

Submission to the Senate Community Affairs Legislation
Committee:

Social Services Legislation Amendment (Family Payments
Structural Reform and Participation Measures) Bill (No. 2)
2015 [Provisions]

From

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4 INTRODUCTION

The Senate referred the *Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill (No. 2) 2015* to the Senate Community Affairs Legislation Committee for inquiry and report on 3 December 2015. National Council of Women of Australia welcomes the opportunity thus created to comment on the measures set out in the Bill, and to have the opportunity to present at the Committee Hearing in Melbourne on Thursday 18 February 2016.

1.1 About National Council of Women of Australia

National Council of Women of Australia (NCWA) is a national, non-government, umbrella organisation with broadly humanitarian and educational objectives. Singly, and in alliances, NCWA, with its wide range of affiliated organizations, and individual members, works for improved conditions for women and their families, especially the most vulnerable. We work with, and across all sectors, to identify and bring about change to ensure that there is equity and security for all in Australia. In the ACT, New South Wales, Queensland, South Australia, Tasmania, Victoria and Western Australia, members maintain an active program of seminars, conferences, consultations, submissions, publications, and advocacy. NCWA links NCW groups across Australia, each with diverse affiliates, in a federal structure and provides a forum for considered debate on policy matters brought forward by the constituent Councils.

1.2 Reforming Australia's family payment system

NCWA has an historic interest in Australia's family payment system and its objective to protect against child poverty by supplementing the incomes of parents on low or modest incomes. The 2010 Henry Tax Review identified Family Tax Benefit as the key instrument of the Australian family support system with an ongoing cost of about \$20 billion per annum. The Review found that in terms of meeting the cost of children, the system was more than adequate for young children with room for better alignment with what research shows about costs increasing as children get older. In 2014 the National Commission of Audit proposed that FBT A and FBT B should be replaced by a single family payment. Changes to the family payment system were outlined in the 2014-15 Budget but the necessary legislation did not proceed. A new bill was introduced on 21 October 2015 containing a modified set of changes. The Government has argued that cuts to family payments are needed to pay for the additional costs of the proposed new child care system. NCWA is concerned there is insufficient information available about the proposed changes at this stage.

2 WHAT IS PROPOSED IN THE BILL

2.1 A new rate structure for Family Tax Benefit Part B

The Bill sets out to introduce a new rate structure for family tax benefit Part B, and make other amendments to the rules for Part B, to

- increase the standard rate by \$1,000.10 per year for families with a youngest child aged under one;
- maintain the current standard rate for families with a youngest child aged between one and five;
- maintain the current standard rate for families with a youngest child aged between five and 13;
- maintain the current standard rate for single parents who are at least 60 years of age, grandparents and great-grandparents with a youngest child aged between 13 and 18; and
- introduce a reduced standard rate of \$1,000.10 per year for individuals with a youngest child aged 13 to 16 (currently \$2,737.50) who are not single parents aged 60 or more or grandparents or great-grandparents.

2.2 Phasing out FTB Part A and B supplements.

- *The Bill to phase out the family tax benefit Part A supplement will do this by reducing it to \$602.25 a year from 1 July 2016, and to \$302.95 a year from 1 July 2017, and to be withdrawn from 1 July 2018.*
- *The Family Tax Benefit Part B supplement is to be phased out, reducing to \$302.95 a year from 1 July 2016, and to \$153.30 a year from 1 July 2017. It to be withdrawn completely from 1 July 2018.*

3 NCWA CONCERNS ABOUT THE PROVISIONS OF THE BILL

NCWA is concerned at a number of aspects of the change program set out in the Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill (No. 2) 2015.

3.1 Impact on vulnerable families:

Along with other family measures spending cuts in linked bills, the Bill's proposed changes to the Family Tax Benefits part B, including the schedule for reduction in payments, will have severest impact on families on low incomes, especially single parent families, families with grandparental and other kinship carers rather than 'parents' and families where one or more children have special needs. They appear to be predicated on the assumption that parental workforce participation rates will change automatically as the youngest child reaches school age, or latch key stage.

ACOSS has estimated that

- 136,000 single parents with older children will be adversely affected by the changes to Part B alone, with a sole parent with one child over 13 to lose approximately \$2,500 per year (as will grandparents)
- those with two children over 13 to lose around \$3,000 per year (as will grandparents).
- 76,000 couple families will lose the Part B payment entirely, some of who are already on very low incomes. Low income couples with children over 13 will lose between \$3,500 and \$4,000 per year.
- Some 4000 grandparents will be affected by the change. (There are 22,500 grandparent families in Australia with children aged up to 17) [ACOSS 2015]

The tapering provisions of this Bill will have a significant impact on low income households and in particular single-income families who care for a number of children. Even when dependants get older, parents are still responsible for providing care to their children. As such families should not be disadvantaged by changing the eligibility requirements for receiving FTB Part B or by reducing the amount payable when they reach 13 years of age from \$2,737.50 to \$1000.10.20.

The phasing out of Family Tax Benefits Part A and B supplements, currently forming part of both Family Tax Benefit Part A and B, with Part B being "up to \$354.05 per family", is a problem. Withdrawing these benefits by July 2018 may result in budget savings. However taken in conjunction with the proposed reduction in Part B benefits (ages 13-18), single-income families will be particularly hard hit.

The submission made by National Council of Single Mothers and their Children Incorporated (NCSMC) to the Senate Standing Committee on Community Affairs Legislation, relating to the *Social Services Legislation Amendment (Budget Repair) Bill 2015*, commented on an associated problem in the social security system for singles parent households, the inadequacy of the 'income free thresholds', for example the Newstart income free threshold:

... once the youngest child turns 8 years of age, recipients of the Parenting Payment Single will be forced from this frugal payment and onto Newstart, an allowance which sits below the poverty line. Families who were in paid work and forced onto Newstart continue to report to NCSMC that they incurred unrecuperated losses of up to \$140 per week due to the already inadequate income free threshold. Struggling families stated that this loss was the difference in maintaining a car, keeping a roof over their head and or putting food on the table. For example, a sole parent with three children can earn and retain \$117.60 per week on Parenting Payment Single but when on Newstart it reduces to \$51 per week.

3.2 Need for more information about the impact of the changes:

Taking the reform package as a whole, apart from the information about the value of the proposed cuts to the budget bottom line, there has been no evidence presented in support as to how families will be impacted by changes of the type set out in the Bill. It would be easier to accept the measures proposed in the Bill if for example, the ACOSS recommendation were adopted to establish an independent review of the adequacy and indexation of social security payments, were adopted.

The Government should establish an independent payments review commission to review the adequacy of all payments (including pensions, allowances, family payments and supplements) and indexation arrangements on a regular basis (say every 3 to 4 years) with a view to ensuring all households are able to achieve an acceptable standard of living. This body should recommend benchmarks for income required to achieve an adequate standard of living, including for children, based on the best available research.[ACOSS 2015]

4 CONCLUSION

National Council of Women of Australia is concerned at a number of aspects of the change program set out in the Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill (No. 2) 2015.

NCWA is interested to see more information provided about the modeling that underpins the family payment system reform package, so it is possible to see clearly the impact of each option on different families.

It is a concern that the cuts proposed appear to impact more severely on the most vulnerable families, low income families, single parent and parents with one or more disabled children

The ACOSS proposal for the creation of an independent payments review commission is worthy of further consideration.

It is to be hoped that there can be a continuing dialogue within the Parliament with the Government, major parties and cross-benches to agree on a fair and sustainable family payments system for the future.

Barbara Baikie, President,
National Council of Women of Australia
12 February 2016

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