



The Salvation Army

Australia

The Salvation Army Australia

Submission made on behalf of The Salvation Army Australia Eastern Territory and The Salvation Army Southern Territory

Response to the

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

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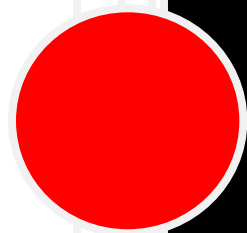
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The Salvation Army welcomes the opportunity to comment on the *Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill (No.2) 2015*. This submission will respond to the implications of the proposed changes as they directly relate to the many families The Salvation Army supports.

The Salvation Army is one of Australia's largest social service providers, supporting some of the most disadvantaged and socially excluded individuals and families in our community. The Salvation Army Australia has an annual operating budget of approximately \$700 million and provides more than 1,000 social programs and activities through a network of social support services, community centres and churches nationally.

In the past 12 months, The Salvation Army Australia provided more than one million occasions of service to people in need. The Salvation Army works with individuals who, due to life experiences and events, often have inadequate education and training, poor health, and a sense of powerlessness that compromises their capabilities and opportunities to fully participate in the community.

Proposed amendments

The Salvation Army understands that the following four themes serve to describe the context and rationale of the measures:

- Encourage greater workforce participation as children enter secondary schooling
- Provide the savings necessary to pay for childcare reforms
- Act as part of efforts to enhance the long-term sustainability of the social security system
- Respond to increased government spending on FTB as a proportion of GDP

The Salvation Army acknowledges fiscal responsibility as an essential attribute of good government and supports a sustainable social security system. The Salvation Army also supports measures that would see parents increase paid employment. However, any changes to social security legislation must not adversely impact the people who need it most. The Salvation Army does not support measures that further disadvantage individuals and families on income support and which further restricts their abilities and capabilities to participate within our communities.

The impact of the changes

The Salvation Army welcomes measures and incentives that would see parents enter or increase their engagement with paid employment. In particular we support moves to help parents gain employment as a strong indicator for childhood inclusion in education and employment.

We do not, however, support a move that pushes already vulnerable parents further into poverty and disadvantage, nor do we understand how reduced income has the effect of supporting transitions to employment.

Although this Bill, together with changes proposed through the (yet to be passed) *Jobs for Families* package, has a focus on providing an incentive for parents to take up employment, it remains of significant concern to The Salvation Army that the highest levels of deprivation is experienced by sole parent families on lower income support payments. Under the proposed amendments, these individuals will be even worse off. This cohort is the most disadvantaged in terms of education and employment prospects, economic sustainability and living situations.

The latest *Household, Income and Labour Dynamics in Australia (HILDA) Survey*, found 19.8% of children living with a single parent are subjected to poverty, compared with just 5.2% of children in two-parent homes¹. This rate of single parent child poverty has remained stubbornly high since 2001 (also 19.8%), and has only just recovered from a spike of over 25% in 2010². These unacceptably high rates of child poverty, together with their volatility as demonstrated through wide fluctuations in child poverty rates, highlight the precarious financial position faced by single parents and their children who are already reliant on income support payments.

The Salvation Army's research shows similar findings. Since 2012, The Salvation Army has conducted its annual national *Economic and Social Impact Survey* of people accessing The Salvation Army Emergency Relief centres. The main objective of the study is to gain insight into the economic and social impacts of cost of living pressures. A consistent theme highlighted through the study is that a large number of people in the community struggle to meet everyday expenses and financial commitments. Of significant concern is that these individuals are also experiencing severe levels of deprivation (access to services and activities), which further compromises family living standards and inclusion in the Australian community. Of particular concern is the level of disengagement of children due to costs associated with those activities. Over half of adult respondents reported being unable to afford out-of-school activities for their children (58%) and over one third could not afford for their children to participate in school activities and outings (36%).

Further observations from The Salvation Army's frontline service delivery shows that many parents are not always in a position to take up paid work. The reality for many of the individuals and families The Salvation Army works with is that they experience multiple and complex issues with limited education and training, and represent some of the most impoverished and disadvantaged members of the Australian communities.

Reducing the adequacy of payments to these families will only push them further into poverty and serve to increase the chances of intergenerational poverty for the children of these families.

The impact on the Family Tax Benefit

The Salvation Army acknowledges some benefits for low income families a result of proposed changes in the Bill.

¹ https://www.melbourneinstitute.com/downloads/hilda/Stat_Report/statreport_2015.pdf

² Ibid

The Salvation Army supports the increase in fortnightly FTB-A rates by \$10.08 for families and the alignment of rates for certain youth allowance and disability support pension recipients aged under 18 and living at home. Consistent with one of the objectives of the McClure report, this change will align payment rates for recipients with a similar eligibility profile and remove any unintended incentives to change between benefit type. However, it is noted that the increases are not scheduled to commence until July 2018, while the cuts and phasing out of FTB-B and supplements will commence as early as July 2016.

The Salvation Army also acknowledges that some of the harsher aspects of the unlegislated 2014-15 FTB measures have been either removed or softened – in particular by maintaining the current standard rate for families with a youngest child aged between five and 13 (instead of cutting it off when the youngest child reaches the age of six) and for single parents who are at least 60 years of age, grandparents and great-grandparents with a youngest child aged between 13 and 18 (where the FTB rate would have been reduced to a payment of just \$1,000 per year). We welcome the exemptions to grandparent carers and single parents over the age of 60.

The Salvation Army supports an increase to the standard rate by \$1,000.10 per year for families with a youngest child aged under one, as this will provide families with additional flexibility when newborns and families most need it.

However, despite these proposed changes, The Salvation Army still holds a number of concerns about the other proposed changes to FTB, where these measures will result in a significant reduction in payments to low income families.

Unfortunately, The Salvation Army has been unable to locate any detailed modelling of the impact of the proposed measures on different family types in the absence of a direct linkage with the separate, yet to be passed legislation concerning increased support for childcare (Family Payments Structural Reform and Participation Measures) Bill (No. 2) 2015.

This lack of consideration and transparency for those most impacted by the proposed changes is of particular concern to The Salvation Army, when it appears those most impacted by the proposed changes are already known to be the most disadvantaged and vulnerable members of the community - that is, single parents and their children.

Of particular concern is the impact of reducing the amount of FTB to single parents with children aged 13 and over, as they are unlikely to be the beneficiaries of additional childcare. None of the government's cameos model the likely impact of the changes on families with children over the age of seven. As such, single parent householders with a youngest child over the age of 13 face being thousands of dollars worse off each year unless they successfully substitute lost benefits with wages.

This issue is further compounded when taking into account other recent legislative changes such as ending the Schoolkids Bonus (after the last instalment is paid in July 2016), together with the potential changes proposed in other amendments to Social Services Legislation such as the Budget Repair Bill 2015 and the Family Measures Bill 2015. In particular, the proposed removal of the pensioner education supplement (PES) and the education entry payment would have a compounding effect on already vulnerable pensioners.

Phasing out end of year supplements

One of the harshest cuts in the Bill is the removing of the end of year supplements for FTB-A and FTB-B. The Salvation Army has identified the following two key concerns:

1. Regardless of the original rationale for the payments (eg to provide relief to families through providing an offset for potential FTB over payment), these supplements (worth up to \$726 per child per year and \$354 per family) will represent a substantial cut to the overall family income.
2. While the Government maintains that a new payroll IT system will provide for accurate reporting of income and reduce the problem of FTB debts, significant doubts have been expressed by stakeholders about both implementation timeframes (originally proposed July 2016) and the actual effectiveness/accuracy of the final product. Any proposal for removing supplements based on the accuracy and effectiveness of major IT projects should, at a minimum, await the delivery of such a system and not pre-empt it.

Conclusion

At a time where the Australian economy is already considered to be performing below capacity, The Salvation Army is concerned that more cuts to income support payments will contribute further to a contraction in the economy and therefore even higher rates of unemployment. Rather than cutting payments rates, The Salvation Army supports measures that will see the restoration of economic growth, the creation of more jobs and the consequent reduction in the need for income support.

Additionally, The Salvation Army is concerned about ongoing claims that the Commonwealth budget is in need of repair, yet potential remedy appears to be confined to terms of expenditure savings and not consideration of revenue measures. The Salvation Army strongly recommends the government ensures any reforms to balance the budget do not unfairly focus funding cuts on vulnerable groups who can least afford to be further marginalised.

For these reasons, The Salvation Army would support the Government in taking a cautious approach to returning the Budget to surplus. This approach should ensure that people are provided with the resources they need in order to remain connected to the labour market and able to prepare for and find employment.

Any changes to welfare spending should be assessed in the context of their broader impacts, including the extent to which they affect an individual's ability to prepare for and find employment, the impact on aggregate productivity and participation rates, and levels of inequality in the community.