

**The Paul Ramsay Foundation
2020-21 Pre-Budget Submission
August 2020**

Introduction

The Government is delivering the 2020-21 Budget amid the greatest economic and health crisis in our nation's history.

- Unemployment is currently forecast to rise to 10 per cent by December¹ and hundreds of thousands of Australians are facing their first Christmas without a job.
- Millions of Australians, particularly young people, need access to comprehensive education, training and job placement support to overcome their risk of long-term unemployment.
- Australia's charities and foundations are playing a vital role supporting the nation, but reforms are needed to position the sector for the long road ahead.

Since the COVID-19 pandemic began, the Paul Ramsay Foundation has worked to support its portfolio of approximately 80 charity and foundation partners to provide urgent support to Australians. Our partners include small and large not-for-profits and social enterprises working across the employment, education, health, early childhood development and criminal justice systems. We have also been looking forward, conducting consultations on the steps needed to help the growing number of Australians at risk of getting caught in cycles of disadvantage over the next decade.

It is our view that although the challenges faced are immense, there are a number of policies which would assist all Australians to find the path to recovery. Australia's charity sector is well placed to work with government, the private sector, communities and individuals to rebuild our economy as the pandemic recedes.

The Paul Ramsay Foundation aims to break the cycle of disadvantage in Australia

We partner with people, communities and organisations to build capability and achieve change that lasts

We stand ready to assist in rebooting our economy, reconnecting our communities and helping the country build for the future

¹ Reserve Bank of Australia (2020), Statement of Monetary Policy August 2020.

Scale of the Challenge

Australia's economic and social recovery will require sustained investment and effort. While current initiatives aiming to alleviate unemployment and distress have been critical, they now need to be accompanied by longer-term structural reforms to meet the scale of the challenge. Generating jobs is vital, but so too is help for Australians experiencing disadvantage to train for, find and keep meaningful work.

We think of Australia as the land of the fair go but social mobility is highly constrained for those on the lowest levels of income

Breaking the cycle of disadvantage

At the Paul Ramsay Foundation we are focused on finding opportunities in recovery to invest in proven interventions to break the cycle of disadvantage experienced by increasing numbers of Australians. The combined impacts of COVID-19 and the 2019-20 bushfires are entrenching pre-existing disadvantage and creating new levels of disadvantage in Australia. This has the potential to significantly reduce the long-term productive capacity of the economy and individual opportunity and wellbeing.

Australia cannot let growing unemployment and associated housing and financial insecurity reduce children's health and educational outcomes

The Paul Ramsay Foundation is working to advance understanding of cyclical disadvantage in Australia. This work can assist now in developing policies to give the nation the best chance to thrive over the decade ahead.

The Foundation has commissioned research from the Melbourne Institute to map the intergenerational transmission and geographical distribution of poverty across Australia. Preliminary findings show that even though the overall poverty rate has been decreasing over the past ten years, extreme poverty is increasing. This is predicted to continue given the current shocks across Australia's economy.

Importantly the preliminary findings also provide evidence that households who enter poverty during economic downturns (e.g. the 2009-10 Global Financial Crisis) have a harder time exiting poverty than households who enter poverty during stronger economic times.

A child from an impoverished background is 5 times more likely to suffer adult poverty, and 2.5 times more likely to require social housing

The Melbourne Institute's draft report confirms that children born into disadvantage struggle to break out of poverty when they reach early adulthood. It also shows that the more time a child spends in poverty, the worse their outcomes. Children from poor households are more likely to experience mental and physical health issues, struggle to complete education or compete in the labour market. A child from an impoverished background is 5 times more likely to suffer adult poverty, and 2.5 times more likely to require social housing.

The Melbourne Institute's work will build on findings from the 2013 Productivity Commission Report on deep disadvantage.² Around half of those who enter income poverty end up trapped there for over two years. Those most at risk are Australians unemployed, dependent on income support, suffer poor health or a disability, single parents and their children, people with few educational qualifications and adults who live alone. The COVID-19 pandemic and its associated health and economic shocks has significantly increased the numbers of Australians facing these circumstances.

The cycle of disadvantage can trap individuals and families in circumstances that get harder and harder to address

The Paul Ramsay Foundation has developed a strategy to break cycles of disadvantage by partnering with people, communities and organisations to build capability and achieve change that lasts. Over the past year, we have explored interventions that make the biggest difference in helping individuals and communities break out of cycles of disadvantage. We have invested in initiatives that support education, training and transition to work, particularly for young Australians experiencing disadvantage.

We have a moment-in-time and the know-how to design systems to break the cycle of disadvantage

In carrying out this work, we've uncovered familiar patterns of disadvantage and identified what puts people into a cycle of disadvantage (the 'on-ramp') and what offers a genuine opportunity to help them escape (the 'off-ramp').

We believe it is now critical to apply these insights to ensure government, businesses and the charities and foundations sector work to:

- support Australians looking for work;
- redress education and training disadvantage; and
- deliver essential charitable support to those in need.

The road to employment for Australians without good levels of education and training is getting much harder

Without further action, the nation faces the very real risk of jeopardising our recovery by allowing more Australians to experience cycles of disadvantage – amplifying the 'on-ramps' and making the 'off-ramps' harder to find.

² McLachlan, R., Gilfillan, G. and Gordon, J. 2013, Deep and Persistent Disadvantage in Australia, rev., Productivity Commission Staff Working Paper, Canberra.

Support Australians Looking for Work

Employment and stable income levels are critical to reducing rates of poverty and breaking the cycle of disadvantage. The impact of COVID-19 on the economy means more Australians than ever before are without work. This creates a need to focus efforts on ensuring these Australians are supported, both in meeting their basic living needs while looking for work and being equipped with the skills to secure work into the future.

Australians need to be supported to get back into the labour market

Supporting people to get back into economic participation is a key focus of the Paul Ramsay Foundation. We are proud to have supported school to work transitions and employment to address the needs of young Australians experiencing disadvantage (e.g., Ticket to Work, Collective Ed. and Learning Creates).

Increasing the Rate of JobSeeker

Unemployment and joblessness increase the risk of economic hardship, especially when individuals rely on government payments. It is clear that the Australian Government's support through *JobKeeper* and the temporary increased rate of *JobSeeker* has shielded many Australian families and children from poverty and stopped them entering a cycle of disadvantage during the height of the health crisis.

There needs to be a permanent increase in the base rate of JobSeeker to reduce growing levels of entrenched disadvantage

The Paul Ramsay Foundation supports the campaign for a permanent increase in the base rate of *JobSeeker* as an important intervention to slow the flow of people into the cycle of disadvantage and quicken the flow of people out of it.

It is widely accepted that the existing base rate of the *JobSeeker* payment is not adequate to provide a decent standard of living, which entrenches disadvantage. Returning to the base rate of \$40 a day when the current supplement arrangements expire on 31 December 2020 would leave over 1 million Australians and their families at risk of extreme poverty and spiralling into a cycle of disadvantage—a cycle we know can last generations.

Investments are needed across Australia's training system to reach those in critical need of a pathway to work

A permanent increase in the *JobSeeker* payment would acknowledge the important role adequate income support plays in keeping people without work engaged in the labour market and out of poverty.

Redressing Education and Training Disadvantage

The Paul Ramsay Foundation welcomed the Government's recent announcement of a \$2 billion *JobTrainer* package as a necessary first step to support Australians to re-skill and gain employment during the COVID-19 economic recovery.

More skilled workers will be required across the caring and community sectors

Yet the *JobTrainer* Package, which focuses on existing apprentices and trainees, does not currently address the disproportionate impact of COVID-19 on disadvantaged job seekers or school leavers. There is a risk these groups will fall further behind, putting the off-ramps to cyclical disadvantage even further out of reach.

There is also a need to ensure the *JobTrainer* package addresses the growing long-term skills gap in the caring and community sectors. Increasing the number of skilled workers in the caring and community sectors will support both the recovery and the growing needs of Australians. Over the next decade, demand in these sectors will grow in line with increasing numbers of Australians requiring health and social services support and the ageing population.

The jobs market is changing at a rapid rate and we need to equip people for long-term meaningful employment

Research shows that during previous recessions young people with lower levels of education experience a trough in opportunities compared to their peers.³ Worryingly, their labour force participation and earnings trajectories may never recover.⁴ Cohorts of young people who are more likely to remain in a cycle of disadvantage include Aboriginal and Torres Strait Islander Australians, people with a disability, and those living in rural, regional or remote areas.

School leavers are entering the worst performing labour market in a generation

International evidence shows demand-side programs targeted at specific cohorts are effective at improving school to work transitions in recession conditions.⁵ Effective support for young people requires addressing four key elements:

- job readiness;
- job-specific skills;
- job placement; and
- ongoing support.

The \$1 billion *JobTrainer* Fund currently focuses only on job-specific skills and may therefore fail to support young job seekers to enter work. Many of this year's school leavers will have missed or

The charities and not-for-profit sector is critical to building partnerships with business to get young people into work

³ Duckworth, Kathryn, and Ingrid Schoon. "Beating the odds: exploring the impact of social risk on young people's school-to-work transitions during recession in the UK." *National Institute Economic Review* 222 (2012): R38-R51. Hoynes, Hilary, Douglas L. Miller, and Jessamyn Schaller. "Who suffers during recessions?." *Journal of Economic perspectives* 26.3 (2012)

⁴ Bell, David NF, and David G. Blanchflower. "Young people and the Great Recession." *Oxford Review of Economic Policy* 27.2 (2011): 241-267.

⁵ Usher et al 2009, *The Recession policy and employer responses*, Institute for employment studies network paper no. 87

experienced disruptions to a large portion of their final year of schooling, training and university. This places them at heightened risk of long-term ‘scarring’ from a period of unemployment at a critical time in their human capital development.

The Paul Ramsay Foundation considers the best approaches leverage relationships between businesses willing to provide opportunities for young people who are unemployed, and service providers who can provide young people with the basic capabilities employers require in their workers. Facilitating a decentralised approach to local solutions with tailored intervention is key, and the Government can play a critical role in supporting and facilitating this approach.

There is an opportunity for a visionary training and jobs policy for Australia’s disadvantaged students

As the Government considers the final design on the *JobTrainer* Package, including the efficient price for training, it should focus on supporting:

- disadvantaged jobseekers to gain the skills and confidence they need to create a path towards long-term meaningful economic participation (and not just job attainment); and
- disadvantaged school leavers to ‘catch-up’ on any lost schooling and connects them to further education, skills or training.

We can’t guess at the needs of Australian students who are falling behind, we need evidence of the challenge and best way to tackle it

It could also consider factoring in the efficient price of training in the additional services and supports needed by disadvantaged job seekers and school leavers if they are to successfully complete training and find a job. Based on the experience in school funding this would require a 26 per cent increase in funding on average, or an additional \$260 million investment from Commonwealth and State Governments to support disadvantaged job seekers access training.

National Education Evidence Institute

It will take time to assess the full impact of the disruption to school education in Australia from COVID-19. However, we know that it will be disadvantaged students that do not have the resources and support and those who have additional needs difficult to meet at home that will be impacted the most. There is significant evidence that any losses in education will impact the productivity and earnings across an individual’s lifetime and have broader economic implications.

The connection some disadvantaged Australians have with school has been severely weakened

Research from the Grattan Institute highlights that the achievement gap between disadvantaged and advantaged students widens at triple the rate in remote schooling compared to regular classes.⁶ In addition,

⁶ Sonnemann, J. and Goss, P. (2020). *COVID catch-up: helping disadvantaged students close the equity gap*. Grattan Institute.

for many the connection with school will have been weakened to the extent that they may never return. For those who do return, improvement in student outcomes will depend on schools adopting approaches with strong evidence of effectiveness. Such evidence and its application at scale is currently only nascent in Australia.

*Investments we make now
to mobilise support for
students will pay dividends
in the future*

The Australian Government in partnership with the State and Territory Governments has shown leadership by establishing the National Evidence Institute. Funding of \$50 million over four years has been announced. The Institute aims to improve student outcomes by generating and disseminating a strong evidence base on the efficacy of educational outcomes. We call on the Australian Government to ensure the October budget reflects its previous announcement.

Deliver essential charitable support to those in need

Charities and not-for-profit organisations are critical to Australia's social and economic infrastructure. The speed at which charities and volunteers mobilised to support their communities over the last six months illustrates the importance of this sector to Australian society.

Approximately 56,000 registered charities operate in Australia, reaching all of our local communities

While it is too early to determine the full impact of the pandemic on the Charity sector's finances, the phasing out of *JobKeeper*, depleted balance sheets, lower fundraising income and reduced government budgets are likely to bring a wave of financial and operating distress over the next 12 months.

This is creating concern about the enduring impacts of the COVID-19 pandemic as well as the longer-term impacts on the state of the sector and its capacity to:

- ⇒ Deliver essential services to those most in need;
- ⇒ Respond to new areas of demand, identifying where more resourcing and supports are required;
- ⇒ Coordinate and deliver effective and meaningful services; and
- ⇒ Remain financially viable.

Australia's charity sector represents around 8 per cent of the economy (and employs over 10 per cent of all working Australians).

The Paul Ramsay Foundation has and will continue to work with partners on a number of initiatives to support the charity sector but consider that one initiative particularly warrants the Government's support in the 2020-21: an *Australian National Emergency Trust*.

Establishment of an Australian National Emergency Trust

Over the past year, Australia has experienced successive natural emergencies: flood, bushfires, and the COVID-19 pandemic. The increasing frequency and severity of these complex emergencies will continue to test our national institutions. New ways will be needed to stand up resources, collect and analyse data to target emergency responses, and distribute to those in need.

The financial stability of charities is being threatened by a reduction in income from donations, grants and other operations

An Australian National Emergency Trust would provide a single focal point for donations, which could help address increases in service demand at times of crisis. The United Kingdom adopted this approach in the wake of the Grenfell Tower disaster in 2017, establishing the National Emergencies Trust to provide a mechanism for raising and distributing crisis funds. In March 2020 it launched a nationwide disaster appeal to raise funds for charities providing care and support for elderly and vulnerable people impacted by the economic and social consequences of COVID-19.

As philanthropic funders of crisis response to the bushfires and COVID-19, we have witnessed how difficult it is to allocate and distribute funds efficiently following an emergency, and to do so through community-led initiatives. Our involvement in the responses has alerted us to the following systemic issues:

- ⇒ Celebratory-driven events and appeals can be effective in raising funds but often these appeals do not have the mechanisms behind them to distribute funding efficiently across the charity and non-profit sector for delivery to end beneficiaries.
- ⇒ Lack of transparency and problems with allocations and disbursement of funds raised from the public undermine trust and responsiveness to future emergencies.
- ⇒ There is no up-to-date mapping or database of organisations across Australia working in the field that could be mobilised in emergency response.
- ⇒ Small-scale community actions are important to enable communities to rebuild following an emergency, but funding mechanisms are underdeveloped for larger charities to be able to distribute funds at the scale appropriate for communities.
- ⇒ After emergencies, the need for giving and recovery quickly recedes from public view; attention is hard to sustain. But needs do not recede quickly for those who have experienced the loss and trauma.

An Australian National Emergency Trust would complement the Australian Government's Emergency Response Fund established in December 2019 by providing a single trusted place for all Australians to donate towards disaster relief alongside a fast and an effective way of distributing funds to projects, NFPs, and communities in need.

A Trust would provide:

- ⇒ An easy way for Australians to donate: A single, apolitical platform to donate in a tax-efficient way and support rapid response to emergencies at the state, national and international level. While initially set up for personal contributions, the platform could over time be extended to private and public sector organisations.
- ⇒ A mechanism to distribute funds which Australians can trust:

COVID-19 has tested the operations of charities and foundations, presenting challenges that must be overcome for these organisations to be in a strong position to support people in their time of need

Structural solutions including an Australian National Emergency Trust need to be on the table

Our work during the bushfires and Covid-19 has given insight into what is required

To maximise impact in times of crisis, the fund would collaborate closely with a broad network of organisations working in the field. A good understanding of the capabilities and impact each organisation can deliver will be critical to optimising allocation of funds when disasters hit. This assessment will be regularly updated to accelerate fund allocation during emergencies.

- ⇒ A means for transparent use of funds: Trust balance and allocations to partner organisations will be reported live to ensure full transparency on the use of funds. Partner organisations will also be required to report on the activities and impact made possible using these funds.

A National Emergency Trust can act as a vital source of stimulus that can be dialled up or down as we face an uncertain outlook

While it will be important that the National Emergency Trust is seen as independent from Government, it could play an important leadership role in facilitating such an approach. It would be open to the Commonwealth and State and Territory Governments to make matching contributions to the fund for specific purposes or campaigns, which could help drive higher contributions from the public.

As a first step we propose the Government provide funding in 2020-21 to gauge public acceptance of a National Emergency Trust and undertake consultations with the charity sector on its implementation. This would fund a national survey of around 20,000 people and allow consultations with a wide selection of charities and foundations.

This reform can form part of a trusted social compact with Australians

While there may be a long-term role for the Government in funding its operations, this could form part of the consultation process.

Impact on Underlying Cash Balance (\$ millions)

	2020-21	2021-22	2022-23	2023-24
Establishment of an Australian National Emergency Trust	3.75			

Conclusion

Australia is at cross-roads. The nation cannot rely on past approaches to unemployment, training and alleviating financial hardship. Many of those approaches suited much stronger economic times and, in truth, have always found it difficult to help those trapped in cycles of disadvantage find the 'off-ramp' and achieve lasting improvement to their economic and social wellbeing.

With more Australians now at risk, there is a moment-in-time to drive structural reforms equal to the scale of the challenge ahead. Investing in employment, education and training and charitable support will make an enduring positive contribution to Australia's recovery.

Summary of proposals and budget impact

Impact on Underlying Cash Balance (\$ millions)

	2020-21	2021-22	2022-23	2023-24
Establishment of an Australian National Emergency Trust	3.75			
Total	3.75			

Further work is underway on additional measures need to transform the operations of the charities sector. There is an opportunity for government to support these efforts as part of the recovery efforts

If we don't act to break the cycle of disadvantage, many more Australians stand to have a sustained reduction in wellbeing and opportunity, at great cost to themselves, their communities and the Australian economy



EQUITY ECONOMICS

This submission was prepared with the assistance of Equity Economics and Development Partners