Community and Public Sector Union

Beth Vincent-Pietsch ♦ Deputy Secretary

12 February 2016

Committee Secretary
Senate Standing Committees on Community Affairs
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

Dear Committee Secretary

Inquiry into the Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill (No. 2) 2015

As the primary union representing Australian Public Service (APS) employees, the Community and Public Sector Union (CPSU) is committed to providing a strong voice for our members in key public policy and political debates.

The CPSU welcomes to the opportunity to make a submission to this inquiry into the Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill (No. 2) 2015 (the Bill).

The Bill introduces a number of changes to family and youth payments, notably a reduction in the fortnightly Family Tax Benefit Part B rate for different family types and the phasing out of the Family Tax Benefit Part A and B supplements.

The CPSU opposes the Bill. CPSU members have expressed concern that these changes will have a detrimental impact on families with low and middle incomes. There is also concern that these changes affect the integrity of the transfer system and have not been well thought out. Rather, they are focused on reducing Government expenditure and will only serve to make an already strained system more complex at the cost of maintaining an adequate safety net for Australia's most vulnerable.

While the changes also include a small increase to the rate of Family Tax Benefit Part A, youth allowance and related payments by $10.10 a fortnight, the increase will not compensate families for the loss from the phasing out of the Family Tax Benefit supplements by 2018-19. In 2015-16, the value of the supplements is $726.35 per child for Part A and $354.05 per family for Part B. These supplements exist as a 'buffer' to prevent end of year debt resulting from an underestimation of income. However, for low income families and those who estimate their income accurately, it is an additional amount of Family Tax Benefit that they rely on heavily.

These lump-sum payments can make a big difference to struggling families. Families experience a number of large annual expenses, such as car registration and maintenance, education costs and utilities, which people on low incomes often have difficulty budgeting for, so they rely on these supplements to pay those necessary expenses. The removal of the supplements will leave many low income families under significant stress and unable to meet these irregular expenses.

The Government's justification for the phasing out of the Family Tax Benefit supplements is that *"...in 2018-19, the ATO is going to move to a single touch payroll system"* which it claims will mitigate the risk of Family Tax Benefit overpayments.[1]. However, the Government also acknowledges that only employers with 20 or more employees will be required to use single touch payroll from 1 July 2018 and a decision on when other employers will begin using the facility will not be made until after the 2018-19 pilot for larger employers is complete.[2] Therefore, many families receiving Family Tax Benefit will not have their income reported through single touch payroll in 2018-19 and possibly for some time thereafter.

In addition, Family Tax Benefit is currently calculated based on a family's estimated *annual* 'adjusted taxable income'. However, a single touch payroll will only provide *taxable* income details to the Australian Taxation Office and the Department of Human Services on the employer's own payment cycle, which could be weekly, fortnightly or monthly. Without further significant redesign of the Family Tax Benefit system, it is clear that integrating single touch payroll into the current payment framework will not be possible.

Clearly single touch payroll will not be a solution to the risk of Family Tax Benefit overpayment by 2018-19. The phasing out of the Family Tax Benefit supplements will simply leave hundreds of thousands of Australian families worse off with many unable to meet their large annual expenses.

There are also a number of other changes in the Bill that will leave vulnerable families worse off. For example, the new Family Tax Benefit Part B rate for single parents aged under 60 with a youngest child aged 13-16 is nearly $2,000 per year less than its 2015-16 rate. Single parents with teenage children may already face significant barriers to workforce participation and often find that only insecure, short-term work is available. Reducing payments to this already vulnerable group with many having no realistic access to secure work will not improve their life outcomes, rather it will further entrench their disadvantage.

CPSU members are rightly concerned that these significant changes to the family payments system will result in greater workloads for already stretched staff at the Department of Human Services. The proposed changes to the payment architecture within the Bill increases the complexity of an already tightly targeted payment system leading to payment rules that can be difficult for Human Services staff, let alone its customers, to understand. Unnecessarily increasing the complexity of the payment system in an attempt to find Budget savings at a time when the Department of Human Services is already under significant stress will lead to customer confusion and increased customer aggression towards Human Services staff.

The Government has once again taken the wrong approach to addressing the Budget deficit. If Australia remains committed to a return to surplus in the medium-term, a much stronger revenue base is needed. Rather than attempting to improve its deteriorating budgetary position

[1] Joint Press Conference – Revised Family Tax Benefit measures to fund $3.5 billion child care investment, 21 October 2015
[2] Media release – Assistant Treasurer the Hon Kelly O'Dwyer MP – Streamlining business reporting with a single touch payroll, 21 December 2015

at the expense of Australia's most vulnerable, the Government should focus instead on ensuring everyone pays their fair share.

It is for these reasons that the CPSU opposes the changes within the Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill (No. 2) 2015.

If the Committee requires further information from the CPSU in relation to the matters raised in this submission please contact Kristin van Barneveld [redacted]

Yours sincerely

Beth Vincent-Pietsch
Deputy Secretary
Community and Public Sector Union