of Australia

The federal Budget again demonstrates the government's failure to deal with multicultural Australia. The trend towards mainstreaming has continued and the specific needs of ethnic Australians have been ignored.

The biggest spending initiatives coming from the Department of Immigration and Multicultural Affairs (DIMA) relate to the upgrading of the Villawood detention centre and strengthening border control by increasing Australian based immigration staff to "high risk" countries. There has been no effort to restore funding to settlement programs which suffered substantial cuts over the previous two years and the government seems more intent on "keeping people out" rather than providing assistance.

Unemployment remains at unacceptably high levels amongst ethnic Australians, particularly amongst women, mature age workers and the young. Unemployment levels amongst these groups are significantly higher than the national average, yet the Budget was silent on any measures which targeted specific assistance to these groups.

To make matters worse, further cuts have been made to programs such as the

Adult Migrant English Programme (AMEP) which provide access to tuition in English as a second language for recently arrived migrants. Over the next three years, the AMEP Budget will be reduced from \$95 million, to \$82.8 million. The Budget cuts to English language tuition will make successful settlement that much more difficult and have the potential to create much longer term social problems.

Underclass emerging

FECCA is also disappointed that the Budget failed to address the problems confronting newly arrived residents subjected to the two year waiting period for social security benefits. FECCA has worked closely with ACOSS and Welfare Rights Centres to draw the government's attention to the suffering endured by many newly arrived residents as a result of this legislation.

We are now witnessing the emergence of a government-sanctioned permanent underclass. Australia cannot claim to be an inclusive society when it continues to treat Australian residents differently, simply on the length of their residency.

The Budget also contained bad news for Australians wishing to sponsor their parents. From 1 November 1998, new applicants in the parents' category will have to be of retirement age, currently 65 for men and 61 for women. This effectively makes it almost impossible for *working age* parents to migrate under the family program. In addition to this,

the health services charge will increase from \$940 to \$5,000. A shift to "priority processing" is likely to result in "queue jumping", with people who can afford the new fees being given preference to those who have been waiting for years to have their applications approved.

Refugees vulnerable

FECCA is very concerned with a number of Budget measures affecting the most vulnerable and disadvantaged people in our community — people seeking refugee status.

Spending on Asylum Seeker Assistance (ASA) has been reduced from \$11 million in 1997-98, to \$3.9 million in 1999-00. Legal aid is to be denied to all refugee applicants, with no additional funding being allocated to other immigration advice services expected to take on the new cases. Judicial review of refugee applications will soon only be available to applicants that can afford it.

Finally, it was disappointing that the Budget made no mention of the much awaited anti-racism campaign. Given the increased level of racism in the community since the 1996 federal election, FECCA believes the government can no longer prevaricate on this issue. It must act immediately to honour its election commitment and reaffirm to all Australians, and the rest of the world, that we are a multicultural society that embraces and respects diversity, and a nation that treats all its citizens fairly.



"The government must act immediately to honour its election commitment and reaffirm to all that we are a multicultural society that embraces and respects diversity and treats all citizens fairly"

Disappointment for young people



David Matthews,
Director, Australian
Youth Policy and
Action Coalition

The 1998-99 Budget is a major disappointment for young people. Most of the measures for young people are just existing commitments repackaged.

The centrepiece is \$465 million over four years to assist young people to find work as part of the Mutual Obligation initiative.

Announced by the Prime Minister in January, this package requires all 18 to

24 year olds on benefits to undertake additional employment related activities on top of their job seeking activities. From its side, the government will provide (over four years):

- 100,000 places in the Work for the Dole scheme (\$259.5 million);
- literacy and numeracy training programs (\$142.8 million); and
- additional places for 15-20 year old young people under the Jobs Network (\$33.8 million).

The successful Job Placement, Employment and Training (JPET) has also been expanded to 10,500 places in 98-99.

Programs like Work for the Dole might address the question of self esteem and

individual work ethic, but they do not generate badly needed employment. Youth unemployment remains at over 27% three years after the Coalition was elected.

The Budget is clearly a missed opportunity for young Australians. This is especially worrying given that enormous changes to income support and employment assistance are about to bite when the new Youth Allowance starts on July 1.

This hypothetical case study shows the difficulties and challenges many young people will face when the Youth Allowance is introduced from July 1.



"Programs like Work for the Dole might address the question of self esteem, but they do not generate badly needed employment"

Case Study

Sam is 20 years old. After finishing Year 12 Sam chose to look for a full-time job rather than go to university. She has worked but has been unable to find a job in the last 12 months and has now been classified as "long term unemployed".

Sam has been living away from home since leaving school and receiving Newstart Allowance. There are no longer any major problems between Sam and her family; but they have agreed it is better for all concerned when she lives away from home.

She has heard about the government's intention to introduce a Youth Allowance and has just learned of the new Jobs Network. She has been told by Centrelink that she had to choose a

"provider" under the Jobs Network, but she doesn't really understand what this means. In addition to her job search, Sam has been undertaking voluntary work for 10 hours a week in a local community organisation to meet her activity test requirements.

Under the Youth Allowance, Sam's eligibility will need to be reassessed. She is worried about having to approach her parents for the financial information Centrelink requires. Her father works full time earning \$35,000 and her mother works part-time earning \$16,000 per year. Her 18 year old brother is still at school and lives at home.

Firstly, Sam will have to prove that she has a valid reason to live away from home. If she can, she will

qualify for only \$70 a fortnight under the Youth Allowance (because of her parent's income), plus a maximum of \$49.80 a fortnight in rent assistance as a single sharer. Yet the Newstart Allowance gave her \$265.50 a fortnight plus rent assistance. If she cannot prove she should live away from home, she will not be eligible for any assistance at all.

Sam is confused and angry about all of the changes to the Youth Allowance, Jobs Network and the increased Mutual Obligations. All she wants is enough money to survive while she looks for work. She now has the choice to try surviving on \$119.80 a fortnight or moving back home. If she does move back home, she will also lose all of her Youth Allowance entitlement.

A poke in the arm for low income older people



Edith Morgan,
Australian
Pensioners' and
Superannuants'
Federation

This Budget is a disappointment for low income older people, offering them little more than a poke in the arm (with a flu vaccine). Wealthier older people are the main beneficiaries.

At a cost of \$190 million over four years, the Commonwealth Seniors Health Card will become available to single retired people on incomes up to \$40,000 (currently \$21,320) and to retired couples on incomes up to \$67,000 (currently \$35,620).

The government estimates that 70% of eligible people will apply for the card — around 222,000 older people. In response to pressure from this group, the application process is also being made much easier and applicants will usually only have to produce a copy of their previous year's tax assessment.

The Seniors Health Card gives holders access to medicines on the Pharmaceutical Benefits Scheme at \$3.20, rather than up to \$20 and after 52 prescriptions a year, free prescriptions for the rest of the year. For someone needing a lot of prescriptions, this will

mean an annual saving of around \$500 or more.

This card was previously only available to older people whose income was *below* the pension cut off limits, but who for one of a number of reasons did not qualify for a pension. It used to also entitle holders to other benefits such as public dental services and hearing service, but these were dropped in previous Coalition Budgets.

AP&SF has lobbied the government for some years about the high medicine costs of older people with chronic health problems whose incomes are just over the cut-off points for a part pension. However, this measure does raise questions about the government's priorities and looks suspiciously like a pre-election sweetener for a section of traditional Coalition voters, angry about last year's nursing home changes.

The government appears to have a blind spot when it comes to the plight of the poorest pensioners. A recent study by the NSW University's Social Policy Research Centre found that the Age Pension is 20% less than a single person living on her or his own, needs to live on a low cost budget.

Positive changes

There are some small scale positives changes — increased funding for

community care for older people living at home (announced in April), medication reviews and multipurpose health and aged care centres in rural areas. Free flu vaccines for older people is also a commonsense public health measure and there is modest funding for the 1999 International Year of Older Persons. No further changes to residential aged care were announced.

Last year's mistake in cutting Rent Assistance for people living in boarding and lodging houses has been reversed, but the difficulties the cut has caused for other age pensioners who share their accommodation have been ignored.

Serious omissions in the Budget are:

- the absence of assistance for pensioners with no other income;
- special measures for the older unemployed;
- new funding for public dental services;
- legislation to outlaw age discrimination; and
- action to upgrade nursing homes.

The Australian Pensioners' and Superannuants' Federation is also concerned about the impact of a toughening of social security assessment of compensation payments.



*The government appears to have a blind spot when it comes
to the plight of the poorest pensioners.*

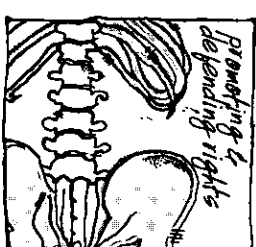
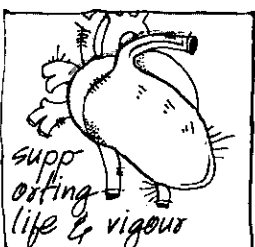
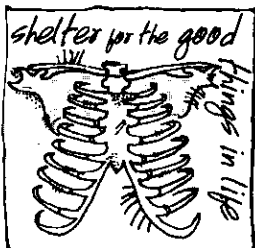
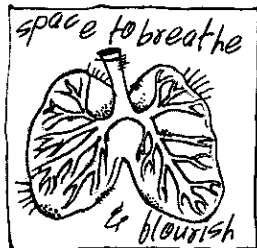
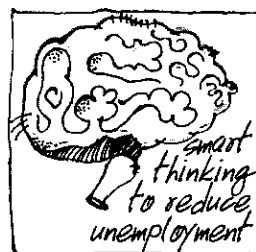
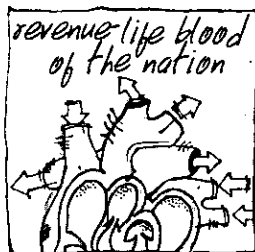
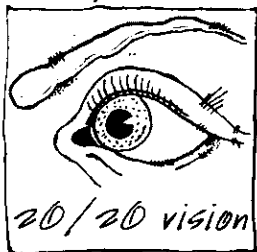
Federal Budget Briefing Kit 1998-99

Published by the Australian Council of Social Service

This plain English summary of the 1997-98 federal Budget which focuses on key measures relevant to the community services and welfare sector is essential reading for workers in community organisations, the social services industry and government.

Major sections include

- * Fiscal parameters
- * Taxation
- * Employment, education and training
- * Social security
- * Housing
- * Health
- * Community services
- * Urban and regional development
- * Law and justice



The Australian Council of Social Service is the national peak council of the community welfare sector in Australia and the principal voice of low income and disadvantaged people in social and economic policy matters.

AVAILABLE NOW!

Phone 02 9310 4844 for orders.

Retail price \$19.95

Concession price \$17.50

(community organisations, full-time students, pensioners and beneficiaries)

Member's price \$15.75

Prices include postage



ACOSS Agenda for tax reform

Financing our Futures

If we want a better future, we must find better ways of financing it. This is why tax reform is such a fundamental issue. It is not a dry topic of debate but one which goes to the very heart of our collective life as a community — both now and in the future.

The single most important benchmark for judging the worth of any tax reform package is its impact on low income people. It must not only enhance economic development, but guarantee that economic gains are shared across the whole community.

This round of tax reform must deliver real gains for people on low incomes in the medium term — and must not leave them worse-off in the short term.

The challenge ACOSS is posing to the Government, the Opposition, and all other parties in the present debate is to produce a tax reform package which simultaneously strengthens our public revenue base and improves the equity and efficiency of the tax system.

In supporting the need for tax reform, ACOSS is motivated by three main objectives.

Restoring revenue

First: The community needs all levels of government to provide services and benefits which improve the well-being of all. This can only be achieved with a secure and reliable revenue source — something we do not currently have. Our public revenue base has shrunk by at least \$10 billion per annum since the mid-1980s, and will continue to decline without thorough-going tax reform.



'Our public revenue base is the lifeblood of our nation. It must be both strong and fair if it is to finance a better future for all Australians.'

Michael Raper, ACOSS President

The proposals set out in this ACOSS Agenda for Tax Reform are not designed to directly boost public revenue in the short term, but will do so in the future. They will produce a more robust tax base so that public revenues will increase more strongly as the economy grows. Over time, this will redress the serious shortfalls in funding which now restrict a range of government benefits and human services. Our proposals will also give the states a secure federal tax base — alleviating the funding squeeze on services such as public hospitals, and the current over-reliance on regressive taxes such as those based on gambling.

Restoring fairness

Second: The tax system must be fair. The only fair tax system is a progressive system — meaning that people contribute tax according to their capacity to pay.

Amongst our various taxes, the fairest and most important progressive tax is income tax. And it is income tax which is in most

urgent need of repair and reform. It is riddled with defects which allow a minority of people on above-average incomes to minimise their tax at the expense of low income people and the majority of PAYE tax-payers. These loopholes and shelters must be closed down.

At the same time, urgent action is needed to remove poverty traps and other inequities in the tax and social security systems which positively disadvantage low income families.

Enhancing development

Third: The tax system must enhance Australia's economic development and employment opportunities, rather than holding us back.

The same biases in the tax system that cause unfairness also harm our economic development — for example, by encouraging speculative investment in property and shares rather than more productive and job-generating investment. This is the central economic problem with our tax system — not that our tax take is too high. The fact is that Australia is a low taxing country by OECD standards, and there is no rational argument in terms of economic competitiveness for reducing overall revenue levels.

The alternatives to good and comprehensive tax reform are stark for low and middle income people, and consequently for all Australians. Without it, federal and state governments will continue to cut back essential services and increase their reliance on regressive taxes and equally regressive user charges. Poverty traps will worsen, and economic growth and employment opportunities will be stifled.



Financing our Futures

This is not the future we want for ourselves or our children. But it is the future we will have unless this round of tax reform delivers the goods.

Basic design features of the ACOSS Agenda

If tax reform is to be genuine and acceptable, it must tackle all four elements of our tax system: personal income and assets; business income; consumption; and federal-state financial relations. Reform in each of these areas should be 'budget-neutral'. This important principle means two things:

- first, that overall the changes should neither increase nor decrease federal or state government budget balances in the short term (the next three years);
- second, that any changes in one part of the system must be paid for by reforms in that same part of the system — not by increasing the tax take in another part.

The second point is absolutely critical, and must be a feature of any reform package proposed by any party. It is the only way to prevent a 'tax mix switch' — that is, to make sure we do not change the proportion of our total revenue base which is raised by different parts of our tax system. If there are to be income tax cuts, for example, these must be paid for by closing down unfair and inefficient features in the income tax system — not by raising more money from consumption taxes.



In terms of our total national revenue, we must not end up taxing consumption more and income less. This sort of a switch in our tax mix would be very harmful for people on low incomes and must be avoided at all cost. Low income people would be worse-off if income tax cuts were simply paid for at the check-out counter.

Summary of ACOSS proposals for tax reform

Personal income and assets

The ACOSS Agenda starts with the most important task — removing weaknesses and loopholes in the taxation of personal income and assets, which are not only economically inefficient but socially unfair.

Our proposals tackle the growing problem of tax avoidance through the use of trusts, private companies, negative gearing, and salary sacrifice arrangements. We also propose replacing existing tax concessions for superannuation contributions and the new savings rebate with a Long-Term Savings

Rebate, which would provide better support for long-term saving by low and middle income people.

Closing down income tax loopholes and shelters would raise around \$6 billion extra revenue a year. \$2 billion of this additional revenue should be used to finance a Fairer Family Incomes Package to lift the living standards of low income families and reduce child poverty. The remaining \$4 billion, together with a further \$4 billion derived from using half the proceeds from bracket creep, could be directed to reducing income tax, primarily for low and middle income earners.

If this approach is taken, there is absolutely no need to increase overall taxes on consumption and then use this revenue to pay for income tax cuts. ACOSS will strongly oppose any package which introduces such a tax mix change as it would be both harmful to people on low incomes and unnecessary. We will also oppose un-funded tax cuts, as this would inevitably lead to another round of harsh expenditure cuts.

Business income

Changes are needed in the business income tax system (the corporate tax rate and investment incentives) to increase the efficiency and effectiveness of investment incentives, to improve compliance in areas where tax is being avoided, and to reduce complexity. ACOSS does not have a fixed view on reform of business income tax but strongly argues that any proposals must at least meet two minimum benchmarks.

First: Any changes should be revenue neutral — that is, any reduction in business income tax (either with regard to particular investment incentives or the corporate tax rate) must be funded solely by rationalising the current business income tax system, not by directly increasing taxes on household income or consumption.

Second: Any changes to the business income tax system (especially any capital gains tax concessions) must not open up tax loopholes that can be exploited by personal income taxpayers.

Consumption

The ACOSS Agenda incorporates a broadening of the consumption tax base, but without any overall increase in consumption taxes. We set out an 'Equity Test' which must be met for any reform in this area to be acceptable. (See box, page 8.)

Essentially, consumption tax reform is only acceptable if it does not disadvantage people on low incomes, and is just one part of a comprehensive tax reform package which increases the overall progressivity of the system.

There are two alternative approaches to consumption tax reform — either the existing Wholesale Sales Tax could be broadened in scope and taxes on specific services could be introduced; or the Wholesale Sales Tax (and possibly some state taxes) could be replaced by a National Tax on Consumption.

ACOSS is not advocating a 'GST' or any other specific consumption tax reform model. We are advocating an Equity Test to judge the merits of any proposals which emerge.



Relief for those who pay the most

The people paying the highest tax rates in Australia are low income earners.

People on low incomes often find themselves caught in a 'poverty trap' because they lose a large part of their pension, allowance or family payment for every dollar they earn, on top of paying tax on those earnings.

The combined effect of losing social security payments and paying tax is called the 'effective marginal tax rate'.

Many low income families face effective marginal tax rates of over 100% on some income, because Family Allowance, Austudy/Youth Allowance and Child Care Assistance are withdrawn simultaneously. By contrast, the highest marginal tax rate facing most high income people outside the social security system is 47%.

High effective marginal tax rates can not only discourage some people from entering the workforce, but they mean that low income people get an unfair return from working compared with high income people. They can even be worse-off.

The best way to address this problem is to reduce the rate at which social security payments are withdrawn for people earning additional money.

Federal-state financial relations

Finally, the ACOSS Agenda sets out two options for the reform of federal-state financial relations. In return for their commitment to a Human Services Agreement and to reform of state taxes, the states should be given secure access to revenue — either from a federal consumption tax, or from a proportion of all federal taxation revenues. ACOSS would strongly

oppose giving the states the power to levy their own income taxes.

Future rounds of reform

The ACOSS Agenda also anticipates and advocates for a further round of tax reform at a later time. Priority issues for the future include poverty alleviation for unemployed people without children, environmental taxes, taxes on assets, and hypothecated taxes¹.

¹ Taxes earmarked for a particular purpose, such as the Medicare Levy.





Personal income & assets

Closing loopholes & strengthening revenue

'A progressive income tax is the fairest way to raise public revenue, as it taxes according to ability to pay.'

The most important task in the tax reform challenge is to strengthen the income tax system. A progressive income tax is the fairest way to raise public revenue as it taxes according to ability to pay. By OECD standards, Australia does not rely heavily on personal income tax and related social security levies (see box, page 10); nor are our income tax rates and levies on average incomes relatively high.

However, the progressive intent of the income tax system has been undermined by tax shelters and loopholes which are mainly exploited by higher income people. This means that tax rates are higher than they need to be, and that governments have relied too much on 'bracket creep' to sustain income tax revenues. These problems have adverse impacts on low and middle income earners. (It is important to remember that nominal income tax rates for those on above-average incomes have actually *fallen* over the past 15 years.) Tax shelters and loopholes also distort investment decisions in undesirable ways, and undermine Australia's economic development.

The ACOSS Agenda sets out 15 proposals to broaden the personal income tax base which, if implemented, would raise approximately \$6 billion per annum in revenue. They include replacing existing poorly-designed and regressive tax breaks (such as the ones for superannuation) with more efficient forms of public support (including a new Long-Term Savings Rebate).



Our proposals address problems in four main areas.

Investment in property and shares — reducing bias

The bias in the income tax system towards speculative investment in assets such as property and shares, and the excessive use of debt to finance such investment, should be reduced by:

- 1 strengthening the capital gains tax — taxing future gains on assets purchased before 1985, and accrued capital gains in the hands of deceased estates;
- 2 restricting tax deductions for negatively geared investments in property and shares;
- 3 removing state land tax exemptions from high-value owner occupied properties.

At the same time, socially-valuable investment in low cost public and private rental housing should be boosted by:

- 4 increasing public housing investment, and introducing more efficient incentives for investment in low cost private rental housing.

Personal income from business entities — removing inconsistencies

Opportunities for high income people to minimise their tax by taking advantage of weaknesses and inconsistencies in the tax treatment of different business entities should be closed off by:

- 5 taxing trusts, except testamentary trusts, in like fashion to companies;
- 6 increasing the effective tax rate on the retained income of private companies;
- 7 stemming erosion of the PAYE withholding tax system through contrived contracting arrangements;
- 8 curbing artificial income splitting.

Superannuation and savings — more equitable and more flexible support

Tax assistance for superannuation and other savings should be increased for low income earners, reduced for high income earners, and broadened to support long-term saving for purposes other than retirement, by:



9 taxing employer superannuation contributions at source at marginal income tax rates (in lieu of the superannuation surcharge), and replacing all tax concessions for superannuation contributions with a Long-Term Savings Rebate;

10 extending this rebate to long-term savings for purposes other than retirement (in lieu of the government's proposed savings rebate), and allowing withdrawal of up to one third of compulsory superannuation savings, within strict limits, for such purposes.

Subject to implementation of the above proposals, the present tax incentives for early retirement and

large lump sum superannuation benefits should be removed by:

11 progressively tightening the tax treatment of lump sum superannuation benefits, and raising the preservation age to 60 years, over a ten year period.

Work related tax breaks — imposing restrictions

The excessively generous and arbitrary tax breaks available to higher income employees who sacrifice salary for occupational benefits should be restricted by:

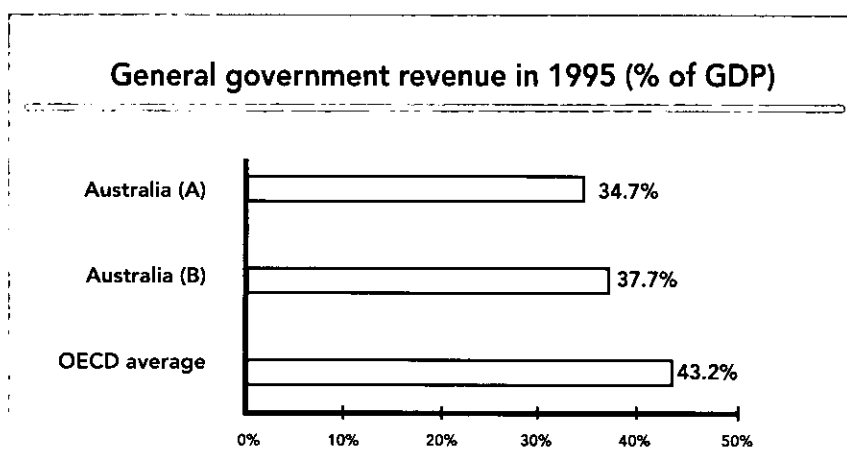
12 tightening the Fringe Benefits Tax (FBT) treatment of certain occupational fringe benefits such as employer-provided cars,

at the same time as simplifying the FBT;

13 'capping' the FBT concessions available to employees of a range of public benevolent and non-profit organisations — that is, limiting concessions to a fixed percentage of salary for each employee;

14 standardising and tightening work related deductions, including abolition of the deduction for self education expenses;

15 replacing the tax concessions for unused annual and long service leave with a fairer and less costly scheme.



Source: OECD: "Economic Outlook" 1996 (includes all levels of government)

- Australia (A) excludes employer contributions under the superannuation guarantee
- Australia (B) includes these contributions, as a basis for comparison with other OECD countries where such contributions are made to publicly run schemes



Turning 'burden' into benefit — a Fairer Family Incomes Package

Tax reform will give little help to those who need it most if it fails to address the high effective marginal tax rates facing low income-earning families with children, and if it fails to provide a strong revenue base for the provision of essential public benefits and services.

The first call on the \$6 billion gained from fixing the income tax system should be a package of family assistance, designed to reduce child poverty and the problems facing parents when they seek paid work. The interaction of the taxation and social security systems means that low wage families pay very high effective marginal tax rates — so high, in fact, that everyone who understands the system acknowledges they are completely unfair. (See boxes, pages 3 & 7.)

The ACOSS Agenda for Tax Reform includes a \$2 billion Fairer Family Incomes Package — a series of measures designed to better integrate the taxation and income support systems and to deliver real gains for low income families. A central feature of our package is its focus on reforms to the income-tested payments for families. It is the way these payments are withdrawn that makes it very hard for low and middle income families to get ahead. ACOSS is also concerned that family assistance provided solely through the tax system would discriminate against families who cannot gain employment, and may not target payments to the primary carer or



'A well-designed family incomes package, which tackles existing poverty traps, should be part and parcel of any tax reform package.'

Robert Fitzgerald, ACOSS Board member and Immediate Past-President

provide help on a fortnightly basis when it is needed.

In relation to reform of family assistance, ACOSS will oppose any tax reform package which:

- allows family income splitting in the personal income tax system;
- eliminates the separate system of child care assistance;
- undermines the existing, positive features of Australia's family assistance system which provides assistance to all children through payments to the primary carer on a fortnightly basis.

The remaining \$4 billion derived from the revenue gains we propose could be used to pay for any

The ACOSS 'Fairer Family Incomes Package' would:

- 1** reduce child poverty by increasing family and youth allowances;
- 2** alleviate poverty traps facing low income families with children by streamlining and liberalising the income tests for payments that assist with the costs of children — Family Allowance, Youth Allowance, and Child Care Assistance;
- 3** introduce a new Family Tax Allowance by merging the existing family allowance payments and family tax rebates, as part of a broader move to simplify family income support¹;
- 4** reduce child care costs by raising the maximum payment for Child Care Assistance.

¹ This Family Tax Allowance should be paid through the social security system, unless the primary carer opts to receive it through the tax system.

income tax cuts, especially for low and middle income earners.

Further, half the proceeds of income tax bracket creep since the last tax reductions in 1994 could also be returned to taxpayers by increasing thresholds. In the year 2000-01, this would amount to a further \$4 billion per annum.



A more progressive income tax system

ACOSS is not actively advocating substantial cuts in the current personal income tax rates. Our first priorities as a nation must be to address child poverty and poverty traps through reforming the income support system, and to maintain the public benefits and services which are critical to improving the lives and living standards of low income and disadvantaged Australians. We recognise, however, that reductions in personal income tax are clearly part of the current political agenda.

If any personal income tax reductions are to be provided, they must be responsibly funded and must work together with base-broadening revenue measures so that the end result is:

- a more progressive income tax system; and
- reduced average tax rates for low and middle income people.

ACOSS specifically opposes:

- income tax reductions which are unfunded¹, or funded by increasing taxes on consumption;
- excessive emphasis on cutting tax rates, especially the top rates, at the expense of increasing tax thresholds;
- abolition of the tax free threshold, or income testing it;
- the introduction of a flat-rate tax on interest or investment income.

¹ This would include tax cuts funded by projections of revenue increases from reduced tax evasion through the "black economy", or stronger economic growth which are claimed to flow directly from consumption tax reform. Any such revenue gains are too uncertain to be used to finance income tax reductions.

Future spending priorities

While the proposals in the ACOSS Agenda for Tax Reform are 'budget neutral' in the short term, the removal of weaknesses and loopholes in the tax base should ensure that public revenues increase more strongly as the economy

grows. This would give more scope to finance increases in social expenditure in areas of high unmet need, such as employment assistance for unemployed people, addressing poverty traps for single people and childless couples, and public health and aged care services.

Action on poverty traps — ACOSS Fairer Family Incomes Package

Example 1 — A couple with two children

Maria and Tony have two children in primary school. Tony is presently the only parent with a job, earning around \$20,000 a year. From the Department of Social Security, Maria receives the Parenting Payment and Family Allowance, bringing the family's total after-tax weekly income to around \$480.

Maria has been offered a part-time job paying \$200 a week but is reluctant to accept because this will reduce the family's social security payments. The end result would be to increase their family income by only \$70. Maria and Tony would be paying an effective marginal tax rate of around 65% on the extra income they would get from Maria working.

Under the ACOSS proposal, the family's income would increase by \$100 a week from Maria's job (\$30 more), and their effective marginal tax rate would be reduced to below 50%.

Example 2 — Sole parent

Tai Lin is a sole parent. She works full time, earning around \$25,000 a year. She has one child aged 17 who is a full-time student, and another aged 3 who is in child-care for 40 hours a week, at a cost of \$160 a week.

If Tai Lin finds a better job and increases her income by \$10,000 a year (or \$192.30 a week), the family's annual income will only increase by \$1,250 a year, less than \$24 a week. This is due to the combined effects of tax, the loss of \$19.50 a week in Child Care Assistance, the loss of \$36 a week in Family Allowance for her younger child, and the loss of \$50 a week in Youth Allowance for her older child. This represents an effective marginal tax rate of 87% on the extra \$10,000.

Under the ACOSS proposal, Tai Lin's family would get to keep \$4,000 of the overall increase in income, and the effective marginal tax rate would be reduced to 60%.





Consumption taxes

ACOSS Equity Test

ACOSS is not advocating a 'GST' or any other specific model of consumption tax reform. We are advocating an Equity Test to judge the merits of any proposals which emerge.

Consumption taxes already contribute around 30% of public revenues, and there is no case on economic or other grounds for increasing the proportion of total revenue provided by consumption taxes.

In particular, ACOSS totally opposes an increase in taxes on consumption to pay for income tax cuts. This could only result in significant price rises, with the poorest people in our community left to rely on fragile compensation packages to maintain their precarious living standards. Any shift to taxing consumption more and income less would make our tax system more regressive (see table, page 9) and would harm low income people.

In the current debate, it must be clearly understood that tax reform is not just about consumption taxes. In fact, ACOSS will not support consumption tax reform unless it is part of a wider package that increases the progressivity of our total tax system. This cannot be achieved without major reforms to the income tax part of the system — changes which strengthen the income tax base and make it fairer.

Therefore, legislation to enact any consumption tax reform should only be introduced in conjunction with (or after) the enactment of laws to strengthen the income tax system.

Nonetheless, the present consumption tax system needs to be reformed — not least because its irrational structure already puts a heavy (though hidden) burden on low income households. Doing nothing about the present consumption tax system is not a 'safe' option for low income people. This would either result in erosion of public revenue and cuts to services, or to more ad hoc increases in

Consumption tax reform ACOSS Equity Test

- 1 Part of a comprehensive package which increases fairness in the tax system.
- 2 No overall increase in consumption taxes.
- 3 No increase in average living costs for low income people.
- 4 No restriction of access to essential community services.
- 5 Strong and enforceable mechanisms to prevent rate increases.

consumption taxes which have had such a corroding effect on the living standards of low income people over the past decade and a half.

The consumption tax base should be broadened to prevent future erosion of public revenue — as household consumption shifts from goods towards services — and to reduce the taxation of inputs to production, especially in the case of exports. Broadening the consumption tax base should be achieved by rationalising or replacing existing taxes on consumption, without increasing the overall level of consumption taxes.

Essential criteria for any consumption tax reform model

Advocates of any particular model of consumption tax reform have a responsibility to ensure that low income Australians are not disadvantaged. ACOSS will not support any model which does not meet the 'equity test' we have developed or which leaves low income people worse-off.

The five equity criteria are:

1. Consumption tax changes must be part of a comprehensive and progressive package which includes *substantial income tax reform* to close unfair and inefficient loopholes and shelters.
2. There must be no increase in the proportion of total public revenue derived from consumption taxes.
3. Consumption tax reforms must not increase the average cost of living for low income people, leaving them substantially reliant on 'compensation measures' to maintain their living standards.¹
4. Access to social and community services which are essential to the well being of people on low incomes must not be restricted by consumption tax reform.
5. There must be a firm and enforceable legislative guarantee that tax rates on consumption will not increase, at least in the medium-term.

Broadening the consumption tax base

Our key objective with regard to consumption tax reform is to broaden the tax base, particularly to encompass services. There is no sound reason to tax goods while leaving services untaxed.

This basic flaw in the current system could be addressed by one of two approaches, both of which are likely to feature in the current debate. Either approach would *only* be supported by ACOSS if our five essential criteria are met. In order to help ensure this, and to protect the living standards of low income people, ACOSS believes that an *independent statutory commission*





should be established to oversee the effects of any consumption tax changes on prices and household living standards, and to prevent profit-taking by enterprises which buy or sell goods and services affected by the changes.

The two approaches to reform which could be taken are as follows.

- 1 Extend the Wholesale Sales Tax to a wider range of goods and introduce retail sales taxes on specific services.

For example, the Wholesale Sales Tax (WST) could be extended to a number of exempt goods (except food, and goods used for the provision of health, education, child care or social welfare services), and its rate structure could be rationalised to simplify it and reduce anomalies. A key feature of this approach would be the introduction of retail sales taxes on specific services to broaden the tax base.

The additional revenue obtained by broadening the tax base should be used to reduce the relatively high WST tax rates on most goods (apart from some items such as cars and luxury cars which should still be

taxed at a higher rate), and priority should also be given to providing rebates for a wider range of business inputs (especially those which add to the cost of exports).

Under this approach there is less risk of a regressive change in the tax mix, or an increase in taxes on key essential goods and services — both outcomes which would be opposed by ACOSS. However, this lower level of risk would need to be balanced against the relative inefficiency and uncertainty of this approach in increasing future public revenue.

- 2 Introduce a National Tax on Consumption to replace the Wholesale Sales Tax, and possibly some regressive state taxes.

In order to replace the WST only, and still exempt residential rents and financial services, the rate of a National Tax on Consumption would not need to exceed around 5%.

The only justification for a higher rate would be to replace one or more regressive and inefficient state taxes on consumption, as part of a fundamental reform of federal-state

financial relations. (See page 11.) In that case, on the information available to ACOSS, our equity test could only be met if the rate of tax was capped and a range of essential goods and services were excluded from the tax. At the very least:

- residential rents would have to be exempted;
- food, health, education, social welfare², and child care services would have to be zero-rated;
- the tax rate should not exceed 10%.³

The approach of introducing a National Tax on Consumption is likely to lead to a more efficient consumption tax system, but such a major structural change carries a greater risk that low income people might be disadvantaged in terms of living standards and immediate access to services.

ACOSS will very carefully assess all proposed consumption tax reforms against our equity test. Whether or not any particular proposal meets this test can only be assessed on the basis of detailed modelling of the likely effects of the changes on low income people (*both before*

Regressive effects of consumption taxes on households (1993-94)

Household income level	Lowest 20%	2nd lowest 20%	3rd lowest 20%	2nd highest 20%	Highest 20%
Average income (\$ per week)	\$151.70	\$353.90	\$592.30	\$909.10	\$1,608.80
Average income taxes paid*	1.4%	5.1%	13.6%	18.8%	25.7%
Average consumption taxes paid*	19.1%	12.2%	10.0%	8.1%	6.0%

Note: * As a proportion of household income
Source: Freebairn, 1997 from ABS Cat. 6537.

- 1 That is, the average price of goods and services used by low income people should not increase so that they are left to rely substantially on compensation measures. However, ACOSS accepts that modest compensation measures may be necessary to maintain the living standards of some low income people, especially for those with unusual spending patterns
- 2 Social welfare services would have to be defined for this purpose, and the precise definition should be worked out in full

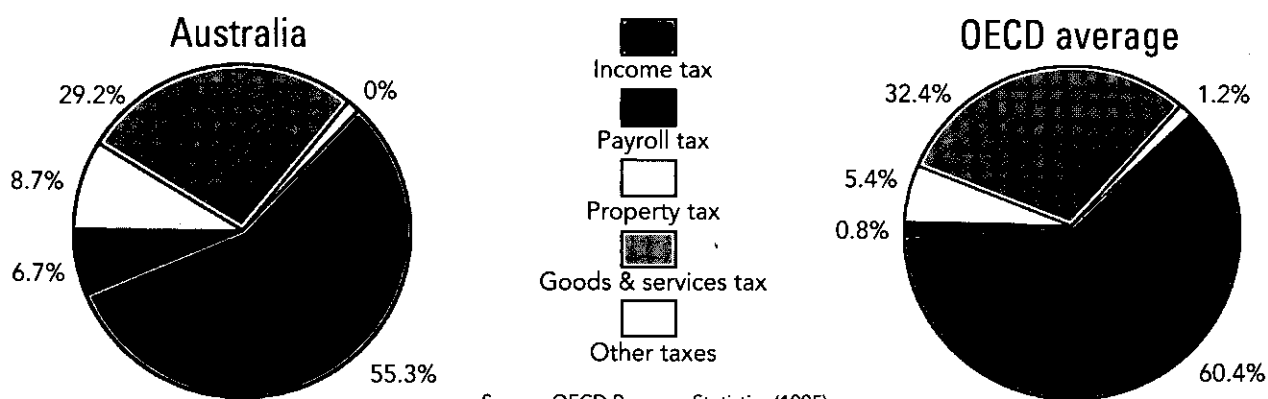
consultation with the community welfare sector as there are a number of difficult issues to address, such as whether services or organisations should be zero rated.

- 3 In order to keep the standard rate as low as possible, and to enhance the overall progressivity of any changes to consumption taxation, the present rates of tax on cars and luxury cars (and related goods) should be maintained.



Consumption taxes

Tax Mix Comparison — Australia vs OECD



Source: OECD Revenue Statistics (1995)

and after the effects of any compensation package are taken into account), and it is important that such modelling be made publicly available.

If either of these two approaches to broaden the consumption tax base is pursued, it is essential that there is no overall increase in consumption taxes as a direct result of the changes, and that an effective mechanism is found to contain future increases in tax rates, at least over the medium term. At the very least, the enabling legislation should require that a substantial period of notice be given and that a thorough public inquiry be conducted by an independent statutory commission, before any rate increase could be enacted.

If a National Tax on Consumption was to be introduced, the best approach to limit future rate increases would be for the federal government to collect it on behalf of the states, and to have a legislative mechanism which would require the agreement of both the federal and all state governments before the rate could be increased.



Consumption taxes have had an increasing impact on low income people. For the poorest 10% of households, the proportion of their income taken by consumption tax rose from 14% in 1984 to 23% in 1993.

Rationalising excises

Excises on tobacco and alcohol are intended to change behaviour which is harmful to public health (or to fund related services), while the petroleum excise has elements of a pollution tax. Excises should be rationalised, without increasing or reducing the overall level of revenue they collect.

The ACOSS Agenda proposes reforming excises to simplify them and improve public health by:

- integrating the former state franchise fees with federal excises;
- removing undesirable anomalies from the excises on tobacco and alcohol, and redesigning them to discourage purchase of 'budget' cigarettes and alcohol.

Providing compensation packages

People on low incomes should not have to rely on substantial compensation packages to maintain their living standards in the face of tax changes which are regressive by design. However, modest compensation measures may be needed to maintain the living standards of low income people, especially those (such as people with disabilities) with unusual consumption patterns. These might include increases in social security payments, an increase in the tax free threshold, and improvements in subsidies for low income people for expenses such as utility bills.

Securing a robust tax base for states & territories

The states and territories lack a secure and robust tax base. This threatens the viability of the services they provide to the community, which are very important to the living standards and life opportunities of low income people. Currently the states rely too much on inefficient and regressive taxes, and on an expansion of socially harmful gambling activities.

A share of federal tax revenues

Our key proposal to reform federal-state financial relations is to improve revenue certainty for the states by offering them a share of federal tax revenues, in return for commitments regarding the provision of human services and reform of their own taxes.

While we seek greater revenue certainty for the states, ACOSS would strongly oppose a capacity for the states to raise their own income taxes, either now or in the future, as state income taxes levied at different rates would undermine the progressive income tax system.

ACOSS would also oppose a capacity for the states to levy their own general taxes on consumption at different rates, even if this were constitutionally valid.

In the ACOSS Agenda, the intent of our two options for reform is to improve the structure of federal-state financial relations — not to either increase or reduce federal or state revenue in the short term. Therefore, they would be accompanied by the abolition of federal franchise fee payments to the states, and an adjustment to general purpose Financial Assistance Grants (though Special Purpose Payments would remain unchanged). However, ACOSS strongly supports continuation of fiscal equalisation arrangements.

The goal of greater revenue certainty could be achieved in one of two ways.



'A Human Services Agreement between the federal and state governments would provide a legislative framework aimed at achieving better outcomes from the funding and delivery of health, education and social welfare services.'

Alison McClelland,
ACOSS Deputy President

1 The federal government could offer the states a legislated guarantee of a fixed share of federal tax revenues

This was the original function of Financial Assistance Grants (FAGs) to the states, but the federal government now has discretion over the amount which is offered each year. Our proposal would not replace the system of FAGs (though there would have to be some adjustments made), but would sit alongside it.

2 Alternatively, if a National Tax on Consumption was introduced, the federal government could collect it at uniform national rates and provide the proceeds to the states.

If a National Tax on Consumption was introduced, our preferred option is for the federal government to collect this tax, at a uniform national rate fixed by agreement, on behalf of the states. This would reduce the risk of destructive competition between the federal and state governments over the same tax base.

Establishing a mechanism whereby the federal parliament and all state parliaments had to agree to any increase in the rate of a National Tax on Consumption would also help contain future increases.

Two pre-conditions for reform of federal-state financial relations

The states should be required to make two key commitments in return for this revenue certainty.



A Human Services Agreement

A Human Services Agreement should be developed between the federal and state governments. The aim is to improve the living standards of all Australians, regardless of where they live, by obliging states to provide affordable access to high quality services in areas such as health, education and social welfare. The Agreement would not replace Special Purpose Payments from the federal government to the states, nor would it extend these to a wider range of services. Rather, it would provide a legislative framework for quantifiable commitments to achieve better outcomes from the funding and delivery of human services.



Comprehensive reform of state taxes

The states should also be required to undertake a thorough reform of state taxes. This could include the following options:

- remove the Land Tax exemption from high-value owner-occupied properties (as proposed in the earlier discussion of income tax reform);
- replace state financial taxes with either a single uniform financial transactions or financial assets tax, or a more broadly based tax;
- transfer Payroll Tax to the federal government, link it with the superannuation guarantee, and levy the tax at uniform national rates.





Future agenda

Priority issues for future tax reform

The following set of priority issues should be dealt with as soon as practicable following this present round of tax reform:

- tax reforms to discourage environmentally damaging activities (such as greenhouse emissions) through, for example, a carbon tax;
- further strengthening of the taxation of assets, including consideration of taxes on wealth and inheritance;
- an easing of the income tests for social security allowances
- (especially for unemployed people) as a further step in reducing poverty traps;
- hypothecated taxes, for example in the human services field;
- improved international coordination of tax policy and tax compliance efforts;
- the tax treatment of new financial arrangements (such as derivatives);
- the extension of withholding taxes to simplify the system and improve compliance.

More detailed descriptions of the proposals and options described in this ACOSS tax reform agenda, and the issues to be addressed in a further round of tax reform, are contained in ACOSS Paper 96, Closing the gap: tax reform for a fairer Australia.



There is no compelling evidence to suggest that even a major shift from taxing income to towards taxing consumption would encourage people to save or effectively tax the black economy.

'The cash economy remains a significant issue around the world... irrespective of the tax system, and the existence of VATs and GSTs or whatever', Michael Carmody, Tax Commissioner (1997)

Acknowledgments:

We would like to thank following people for their invaluable help in developing this tax reform agenda, while acknowledging the full responsibility of ACOSS for the final product:

Pam Cahir, Professor Graeme Cooper, Michael Cronin, Julian Disney, Professor John Freebairn, Professor John Head, Rev Harry Herbert, Professor Rick Krever, Lyn Morgain, Steven Rix, Judy Schneider, Ass. Professor Neil Warren and Dr Judy Yates.

Cartoons by Ron Tandberg and Kathy Wilcox.

Design by Libby Blainey.



This publication is copyright — enquiries should be directed to the Publications Officer.
Australian Council of Social Service:
Locked Bag 4777
Strawberry Hills NSW 2012 Australia.
Tel: (02) 9310 4844
Fax: (02) 9310 4822
email: <acoss@acoss.org.au>
url: <http://www.acoss.org.au>

Further information

ACOSS Paper 96

Agenda for tax reform: background to the ACOSS proposals

Retail price	\$12.95
Concession price	\$11.50
Member's price	\$10.50

Prices include postage

More detailed descriptions of the proposals described in this ACOSS Agenda for Tax Reform, and the issues to be addressed in a further round of tax reform, are contained in ACOSS Paper 96, *Agenda for tax reform: background to the ACOSS proposals*

Phone (02) 9310 4844 for orders

- A full ACOSS catalogue is available on request
- Additional copies of this document are available on request or from the ACOSS website:

www.acoss.org.au

