

The Senate

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Community Affairs  
Legislation Committee

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Social Services Legislation Amendment  
(Family Payments Structural Reform and  
Participation Measures) Bill 2015  
[Provisions]

November 2015

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# MEMBERSHIP OF THE COMMITTEE

## 44<sup>th</sup> Parliament

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### Participating members for this inquiry

Senator Claire Moore	Queensland, ALP
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# ABBREVIATIONS

ACCER	Australian Catholic Council for Employment Relations
ACOSS	Australian Council of Social Service
AYAC	Australian Youth Affairs Coalition
Bill	Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2015
Committee	Senate Community Affairs Legislation Committee
Department	Department of Social Services
EM	Explanatory Memorandum
FTB	Family Tax Benefit
McClure Report	<i>A New System for Better Employment and Social Outcomes: Final Report</i>
Minister	Minister for Social Services
NWRN	National Welfare Rights Network
PJCHR	Parliamentary Joint Committee on Human Rights



# **LIST OF RECOMMENDATIONS**

## **Recommendation 1**

**2.30 The committee recommends that the Bill be passed.**



# Chapter 1

## Introduction

### Referral

1.1 On 12 November 2015, the Senate referred the provisions of the Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2015 (Bill) to the Senate Community Affairs Legislation Committee (committee) for inquiry and report by 30 November 2015.<sup>1</sup>

1.2 This inquiry reports on the provisions of the Bill as referred to the committee on 12 November 2015. The committee notes that the House of Representatives agreed to amendments to the Bill on 26 November 2015 removing schedules 1 and 3 and items 1–3 and 5–9 of schedule 2.<sup>2</sup>

### Conduct of the inquiry

1.3 Details of the inquiry, including a link to the Bill and associated documents, were placed on the committee's website.<sup>3</sup> The committee also wrote to 84 organisations and individuals, inviting submissions by 20 November 2015. Submissions continued to be submitted after that date.

1.4 The committee received 19 submissions to the inquiry. All submissions are listed at Appendix 1 and published on the committee's website.

1.5 The committee held a public hearing in Canberra on 19 November 2015. A list of witnesses who appeared at the hearing is at Appendix 2, and the Hansard transcript is available through the committee's website.

### Background

1.6 In May 2015, the then Minister for Social Services, the Hon Scott Morrison MP, announced a \$3.5 billion *Jobs for Families* childcare package to 'provide greater choice for more than 1.2 million families by providing a simpler, more affordable, more flexible, and more accessible child care system.' This package would provide additional support for low and middle income families through:

- Abolition of the current Child Care Benefit, Child Care Rebate and Jobs, Education and Training Child Care Fee Assistance programmes.
- Introduction of a single means tested *Child Care Subsidy* for all families, subject to a new activity test for up to 100 hours of

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1 *Journals of the Senate*, No. 126—12 November 2015, p. 3374.

2 *House of Representatives Votes and Proceedings*, No. 162—26 November 2015, p. 1750.

3 See:

[http://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Community\\_Affairs/Family\\_Payments](http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Community_Affairs/Family_Payments) (accessed 23 November 2015).

subsidised care per child per fortnight, paid directly to approved care service providers to make it easier for families.

- For family incomes of up to approximately \$65,000 the *Child Care Subsidy* will be 85% per child of the actual fee or a benchmark price, whichever is lower. This will reduce to 50% for family incomes of approximately \$170,000 and above at the time of implementation.
- Families on incomes under \$185,000 will no longer have a cap on the amount of subsidy they receive.
- A cap of \$10,000 per child at the time of introduction will be established for the total value of subsidies for family incomes of \$185,000 and above.<sup>4</sup>

1.7 In his second reading speech on the Bill, the Minister for Social Services, the Hon Christian Porter MP (Minister), noted that the expected savings from the measures in the Bill would offset the childcare package, as well as improving:

...the sustainability of family payments, ensuring that we as a government and as a society can achieve three important goals: first, continue to assist families in raising their children over the long term; second, fund the childcare reforms designed to enable and encourage greater workforce participation; and, third, continue a deservedly needed process of simplifying FTB [family tax benefit], consistent with the recommendations of the McClure review, which highlights the unworkability of a system that maintains 20 main payment types with in excess of 50 supplementary categories.<sup>5</sup>

### **Key provisions and purpose of Bill**

1.8 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.<sup>6</sup>

1.9 This Bill is comprised of three schedules. The committee notes that the amended Bill removes schedules 1 and 3 and most of schedule 2.

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4 The Hon Scott Morrison MP, Minister for Social Services, 'Job for Families child care package delivers choice for families', Media Release, 10 May 2015, <http://www.formerministers.dss.gov.au/15859/job-for-families-child-care-package-delivers-choice-for-families/> (accessed 23 November 2015).

5 The Hon Christian Porter MP, Minister for Social Services, *House of Representatives Hansard*, 21 October 2015, p. 11 919.

6 Explanatory Memorandum (EM), p. 1.

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### ***Schedule 1—Payment Rates***

1.10 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.<sup>7</sup>

1.11 These increases would commence from 1 July 2018.<sup>8</sup>

### ***Schedule 2—Family tax benefit Part B rate***

1.12 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.<sup>9</sup>

1.13 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.<sup>10</sup>

1.14 The committee notes 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.<sup>11</sup>

### ***Schedule 3—Family tax benefit supplements***

1.15 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.

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7 EM, p. 2.

8 EM, p. 2.

9 EM, p. 6.

10 EM, p. 8.

11 Supplementary EM, p. [1].

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.<sup>12</sup>

1.16 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.<sup>13</sup>

### **Financial impact**

1.17 The Explanatory Memorandum estimated the following financial impacts for each schedule over the forward estimates of the Bill as referred:

- Schedule 1—cost of \$584.2 million;
- Schedule 2—saving of \$1 361.8 million; and
- Schedule 3—saving of \$4 063.9 million.<sup>14</sup>

1.18 The committee notes that the amended Bill is estimated to result in a saving of \$525.5 million over the forward estimates.<sup>15</sup>

### **Consideration of the Bill by other committees**

#### ***Scrutiny of Bills***

1.19 The Senate Standing Committee for the Scrutiny of Bills made no comment on this Bill.<sup>16</sup>

#### ***Human Rights***

1.20 The Parliamentary Joint Committee on Human Rights (PJCHR) considered that the reduction in the rate of FTB Part B and the removal of the supplements to FTB Parts A and B may engage and limit the right to social security and the right to an adequate standard of living. The PJCHR sought advice from the Minister on the justification for these limits.<sup>17</sup> The PJCHR had not published the Minister's response by the time this inquiry had concluded.

### **Acknowledgement**

1.21 The committee thanks those organisations who made submissions to the inquiry and who gave evidence at the public hearing.

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12 EM, p. 9.

13 EM, pp 9–10.

14 EM, p. 1.

15 Supplementary EM, p. [1].

16 Senate Standing Committee for the Scrutiny of Bills, *Alert Digest No. 12 of 2015*, 11 November 2015, p. 21.

17 Parliamentary Joint Committee on Human Rights, *Thirtieth report of the 44<sup>th</sup> Parliament*, 10 November 2015, pp 53–60.

**Note on References**

1.22 Reference to the committee *Hansard* is to the proof *Hansard*. Page numbers may vary between the proof and the official *Hansard* transcript.



# Chapter 2

## Key issues

2.1 Most submitters and witnesses supported reforms to the family tax benefit (FTB) payments system to ensure it is simpler, fairer and better targeted. However, most submitters and witnesses opposed the proposed changes outlined in the Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2015 (Bill) and expressed concerns about the following measures:

- changes to the FTB Part B rates for vulnerable families, particularly those with children aged over 13 years of age;
- phasing out of FTB Part A and FTB Part B supplements; and
- linking proposed savings to the government's childcare package.

2.2 In his second reading speech, the Minister for Social Services (Minister), the Hon Christian Porter MP, noted that the measures outlined in the Bill:

...demonstrates the government's commitment to assisting families; providing additional assistance to families when they need it the most; supporting family choice to spend more time with children when they are very young, if they wish to do so; recognising that families still have caring responsibilities when their children are in secondary school; and recognising that the most vulnerable families in the secondary schooling years, such as grandparent carers, should receive some additional support during a child's adolescent years.<sup>1</sup>

### Changes to FTB Part B payments

2.3 Some submitters and witnesses supported the proposal to increase the fortnightly FTB Part A payment by \$10.08 for each child in the family aged up to 19 years, with equivalent increases in youth allowance and disability support pension payments for those aged under 18 and living at home. The Commissioner for Children and Young People Western Australia supported the measure noting it would:

...assist low income families in raising and supporting their children so that they can be safe and healthy, so that they can attend quality child care, pre-school, primary and secondary school, and have access to life opportunities.<sup>2</sup>

2.4 However, most submitters and witnesses did not support the proposed changes to FTB Part B payments, noting that for most families the proposed increase in FTB Part A may be less than the proposed reductions to FTB Part B. These submitters expressed concern that the proposed reduction in payments risks placing

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1 The Hon Christian Porter MP, Minister for Social Services, *House of Representatives Hansard*, 21 October 2015, p. 11920.

2 Commissioner for Children and Young People WA (CCYPWA), *Submission 10*, p. 3.

families in financial hardship, particularly families in vulnerable groups such as single parents, low-income families, families in regional and remote areas and Aboriginal and Torres Strait Islander families.<sup>3</sup> For example, the Secretariat of National Aboriginal and Islander Child Care submitted that the reductions would have a disproportionate impact on Aboriginal and Torres Strait Islander families:

Many of our people are already really struggling to meet the day-to-day needs of their families. These reductions will inconsistently further reduce the ability of many parents to care for their children...<sup>4</sup>

2.5 A number of submitters and witnesses expressed concern about the impact of the proposed reduction of the FTB Part B payment on families with a youngest child aged over 13 years of age. These submitters and witnesses suggested that removing payments risks placing these children at a disadvantage as the cost of raising children increases as children grow older.<sup>5</sup> For example, the Centre for Excellence in Child and Family Welfare submitted that children:

...the costs of caring for children continue to rise as children grow older. Reducing the income available for families who are already struggling financially at a time when expenses are increasing will exacerbate the challenges for these families and is likely to increase child poverty.<sup>6</sup>

2.6 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.<sup>7</sup> 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.<sup>8</sup>

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3 See: Catholic Social Services, *Submission 1*, pp 1–2; Australian Council of Social Service (ACOSS), *Submission 2*, p. 4; Australian Catholic Council for Employment Relations, *Submission 3*, pp 5–16; National Foundation for Australian Women, *Submission 4*, pp [1–2]; UnitingCare Australia, *Submission 5*, p. [6]; Grandparents Rearing Grandchildren WA, *Submission 6*, pp [1–2]; Name withheld, *Submission 9*, p. [1]; National Council for Single Mothers and their Children (NCSMC), *Submission 9*, p. 4; CCYPWA, *Submission 10*, pp 3–4; National Welfare Rights Network (NWRN), *Submission 13*, pp [4–5]; Welfare Rights Centre, *Submission 16*, pp [1–3]; Centre for Excellence in Child and Family Welfare, *Submission 19*, pp 2–3.

4 SNAICC, *Submission 12*, p. [2].

5 See: NCSMC, *Submission 9*, p.4; Australian Youth Affairs Coalition, *Submission 11*, p. 2; NWRN, *Submission 13*, pp [6–7]; Youth Affairs Council of Western Australia, *Submission 17*, pp 1–3.

6 *Submission 19*, p. 2.

7 *Submission 11*, p. 1.

8 *Committee Hansard*, 19 November 2015, p. 17.

2.7 Representatives from the Department of Social Services (department) told the committee that the 'vast majority' of FTB Part A recipients would receive an increase in fortnightly assistance, with around 1.2 million families (including 2.2 million children) receiving an additional \$10.08 per fortnight.<sup>9</sup> At Supplementary Budget Estimates, the committee was advised that 516 000 single parents (43 per cent of the 1.2 million families) would benefit from the increase, and 22 200 children aged under 18 years of age receiving youth allowance, disability support pension, Abstudy or special benefit would also benefit.<sup>10</sup>

2.8 The department clarified that the changes to FTB Part B payments are intended to provide an incentive for parents to re-enter the workforce as their children grow older:

FTB [Part] B is a payment which is provided to single income families to recognise that, for example, a member of a couple has withdrawn from the workforce as part of the family's arrangements to support the children...the intention of removing the payment at 13 is to provide an incentive for those parents to become more engaged in the workforce.<sup>11</sup>

2.9 The department highlighted that FTB Part A is the family payment designed to specifically assist families with the increasing costs of raising children over the age of 13, and that part of this Bill's objective is to increase workforce participation for families as the youngest child becomes more independent and requires less direct care:

FTB [Part] A is really the payment which is intended to assist families with the direct costs of children and it increases at age 13, in line with the recognised increasing cost of children; FTB [Part] B, which is the payment which is being reduced as part of these proposals, is assisting single income couples.

I think the gist of the government's policy is that, at that age, single income couples are in a position to increase their workforce participation and therefore specific assistance them is not so much required. That is why they are making the change. But that is not to do with the cost of children; that is to do with a recognition that the family may have more capacity to increase their own hours of work and their own level of participation in the workforce to contribute to the total costs of the family.<sup>12</sup>

### ***Incentives to enter the workforce***

2.10 Submitters questioned whether the removal of FTB Part B payments is the most appropriate mechanism to increase workforce participation. Ms Lin Hatfield Dodds, National Director of UnitingCare Australia told the committee that reductions

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9 Ms Cath Halbert, Group Manager, Payments Policy Group, Department of Social Services, *Committee Hansard*, 19 November 2015, p. 33.

10 Mr Andrew Whitecross, Branch Manager, Rates and Means Testing Policy, Department of Social Services, *Estimates Hansard*, 22 October 2015, p. 26 & p. 41.

11 Mr Andrew Whitecross, *Committee Hansard*, 19 November 2015, p. 36.

12 Mr Andrew Whitecross, *Committee Hansard*, 19 November 2015, p. 40.

in payments do not provide sufficient incentive and should be accompanied by investment in job creation:

In our experience over many decades working with unemployed Australians, if a person is unable to work or cannot find employment, despite attempting to do so, reducing payments is not an effective incentive if someone is genuinely looking for work. To be effective in attaching unemployed people to jobs, we believe our focus needs to be, beyond training and employment support, on investment in job creation.<sup>13</sup>

2.11 In its submission, National Welfare Rights Network (NWRN) acknowledged that in some circumstances removal of payments may act as an incentive for parents to re-engage with the workforce 'and as a result be better off'. However, NWRN also noted that in many other circumstances, parents:

...will never be in a position to take up paid work due to disability or caring responsibilities or other factors. The Bill undermines the adequacy of payments to families and children for those who are unable to enter the workforce or will be unsuccessful in doing so.<sup>14</sup>

2.12 In evidence to the committee, the department noted the positive consequences of increasing workforce participation once a family's youngest child commences secondary schooling and requires less direct care:

...the intention of the policy is that families that are currently single income families could replace that money through increases in their workforce participation and, as a result, they get the money to meet those costs of their children through self-provision rather than through government assistance.<sup>15</sup>

2.13 The department also explained that the expected savings from the Bill would offset the *Jobs for Families* package to enable parents with younger children to access greater childcare support when contemplating re-entering the workforce:

A common theme across both the childcare package and this package is some priority for encouraging families to provide for themselves as much as possible, and the cost of child care is a significant inhibitor of participation for families, particularly where the person planning to work has a low wage rate and where the cost of child care could be quite a high proportion of their wage rate. So improving assistance through child care is an important element of enabling low-income families and low-wage workers to participate in the workforce.<sup>16</sup>

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13 *Committee Hansard*, 19 November 2015, p. 2.

14 *Submission 13*, p. 5. See also: *Submission 19*, p. 2.

15 Mr Andrew Whitecross, *Committee Hansard*, 19 November 2015, p. 40.

16 Mr Andrew Whitecross, *Committee Hansard*, 19 November 2015, p. 41.

### ***Exemptions for grandparent carers***

2.14 A number of submissions were supportive of this Bill's exemption of grandparent carers from the changes to FTB Part B.<sup>17</sup> However, some submitters questioned why the exemption for grandparents was not extended to other vulnerable groups such as foster carers and kinship carers.<sup>18</sup> Mr Brian Lawrence, Chairman of the Australian Catholic Council for Employment Relations (ACCER) told the committee:

We would want all carers of children to be included in the benefits and to have the full benefits. We think it is wrong to discriminate against children by reference to the status of their carer or, to put it another way, to discriminate against carers by reference to their relationship with the children...that is, the separation out of sole parents, grandparents, coupled parents, of course the leaving aside of other carers, is discriminatory. We think they all should be treated equally.<sup>19</sup>

2.15 The committee notes that the Bill provides a range of protections for vulnerable families including single parent and grandparent led households. This includes \$1000.10 per year for grandparent carers with a youngest child aged 13 to 16 years of age. A reduced rate of \$1000.10 will also be provided to single parents with children in the same age bracket.<sup>20</sup> Representatives from the department noted that these protections acknowledge that grandparent carers and single parents have less capacity to engage in the workforce:

...removing the FTB [Part] B from when the child is aged 13 is to do with workforce incentives. Clearly grandparents, who are either at retirement age or nearing retirement age, will have less capacity to increase their workforce participation—as is the case with sole parents.<sup>21</sup>

### **Phasing out of FTB Part A and FTB Part B supplements**

2.16 A number of submitters and witnesses expressed concern that the phasing out of the FTB Part A and FTB Part B supplements would risk further disadvantaging vulnerable groups, particularly single parents and low-income families.<sup>22</sup> Mr Martin Cowling from UnitingCare Australia told the committee:

...many of our organisations deal with people whose finances are very finely balanced all the time, and that any shift in those finances can push a family into crisis.<sup>23</sup>

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17 See: *Submission 9*, p. 3; *Submission 13*, p. [6]; Grandparents Australia, *Submission 18*, p. [1].

18 See: Ms Lin Hatfield Dodds, *Committee Hansard*, 19 November 2015, p. 5; *Submission 13*, p. [6]; *Submission 18*, p. [1].

19 *Committee Hansard*, 19 November 2015, p. 27.

20 EM, p. 1.

21 Ms Cath Halbert, *Committee Hansard*, 19 November 2015, p. 37.

22 See: *Submission 3*, pp 2–3; *Submission 5*, pp [4–5]; *Submission 9*, p. [1]; *Submission 9*, p. 3; *Submission 10*, pp 4–5; *Submission 16*, pp [3–4].

23 *Committee Hansard*, 19 November 2015, p. 3.

2.17 The committee heard that low-income families rely on the supplement for significant expenses that can't be met through fortnightly payments. Ms Terese Edwards, CEO of the National Council for Single Mothers and their Children, told the committee:

The reconciling of the end-of-year supplements is factored into household budgets and provides a much required capacity to enable families to pay those large costs that often cannot be met within the weekly budget. Such items may include outstanding school fees, car registration and replacement of household appliances.<sup>24</sup>

2.18 In his second reading speech, the Minister highlighted that the purpose of the supplements when they were introduced in 2004 and 2005 was to 'offset potential family tax benefit overpayments arising from underestimates by recipients of their FTB relevant annual income'.<sup>25</sup> Representatives from the department estimated that only eight per cent of current supplement recipients incur a debt at the end of the financial year, with 12 per cent having a debt that is covered by the supplement and 80 per cent receiving the full supplement.<sup>26</sup>

2.19 The Minister also noted that the phasing out of supplements was consistent with one of the recommendations from the 2015 report by the Reference Group on Welfare Reform to the Minister for Social Services, *A New System for Better Employment and Social Outcomes: Final Report* (McClure Report).<sup>27</sup> The McClure Report recommended implementing a 'new architecture for the income support system that is employment focused' that would be 'simpler, more coherent and clearly reward work'.<sup>28</sup> This new system should include 'fewer supplements and they should have clearly defined purposes and be for specific additional costs', and the government should 'review all supplements alongside the detailed development of the new payment architecture'.<sup>29</sup>

2.20 The Minister further noted that the need for the supplement would be reduced by impending changes to the way FTB payments are estimated:

In the near future, the Australian Taxation Office is introducing a single-touch payroll system, a system which will allow for accurate fortnightly reporting of income...[this system] will very significantly reduce the problem of family tax benefit debts.<sup>30</sup>

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24 *Committee Hansard*, 19 November 2015, p. 14.

25 *House of Representatives Hansard*, 21 October 2015, p. 11920.

26 Mr Andrew Whitecross, *Committee Hansard*, 19 November 2015, p. 34.

27 *House of Representatives Hansard*, 21 October 2015, p. 11920.

28 Reference Group on Welfare Reform to the Minister for Social Services, *A New System for Better Employment and Social Outcomes: Final Report*, February 2015, p. 15, <https://www.dss.gov.au/review-of-australias-welfare-system> (accessed 24 November 2015).

29 *A New System for Better Employment and Social Outcomes*, p. 16.

30 *House of Representatives Hansard*, 21 October 2015, p. 11920.

2.21 Some submitters expressed concern that the proposed Single Touch Payroll is not yet advanced enough to resolve the problem of overpayments. The Australian Council of Social Service (ACOSS) submitted that the supplements should not be phased out until the system is fully operational:

The IT interface between the Department of Social Services and the Australian Tax Office is not yet advanced enough to prevent over and underpayments, which end of year supplements were designed to address. Until the IT system is up to the task, the supplements should not be phased out and any phase out should be done very gradually and offset by other increases for low income families.<sup>31</sup>

2.22 Representatives from the department clarified that the Single Touch Payroll system:

...has the potential to assist us to work with the customer to get their estimates more accurate under the current estimation rules. We will see what stream of income the customer is actually receiving and will be able to identify circumstances in which it is apparent that their estimate seems to be not appropriate against what we are actually seeing the customer receive. It will assist in relation to those kinds of cases, in identifying and adjusting estimates for families where their estimate does not seem to line up with what is actually happening. It also offers us the potential over the longer term to consider alternative ways of assessing income rather than using income estimates, because we will have real-time information about their circumstances which could be used to directly assist their entitlements in the future.<sup>32</sup>

### **Linking savings to child care reforms**

2.23 A number of submitters and witnesses expressed concern about the proposal to use the savings from the FTB reductions to fund the \$3.5 billion child care package outlined in the 2015 Budget. These submitters and witnesses did not support reducing family support payments to fund child care.<sup>33</sup> Mr Brian Lawrence from ACCER suggested instead that child care support should be funded from general tax revenue:

Our view is that child care is a responsibility of the community as a whole and it should come out of the general tax system. Employers have to pay something towards it; the whole community has to pay something towards it—it is a community responsibility and not the responsibility of low-paid people who are struggling to look after their kids and give them a decent standard of living.<sup>34</sup>

2.24 In his second reading speech, the Minister noted that:

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31 *Submission 2*, p. 5.

32 Mr Andrew Whitecross, *Committee Hansard*, 19 November 2015, p. 34.

33 See, for example: Australian Council of Trade Unions, *Submission 15*, pp [1–2]; Ms Terese Edwards, *Committee Hansard*, 19 November 2015, p. 15; Mr Brian Lawrence, *Committee Hansard*, 19 November 2015, p. 24.

34 *Committee Hansard*, 19 November 2015, p. 24.

The measures in this bill have been introduced in order to make sure the *Jobs for Families* package that was introduced in the 2015-16 budget is fully paid for. This present package contains the required savings to offset the additional investment in the childcare package, which, as well as helping families and encouraging workforce participation, also represents substantive reform of a complicated inflationary childcare system.<sup>35</sup>

2.25 Representatives from the department clarified that the savings would make childcare more accessible:

The government is investing almost \$40 billion in child care over the next four years. This includes an extra \$3.5 billion to make child care simpler, more flexible and more accessible. The government wants to help families find affordable child care. This is an important productivity measure that will boost female workforce participation.

The overall effect of these reforms will increase ongoing day-to-day financial assistance and provide families with more choice, with many families receiving an increase of between \$30 and \$60 in fortnightly payments, depending on their particular situation. Families will have access to a better, simpler, more flexible childcare system while ensuring parents who choose to stay at home when their children are very young are not disadvantaged. The government believes the package strikes the right balance between improving the sustainability of family payments and providing sufficient financial support to families most in need.<sup>36</sup>

### **Committee view**

2.26 The committee supports the proposed increases to FTB Part A payments which acknowledge and attempt to offset some of the costs associated with raising children, and would benefit 1.2 million families. The committee notes that FTB Part A is a means tested payment and as such targets those most in need.

2.27 The committee acknowledges concerns about the proposed changes to FTB Part B payments and the impact on vulnerable families. The committee considers that these changes will provide an incentive for parents to re-engage in the workforce, recognising that as children grow older, parents have increased capacity to participate in the workforce. The committee acknowledges that the Bill contains appropriate safeguards for grandparent carers and single parents who have limited capacity to find employment.

2.28 The committee acknowledges concerns about the impact of phasing out FTB Part A and FTB Part B supplements. The committee recognises that a small proportion of families use the supplement for its original purpose to offset debts incurred as a result of FTB overpayments. The committee is satisfied that under the Single Touch Payroll system, families will be able to more accurately estimate payments and less likely to incur a debt. The committee also recognises that reducing

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35 *House of Representatives Hansard*, 21 October 2015, p. 11919.

36 Ms Cath Halbert, *Committee Hansard*, 19 November 2015, p. 33.

the number of income support supplements is consistent with the recommendations of the McClure Report to improve the sustainability of Australia's welfare system.

2.29 The committee acknowledges concerns about linking the expected savings from the proposed changes to FTB Part B payments to the government's childcare package. The committee considers that using the savings for this purpose is justified and will contribute to increasing productivity and boosting the participation of parents in the workforce. The committee notes that the combination of these measures, together with the *Jobs for Families* childcare package, will help to support families to support themselves and reduce their dependence on welfare payments.

### **Recommendation 1**

**2.30 The committee recommends that the Bill be passed.**

**Senator Zed Seselja**

**Chair**



# 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

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from 1 July 2016, and to \$153.30 a year from 1 July 2017. It will then be withdrawn from 1 July 2018.<sup>1</sup>

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.<sup>2</sup>

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

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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.

<b>Family circumstances</b>	<b>Current rates (including all supplements), pa</b>	<b>2018 changes applied now, pa</b>	<b>Difference between current and proposed FTB entitlements</b>
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.<sup>3</sup>

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.<sup>4</sup>

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.

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

<sup>4</sup> 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.<sup>5</sup>

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.<sup>6</sup>

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.<sup>7</sup>

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.<sup>8</sup>

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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.<sup>9</sup>

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.<sup>10</sup>

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.<sup>11</sup>

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

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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.<sup>12</sup>

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.<sup>13</sup>

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.<sup>14</sup>

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.

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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**



# Australian Greens Senators' Dissenting Report

**1.1 The Australian Greens do not support the majority report of this Committee. This Bill in its original form is simply another version of harsh cuts from the Government's cruel 2014-15 Budget, and it should not be passed.**

1.2 We note that the Government has amended the Bill in the House of Representatives after its introduction, but prior to this Committee's reporting date, with changes reflecting Labor's reported position.<sup>1</sup> The Australian Greens still oppose the amended Bill, which will cut Family Tax Benefit B to 76,000 couples with children aged 13+.<sup>2</sup> This is an age when the support children need is increasing, and the Government should not be cutting support to families.

**1.3 The amended Bill is simply a watered down version of the Government's cuts, and should not be passed.**

## **Measures in the Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2015**

1.4 The *Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2015* ('the Bill') makes a number of changes to the family tax benefit (FTB) system, and to a number of related payments.

1.5 Specifically, the Bill:

- Phases out the annual FTB-A (\$726.35) and FTB-B (\$354.05) supplements between 2015-16 and 2017-18.<sup>3</sup>
- Removes FTB-B for all children aged 17-18, and couple families with a child aged 13-16.
- Reduces the maximum rate of FTB-B from \$2,784.95 to \$1,000 annually for single parents and grandparent carers with children aged 13-16.
- Increases FTB-A and some equivalent payments (for specific Youth Allowance and Disability Support Payment recipients) by around \$5 a week.
- Increases FTB-B by \$1,000 annually for families with a child under one.

1.6 The changes in this Bill represent a significant cut to the FTB system. The measures are expected to provide a net save of around \$4.8 billion over the forward

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1 <http://www.abc.net.au/news/2015-11-10/federal-opposition-agrees-to-scrap-family-tax-benefit-b/6927328> (accessed 27 November 2015).

2 See: *Submission 2*.

3 <http://www.humanservices.gov.au/customer/enablers/centrelink/family-tax-benefit-part-a-part-b/ftb-b-payment-rates>; <http://www.humanservices.gov.au/customer/enablers/centrelink/family-tax-benefit-part-a-part-b/ftb-a-payment-rates> (accessed 27 November 2015).

estimates.<sup>4</sup> The Government's rationale is an ad-hoc search for savings regardless of the damage, reflecting the approach taken in the 2014-15 Budget, rather than a genuine attempt at structural reform to improve the system.

### **Cuts to FTB-B**

1.7 The Bill as originally introduced removes FTB-B for all children aged 17-18, and couple families with children aged 13-16. It also significantly reduces FTB-B for single parents and grandparent carers with children aged 13-16.

1.8 These cuts will impact 136,000 single parents, and some 4,000 grandparent carers and thousands of low income couple families. These cuts reduce support that is intended to combat child poverty, and could have a devastating impact. While the cuts take a different form, the underlying approach is the same as the 2014-15 Budget. As the Australian Council of Social Services said in their submission:

Although the current Bill will be less severe in its impacts than those proposed in 2014-15 Budget, the changes remain very harsh. Unlike the age pension changes, this Bill does not seek to better target payments to lower income families while tightening access for those on higher incomes. It will affect those on the lowest incomes the most, including single parent and low income couple households.

It is 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) and those with two children over 13 to lose around \$3,000 per year (as will grandparents).

Some 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 changes.

The numbers affected and the extent of the income losses mean that the changes are likely to lead to an increase in child poverty, noting child poverty is already concentrated in single parent families. There are already 600,000 children living below the poverty line in Australia.<sup>5</sup>

1.9 The cost of children typically increases with age, however the approach in this Bill is to cut payments to older children. As the Government's McClure Report concluded:

The costs of children increase markedly at the following points in the lifecycle: starting primary school, starting secondary school and entering the final two years of secondary school. The new Child and Youth Payment will better reflect this and be higher for older children than for younger children. Payments for low income families with children and young people

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4 Parliamentary Library, 'Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2015', *Bills Digest no. 50*, 18 November 2015, pp 7-8.

5 *Submission 2*, p. 4.

should support children to finish their education and transition to the workforce.<sup>6</sup>

1.10 During the Committee hearing, Departmental officials said they had not analysed the cost of children, but referred to the 'cost of children table ... developed for child support purposes'.<sup>7</sup> That table reflects a higher cost for children aged 13 and over, with lower costs for children aged 12 and under,<sup>8</sup> and multiple submissions and witnesses noted that children's needs increase as they age.<sup>9</sup>

1.11 In particular, cuts to FTB-B would have a devastating impact on the 136,000 single parents affected, who are already struggling following other cuts. As one witness said, '[s]ole parents have borne the brunt of successive cuts. They are completely ill equipped to manage any further reductions.'<sup>10</sup> These include the measures by successive Liberal and Coalition Governments which forced single parents onto Newstart, which significantly increased the risk of child poverty.<sup>11</sup>

1.12 While the cut to FTB-B is reduced for single parents and grandparents with children aged 13+, this would not cover some other groups who may need additional support as carers. In particular, kinship and foster carers are not covered by the reduced rate of FTB-B and will be subject to the full cut after children turn 13.<sup>12</sup>

**1.13 The cuts to FTB-B included in this Bill will hit the parents and carers of teenagers particularly hard. The evidence shows that children's needs are typically greater as they age, particularly in their final two years of school.**

### **Phasing out end of year supplements**

1.14 One of the harshest cuts in the Bill is the removing of the end of year supplements for FTB-A and FTB-B. When these supplements were initially introduced, there were two broad rationales for their introduction:

- To provide an increase to the overall FTB payments; and
- To do so in a way which provided relief to families who had small debts as a result of the reconciliation process.<sup>13</sup>

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6 Report of the Reference Group on Welfare Reform to the Minister for Social Services, *A new system for better employment and social outcomes: Final report*, February 2015, p. 88.

7 *Committee Hansard*, 19 November 2015, p. 35.

8 <http://www.humanservices.gov.au/customer/enablers/child-support/child-support-assessment/working-out-child-support-using-the-basic-formula> (accessed 27 November 2015).

9 *Submission 2*, p. 4; *Committee Hansard*, 19 November 2015, p. 13; *Submission 13*, p. 6.

10 *Committee Hansard*, 19 November 2015, p. 13.

11 <http://www.abc.net.au/radionational/programs/backgroundbriefing/the-welfare-to-work-trap/6795072> (accessed 27 November 2015).

12 *Committee Hansard*, 19 November 2015, p. 27.

13 Parliamentary Library, 'Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2015', *Bills Digest no. 50*, 18 November 2015, pp 9-10.

1.15 Part of the Coalition's stated rationale is to phase-out the supplements, with the expectation that by the time they are phased out new Australian Taxation Office systems will allow accurate estimates of income throughout the year.<sup>14</sup> Public statements by the Government, and evidence heard during the Committee process, suggest that expecting new systems to be fully effective is at best wildly optimistic.

1.16 While the Government initially intended to introduce the single-touch Australian Taxation Office system by July 2016, that date has been postponed to some time 'in a couple of years'.<sup>15</sup> In October 2015, an ATO spokesperson said:

Consultation is continuing on the scope and timing for the Single Touch Payroll initiative and the feasibility of conducting targeted pilots subject to a final Government decision to proceed with the initiative.<sup>16</sup>

1.17 Multiple witnesses and submissions to the Committee were concerned that the relevant departmental computer systems were simply not capable of the linkages required.<sup>17</sup> As Ms Terese Edwards, Chief Executive Office of the National Council for Single Mothers and their Children Inc. said:

On Tuesday I attended a child support teleconference and it was made clear to us that even though this has been a goal for the last eight years that families still need to go to both agencies just to let them know of their income, because the computer systems cannot talk to each other within the one department. If you ever have the chance to go onto the family payments Facebook page, which is run by the department, you will find that at critical points, where tax returns are meant to be in, or other forms are lodged or around payments, that the most common complaint is that the IT system is not working. I would argue that the current system is not working; it causes great duress. So I have no faith in this being cited as a rationale for reducing the annual supplements.<sup>18</sup>

### **1.18 Fundamentally, the Government's rationale that updated computer systems will enable end of year supplements to be phased out is flawed.**

1.19 Regardless of the computer systems, removing the supplement would be a significant reduction in the support provided to vulnerable groups including single parents. As the National Welfare Rights Network explained:

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14 *House of Representatives Hansard*, 21 October 2015, pp 11919 – 11920.

15 Minister for Small Business and Assistant Treasurer, 'Cutting red tape for employers through Single Touch Payroll', *Press release*, <http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressrel%2F3584227%22> (accessed 27 November 2015); 'ATO still wants payroll reporting', *Australian Financial Review*, 14 October 2015, p. 7, <http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressclp%2F4131699%22> (accessed 27 November 2015).

16 <http://www.smartcompany.com.au/finance/tax/48756-ato-pushing-ahead-with-plans-to-introduce-real-time-payroll-reporting.html> (accessed 27 November 2015).

17 *Committee Hansard*, 19 November 2015, pp 10, 15, *Submission 2*, p. 5.

18 *Committee Hansard*, 19 November 2015, p. 15.

...simply abolishing the supplements, without a corresponding and equivalent increase in base rates of payment, is no more than a reduction in payments in a system where levels of support for many families are inadequate (especially following the transition of single parents with children from Parenting Payment Single to Newstart Allowance).<sup>19</sup>

1.20 Many families rely on the end of year supplement to make purchases which are otherwise unavailable, but can be crucial for struggling families:

Another key and important supplement is the annual 'one-off' supplement, which is essential for single parents and carers. These end-of year supplements are factored into household budgets, enabling carers and single parents to meet large costs that they simply cannot meet within the weekly budget. Items purchased with these payments can include car registration, the replacement of household goods or insurance costs...<sup>20</sup>

1.21 Despite the Government's best efforts to focus on other aspects, the reality is that except for those families with a child under one, the vast majority of FTB recipients would lose significant amounts of support if this Bill were passed.<sup>21</sup> This is particularly true for families on FTB-B.

1.22 The removal of the end of year supplements compounds the harsh impacts of the FTB-B cuts, taking away crucial support from those who need it most, including single parents, grandparent carers, and low income couples. The Australian Council of Social Services estimated that the Bill would reduce support:

- to single parent families by \$50 to \$60 per week;
- to low-income couple families of by \$70 to \$80 per week.<sup>22</sup>

**1.23 Cuts to the end of year supplements will hit families who need support the most, including single parents, grandparent carers and low income couples.**

### **Cuts to support for individuals who are victims of domestic violence**

1.24 Tragically, some recipients of family tax benefit have experienced domestic violence. Evidence to the inquiry highlighted the risks of cutting support to those most in need. Ms Terese Edwards said:

With regard to family and domestic violence, our survey of single mothers impacted by family and domestic violence stated that family payments are essential—not just helpful, not just good but essential—when they exhausted their savings and borrowed money. We also heard from families

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19 *Submission 13*, p. 9.

20 [http://www.dss.gov.au/sites/default/files/documents/08\\_2014/125\\_-\\_national\\_welfare\\_rights\\_network.docx](http://www.dss.gov.au/sites/default/files/documents/08_2014/125_-_national_welfare_rights_network.docx) (accessed 27 November 2015); <https://www.dss.gov.au/our-responsibilities/review-of-australia-s-welfare-system/public-submissions/public-submissions-121-140> (accessed 27 November 2015).

21 Parliamentary Library, 'Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2015', *Bills Digest no. 50*, 18 November 2015, p. 4.

22 *Committee Hansard*, 19 November 2015, p. 8.

about the ongoing cost to protect themselves, the cost of continuously leaving and running, and the cost of extra medical support, counselling et cetera.<sup>23</sup>

1.25 The Australian Greens strongly oppose cutting support to some of the most vulnerable members of our community.

### **Modelling, transparency and the impact of the cuts**

1.26 The Australian Greens are significantly concerned about how the Government has chosen to hide the impact of its cuts. The Government has consistently chosen to conceal the full impact of its cuts, in press releases, in speeches in Parliament, and in failing to provide key information to the Committee.

1.27 The press release announcing the changes included 'cameos', supposedly to demonstrate the impact of the cuts. However, the examples presented explicitly included the impact of childcare reforms (for which legislation had not yet been introduced into Parliament, and which would not benefit all families), and explicitly *excluded* the slashing of supplements, which would dwarf the minor \$5 a week increase.

1.28 Similarly, in his second reading speech, the Minister said: 'The increase in their fortnightly payments will help families better manage their day-to-day budgets by providing them with timely, regularised assistance when they need it the most'.<sup>24</sup> This ignores the fact that when the impact of removing the supplement is included, almost all recipients will be worse off.

1.29 A number of witnesses to the Committee highlighted the lack of published analysis by the Government.<sup>25</sup> Officials from the Department of Social Services said that in briefing Government, they had 'provided various advice around these measures', and that 'we have done examples of how families would be impacted by the whole range of measures'.<sup>26</sup> It is irresponsible of the Government to make a \$4.8 billion cut without explaining the impact it will have on single parents, grandparent carers and low income couples. The Government appears to be determined to hide what the real impact of the cuts will be.

1.30 The Australian Greens wish to thank those who provided clear and detailed analysis of the impacts, which are invaluable in understanding the impacts of specific measures in the Bill, despite the Government's unwillingness to provide clear information. Among those who examined the specific impacts were:

- The Australian Council of Social Services,<sup>27</sup>

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23 *Committee Hansard*, 19 November 2015, p. 14.

24 *House of Representatives Hansard*, 21 October 2015, pp 11919 – 11920.

25 *Committee Hansard*, 19 November 2015, pp 4-5 & 9.

26 *Committee Hansard*, 19 November 2015, p. 36.

27 [http://www.acoss.org.au/media-releases/?media\\_release=back-to-the-drawing-board-on-family-payments-new-bill-still-hits-poorest-families](http://www.acoss.org.au/media-releases/?media_release=back-to-the-drawing-board-on-family-payments-new-bill-still-hits-poorest-families) (accessed 27 November 2015).

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- The Parliamentary Library,<sup>28</sup> and
  - Peter Whiteford in *The Conversation*.<sup>29</sup>

**1.31 The Government has worked to hide the impacts of its cuts, making it harder to evaluate the detailed impact of the measures in the Bill.**

**Links to the child care reform package**

1.32 Ministers and officials repeatedly cited the putative link between the cuts in this Bill, and the proposed child care reform package. However while the child care package has been announced, no enacting legislation has been introduced into the Parliament.

1.33 More importantly, many of those who will be hit hardest by the cuts will not benefit from the increased child care support. In particular, those with children aged 13+ are very unlikely to receive any benefit from changes in the childcare package.

1.34 As the Australian Council of Social Services explained to the Committee, the two packages in conjunction would likely involve a redistribution from older families to younger families:

Our sense is that the effect of those two packages is going to be a redistribution of income, really, from families with older children to families with younger children. We also note that not everyone in the childcare package is going to be a winner either, and we have some significant concerns about low-income and vulnerable families who will be affected by the new stricter activity test, which will effectively reduce their access to early childhood education and care from two days to one day a week, or 24 hours to 12. So there are also some significant losers from the childcare package.<sup>30</sup>

**1.35 The link between the measures in the Bill and the proposed child care package is tenuous at best, and the Government has not clearly made the case for why improving child care requires cutting support to families, particularly single parents, grandparents and low income couples.**

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28 Parliamentary Library, 'Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2015', *Bills Digest no. 50*, 18 November 2015.

29 <http://theconversation.com/family-tax-benefit-savings-trimmed-but-families-with-teenagers-hit-hardest-49496> (accessed 27 November 2015).

30 *Committee Hansard*, 19 November 2015, pp 9-10.

**Recommendation 1**

**1.36 The Australian Greens recommend this Bill not be passed.**

**Senator Rachel Siewert**

# **APPENDIX 1**

## **Submissions and additional information received by the Committee**

### **Submissions**

- 1** Catholic Social Services Australia
- 2** Australian Council of Social Service
- 3** Australian Catholic Council for Employment Relations (plus a supplementary submission)
- 4** National Foundation for Australian Women
- 5** UnitingCare Australia
- 6** Grandparents Rearing Grandchildren WA Inc. (plus an attachment)
- 7** Isolated Children's Parent's Association of Australia
- 8** Name Withheld
- 9** National Council of Single Mothers and their Children
- 10** Commissioner for Children and Young People Western Australia
- 11** Australian Youth Affairs Coalition
- 12** Secretariat National Aboriginal and Islander Child Care
- 13** National Welfare Rights Network
- 14** FamilyVoice Australia
- 15** Australian Council of Trade Unions
- 16** Welfare Rights Centre Sydney
- 17** Youth Affairs Council of Western Australia
- 18** Grandparents Australia
- 19** Centre for Excellence in Child and Family Welfare

**Answers to Questions on Notice**

- 1**     Answers to Questions taken on Notice during 19 November public hearing, received from Australian Council of Social Service, 19 November 2015
- 2**     Answers to Questions taken on Notice during 19 November public hearing, received from Australian Council of Social Service, 20 November 2015
- 3**     Answers to written Questions on Notice, received from Department of Social Services, 26 November 2015

**Tabled Documents**

- 1**     FTB information, tabled by Department of Social Services, at Canberra public hearing 19 November 2015
- 2**     Costs of Children table 2015, tabled by Department of Social Services, at Canberra public hearing 19 November 2015

# **APPENDIX 2**

## **Public hearings**

*Thursday, 19 November 2015*

*Parliament House, Canberra*

### **Witnesses**

#### **UnitingCare Australia**

HATFIELD DODDS, Ms Lin, National Director  
COWLING, Mr Martin J, Associate National Director

#### **Australian Council of Social Service**

PHILLIPS, Ms Jacqueline, Director of Policy

#### **National Council for Single Mothers and their Children Inc.**

EDWARDS, Ms Terese, Chief Executive Officer

#### **Australian Youth Affairs Coalition**

FIELDGRASS, Mr Leo, National Director

#### **Australian Catholic Council for Employment Relations**

LAWRENCE, Mr Brian, Chairman  
STUPARICH, Mr Jeremy, Public Policy Director, Australian Catholic Bishops  
Conference

#### **National Welfare Rights Network**

BEAUMONT, Ms Katherine Louise (Kate), President  
BELCHER, Ms Christine Anne, Welfare Rights Advocate

#### **Down Syndrome Australia**

WEBBER, Ms Ruth, Chief Executive Officer

#### **Department of Social Services**

HALBERT, Ms Cath, Group Manager, Payments Policy Group  
EMERSON, Mr Ty, Branch Manager, Family and Students Payment Policy  
WHITECROSS, Mr Andrew, Branch Manager, Rates and Means Testing Policy