

Australian Labor Party Senators' Dissenting Report

Introduction

1.1 The *Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2015* (the Bill) was introduced into the House of Representatives on 21 October 2015. The Bill contains the Liberal Government's second round of cuts to Family Tax Benefits.

1.2 On 12 November 2015, the Senate referred the Bill to the Senate Community Affairs Legislation Committee for inquiry. Submissions were accepted until 20 November 2015.

1.3 As a consequence of the very short timeframe for interested parties to make submissions to the Inquiry, just 19 submissions were received. Submissions raised significant concerns with the contents of the Bill. Every submitter recommended the Bill be opposed.

1.4 Overwhelmingly, this Bill is viewed as extremely harsh on low income families and likely to have significant negative consequences on the capacity of those families to meet the everyday costs associated with raising children – the purpose for which family tax benefits were designed.

1.5 In spite of the weight of evidence, the majority of the members of the Committee have recommended that the Bill be passed without amendments.

1.6 Labor Senators on the Committee do not share this view. If passed unamended, this legislation will have dire consequences for vulnerable families, particularly single parent and grandparent families, as well as low income families who rely on Family Tax Benefit Supplements to meet the costs of raising children.

1.7 The Labor Senators on the Committee recommend that the Bill be amended to remove these harsh measures:

- Reduction of Family Tax Benefit B for single parents and grandparent carers whose youngest child is aged 13 years or over
- Abolition of Family Tax Benefit A and B End-of-Year Supplements.

1.8 The Labor Senators acknowledge that on 26 November 2015, the House of Representatives agreed to amendments which have removed these measures from the Bill. The amended Bill now contains only one measure – the abolition of Family Tax Benefit B for couple families (excluding grandparents and great-grandparent carers) whose youngest child is 13 years or over. Nevertheless, this report relates to the Bill as referred to committee on 12 November 2015.

Description of Measures

1.9 As detailed in the majority report, the Bill seeks to amend the *A New Tax System (Family Assistance) Act 1999*, *A New Tax System (Family Assistance) (Administration) Act 1999* and *Social Security Act 1991* in order to:

- reform Family Tax Benefit (FTB) Part A and at-home under-18 year old youth allowance and disability support pension fortnightly rates;
- reform to FTB Part B; and
- phase out the FTB Part A and Part B supplements.

1.10 This Bill is comprised of three schedules. Labor Senators acknowledge that the amended Bill removes schedules 1 and 3 and sections of schedule 2.

Schedule 1—Payment Rates

1.11 This schedule proposes to increase the fortnightly rates for FTB Part A by \$10.08 for each FTB child in the family aged up to 19 years of age. An equivalent rate increase (of around \$10.44 per fortnight) would apply to certain youth allowance and disability support pension recipients aged under 18 years of age.

1.12 These increases would commence from 1 July 2018.

Schedule 2—Family tax benefit Part B rate

1.13 This schedule proposes to introduce a new rate structure for FTB 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;
- introduce a reduced rate of \$1,000.10 per year for single parent families with a youngest child aged 13 to 16 (currently \$2,737.50), and extend the \$1,000.10 rate to couple grandparents with an FTB child in this age range;
- remove family tax benefit Part B for couple families (other than grandparents) with a youngest child aged 13 or over.

1.14 Item 10 of Schedule 2 specifies that the new criteria for working out the rate of family tax benefit would commence on 1 July 2016. The first indexation of the new amounts outlined in the table in subclause 30(1) of Schedule 1 would commence on 1 July 2017.

1.15 The Labor Senators note that the amended Bill removes the proposed changes to the standard rates of FTB Part B and retains the proposed measure outlined in item 4 to remove FTB Part B for couple families with a youngest child aged 13 years or older, with the exception of grandparent and great-grandparent carers.

Schedule 3—Family tax benefit supplements

1.16 This schedule proposes to:

[P]hase out the family tax benefit Part A supplement by reducing it to \$602.25 a year from 1 July 2016, and to \$302.95 a year from 1 July 2017. It will then be withdrawn from 1 July 2018. The family tax benefit Part B supplement will also be phased out. It will be reduced to \$302.95 a year

from 1 July 2016, and to \$153.30 a year from 1 July 2017. It will then be withdrawn from 1 July 2018.¹

1.17 Part 1 and Part 2 of this Schedule provide for the reduction of end-of-year FTB Part A and FTB Part B supplements, to commence on 1 July 2016 and 1 July 2017 respectively. Part 3 of this Schedule provides for FTB Part A and FTB Part B supplements to be phased out completely by 1 July 2018.

Impact of Measures

1.18 During Senate Estimates and in the public hearing of this inquiry, officials from the Department of Social Services were repeatedly asked for detailed modelling on the impacts of these changes on various family types. Unfortunately, the Department has repeatedly refused to release this information. Instead, the Government has sought to hide the real impact of these measures by including in the publically released cameos an increase in child care support, despite that not being the subject of this legislation or any legislation currently before the parliament.

1.19 As a consequence of this it is difficult to understand the exact impact of these cuts on various family types, a fact highlighted by a number of the witnesses in their evidence to the committee. For example, evidence by the CEO of UnitingCare, Ms Lin Hatfield–Dodds:

It is paramount, we think, that the impacts of any reform are thoroughly and transparently assessed prior to changes being implemented that might result in adverse impacts on the most vulnerable members of our community.

It is therefore with concern that we note, in relation to the bill, that the government appears not to have released substantive evidence to highlight the impact of its proposed changes on families. It is our view that, in the absence of data sets and evidence to support or explain the measures in the bill, UnitingCare Australia is unable to support the proposed reforms.²

1.20 Nevertheless, some data has been provided which gives an indication as to what the impact of these measures will be. As a consequence of these measures:

- 1.5 million families will lose FTB-A supplements, a cut of \$726 per child every year
 - 300,000 of these families will not get the increase to the FTB-A per child amount.
 - This proposed increase doesn't start until 2018 – two years after the supplements start to be reduced – and does not adequately compensate for the loss of the supplements.
 - Around 650,000 FTB-A families are single parents

1 Explanatory Memorandum, p. 9.

2 Ms Lin Hatfield Dodds, National Director, UnitingCare Australia, *Committee Hansard*, 19 November 2015, p. 1.

- Around 500,000 are on the max rate – meaning they have a combined family income of less than \$51,000
- 1.3 million families to lose FTB-B supplement – \$354 per family
- 136,000 single parents with children aged 13-16 to have their FTB-B reduced to \$1000 in 2016 (this does not include families whose youngest is aged 17-19 who will lose FTB-B completely)
- 46,000 single parents whose youngest child is 17 or over will lose their FTB-B entirely in 2016.
- 3,900 grandparent carers to have their FTB-B reduced to \$1000 in 2016
- 76,000 couples to have their FTB-B cut entirely in 2016.

1.21 Many of the cuts contained in this legislation begin to come into effect in July 2016, at the same time as the Schoolkids Bonus will be abolished. As such, these families will lose an additional \$842 for every secondary school child and \$422 for every primary school aged child.

1.22 The Parliamentary Library's Bills Digest for this legislation included a number of cameos which details the impact of these cuts on various family types. This modelling is below.

Family circumstances	Current rates (including all supplements), pa	2018 changes applied now, pa	Difference between current and proposed FTB entitlements
Single parent, one child aged 13 years, no private income, Newstart Allowance	FTB-A: \$6,942 FTB-B: \$3,190 SkB: \$856	FTB-A: 6,479 FTB-B: \$1,051 SkB: \$0	-\$3,458
Single parent, one child aged 13 years, \$70,000 in earnings	FTB-A: \$3,148 FTB-B: \$3,190 SkB: \$856	FTB-A: \$2,684 FTB-B: \$1,051 SkB: \$0	-\$3,459
Couple family, two children aged 14 and 16 years, Parent 1 with \$80,000 in earnings, Parent 2 with \$0 in earnings	FTB-A: \$8,090 FTB-B: \$3,190 SkB: \$1,712	FTB-A: \$7,163 FTB-B: \$0 SkB: \$0	-\$5,829

Couple family, two children aged 14 and 16 years, Parent 1 with \$60,000 in earning, Parent 2 with \$30,000 in earnings	FTB-A: \$6,090 FTB-B: \$0 SkB: \$1,712	FTB-A: \$5,162 FTB-B: \$0 SkB: \$0	-\$2,640
Couple family, two children aged 9 months and 3 years, Parent 1 with \$80,000 in earnings, Parent 2 with \$0 (no PPL Pay)	FTB-A: \$6,260 FTB-B: \$4,413 SkB: \$0	FTB-A: \$5,333 FTB-B: \$5,059 SkB: \$0	-\$281

Notes: FTB amounts include the FTB-A and FTB-B supplements, the Energy Supplement, and the Newborn Supplement/Newborn Upfront Payment where applicable. Amounts rounded to the nearest dollar.

Link with Child Care Changes

1.23 In their public discussion regarding these measures, the Government has repeatedly argued that these cuts are required in order to pay for the Government's increased investment in child care.

1.24 The Labor Senators reject this link entirely. As Senator Sinodinos indicated in Senate Budget Estimates, the two are linked for political purposes. He said:

They're linked... for political purposes.³

1.25 Many of the witnesses to the inquiry highlighted that the link with the child care makes no policy sense. For example, Terese Edwards, CEO of the National Council of Single Mothers and their Children submitted that:

What I do know is that it does not make sense to me, or to the sole parents that I am speaking on behalf of, that these two measures are linked. We know that the families who will be the biggest losers are families who have children who are 13 and older. They will not be accessing child care. So it seems like one group is going to go through an absolute depth of despair and harm to pay for an investment in another group. The first time that this was linked was after a couple of failed attempts to get this measure through. It does not make sense to me for it to be linked at all.⁴

1.26 Labor Senators support this view that there is no policy basis for the political linkage between the changes to family payments in this Bill and other changes to child care proposed by the Government.

3 Senator Arthur Sinodinos, Senate Budget Estimates, 21 October 2015, *Economics Committee Hansard*, p. 97.

4 Ms Terese Edwards, Chief Executive Officer, National Council for Single Mothers and their Children Inc., *Committee Hansard*, p. 15.

Stakeholder Views

1.27 Labor Senators note that of the 19 submissions received in this inquiry, not a single one supported the passage of the package of measures in this Bill.

1.28 The Australian Council of Social Services (ACOSS), the peak body for the community and not-for-profit sector in Australia submitted that the Bill would increase poverty rates, including amongst children:

With 600,000 children already living below the poverty line in Australia, and one in three single parent families living in poverty, further cuts to payments to low income families cannot be justified when there are other, fairer ways to achieve budget repair. ACOSS supports the need for structural reform of family payments, but any reform package must meet three key objectives: reducing child poverty; ensuring the adequacy of payments into the future and addressing workforce disincentives. The Bill being considered by the Committee does not meet these objectives and should be rejected.⁵

1.29 National Foundation for Australian Women took a similar view, focussing on the detrimental impact of the cuts on low income families and their children, stating:

They [these cuts] will have a detrimental effect on low income families. The rate of FTB will be reduced overall both for families receiving FTBA and (substantially) single income families when their children reach the age of 13. For low income families who will be most affected by these measures the availability of appropriate childcare and an adequate paid parental leave scheme are more relevant to participation in the paid labour market.⁶

1.30 Grandparents Rearing Grandchildren WA focussed on the impact of the cuts to grandparent carers, submitting:

We as grandparents with sole parental responsibility for our grandchildren will be struggling, even more financially, with the changes proposed by this bill.⁷

The submission went on:

Many of our members have already remortgaged their homes, used their superannuation or savings in the initial effort to provide a safe, stable, secure and caring environment for their grandchildren. These costs have included legal and court fees, and relocating their grandchildren. Having exhausted their retirement income they have no other income other than the pension and family tax benefits. Grandcarers rely on the Family Tax Benefit supplements when the annual reconciliation is made for many of their grandchildren's school and out of school activities.⁸

5 Australian Council of Social Services, *Submission 2*, p. 6.

6 National Foundation for Australian Women, *Submission 4*, p. 2.

7 Grandparents Rearing Grandchildren WA, *Submission 6*, p. 1.

8 Grandparents Rearing Grandchildren WA, *Submission 6*, p. 1.

1.31 The National Council for Single Mothers and their Children focussed on the 136,000 single parents who will lose if these cuts pass the Parliament:

We call upon the Committee to reject the measures in The Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2015. For sole parents this is not an isolated reduction. Low income sole parents have repeatedly borne the brunt of successive cuts. Struggling sole parent families, mostly headed up by a mother, have no financial capacity to absorb any further reductions.⁹

1.32 The Commissioner for Children and Young People WA submitted that:

Creating additional financial stress on low income families to achieve some short term savings for government, will increase the likelihood of poorer outcomes for these families across a range of indicators into the future and inevitably create additional costs to our social security, health and justice systems. Australia has a proud history of helping those who are vulnerable through our social security safety nets and our family tax benefits. I encourage the government to reconsider the proposed amendments that, in my view, are not in the best interests of children and young people and will adversely impact on some of our most disadvantaged families.¹⁰

1.33 The Australian Youth Affairs Coalition (AYAC) expressed particular concern about the impact of removing FTB Part B payments for young people aged 16 to 18 years of age who are not eligible for youth allowance. Mr Leo Fieldgrass, National Director of the AYAC told the committee:

We are concerned that replacing the current rate of family tax benefit part B, for single parents and grandparents with older children between 12 and 16, with the lower payment will leave a gap for children between 16 and 18 that was previously covered by part B and not receiving youth allowance.¹¹

1.34 Overwhelmingly, submissions to the inquiry recommended that the package of measures in the Bill be rejected.

Family Tax Benefit B for Couple Families

1.35 Labor Senators note evidence from some organisations which identified elements of the current family payments structure which could act as a disincentive to workforce participation for couple families with older children.

1.36 In her evidence to the Committee Ms Kate Beaumont, President, National Welfare Rights Network, identified a number of elements of the family payments system which may act as a disincentive to paid employment:

There are recognised disincentives to participation in the family payment system such as the combined effect of having two separate family payments

9 National Council for Single Mothers and their Children, *Submission 9*, p. 4.

10 Commissioner for Children and Young People WA, *Submission 10*, p. 5.

11 Mr Leo Fieldgrass, National Director, Australian Youth Affairs Coalition, *Committee Hansard*, 19 November 2015, p. 17.

with different withdrawal rates, combined with tax rates and withdrawal of other income support payments, which reduce the returns from employment, especially for second earners in couple families.¹²

1.37 In their submission ACOSS identified a number of aspects of the family payments system which they described as poorly designed. They specifically identified the extension of the Part B payment to support one stay-at-home parent in a couple to care for a child fulltime until they reach 18 years, despite changes over time in working and caring patterns, as a disincentive to paid employment.¹³

1.38 In her evidence to the Committee, Ms Jacqueline Phillips, Director of Policy, ACOSS, argued:

I think there is a legitimate objective around the part B payment for couples and targeting that more effectively to couple households who have younger children and who therefore have a need to have one parent at home looking after the child in their early years. We do believe it is difficult to justify the part B payment extending right up to 18 years for those families, because the need for that second parent to remain at home caring for the child full-time is much less.¹⁴

1.39 Based on this evidence Labor Senators would be inclined to support the element of the Bill that seeks to remove family tax benefit Part B for couple families (other than grandparents) with a youngest child aged 13 or over.

Conclusion

1.40 Since the introduction of the Liberal Government's first set of family payment cuts in the 2014 budget, there has been almost universal opposition from across the community.

1.41 This is a reflection of the widespread view that these changes are designed only for the purpose of saving money, and will hurt low income families and their children.

1.42 Contrary to the arguments of the Government, these cuts are not linked to child care. Whilst Labor understands that families need more help with the costs of child care, that extra support should not come out of the pockets of low income families. If the Government wants to fund its child care package, it should look for fair way to do so.

1.43 The Labor Senators on this Committee strongly believe this bill should not pass in its current form.

12 Ms Kate Beaumont, President, National Welfare Rights Network, *Committee Hansard*, 19 November 2015, p. 28.

13 Australian Council of Social Service, *Submission 2*.

14 Ms Jacqueline Phillips, Director of Policy, Australian Council of Social Services, *Committee Hansard*, 19 November 2015, p. 9.

Recommendation 1

1.44 Labor Senators recommend that the Bill be rejected in its current form.

Recommendation 2

1.45 Labor Senators recommend that the Bill be amended to remove all measures except the changes to FTB-B for couple parents (excluding grandparent and great-grandparent carers) whose youngest child is 13 years or over.

Senator Carol Brown

Senator Katy Gallagher

Senator Claire Moore

