



Submission on the Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2015

UnitingCare Australia

17 November 2015

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UnitingCare Australia is the national body for social services in the Uniting Church in Australia, supporting service delivery and advocacy for children, young people, families, people with disabilities, and older people



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Senator Zed Seselja
Chair, Senate Community Affairs Legislation Committee
Parliament House, Canberra
By email: community.affairs.sen@aph.gov.au

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Dear Senator

Submission on the Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2015

UnitingCare Australia is the national body for the UnitingCare network, one of the largest providers of community services in Australia. With over 1,600 sites, the network employs 40,000 staff and is supported by the work of over 30,000 volunteers. We provide services to children, young people and families, Indigenous Australians, people with disabilities, vulnerable and disadvantaged people, people from culturally diverse backgrounds and older Australians in urban, rural and remote communities.

UnitingCare Australia works with and on behalf of the UnitingCare network to advocate for policies and programs that will improve people's quality of life. UnitingCare Australia is committed to speaking with and on behalf of those who are the most vulnerable and disadvantaged, for the common good.

We thank the Committee for the opportunity to make a submission to the inquiry into the above Bill.

UnitingCare Australia supports a review of payment architecture and payment adequacy and the need for both to be placed in the context of lifetime wellbeing, delivering against the fundamental principle that payments should reflect need. Ideally, we would support this review taking place in the context of a broader tax and transfer reform framework.

We understand the importance of a payment system that is both efficient and effective. The payment system itself is part of a wider social services system. The impacts of changes to payments are not isolated. Our concern is for the highly disadvantaged as we know that any changes in arrangements can tip a family into crisis. There needs to be substantive evidence which explains the impact of the changes proposed by the Bill on individuals and their families.



In the absence of data sets and evidence to explain the measures in the Bill, UnitingCare Australia is unable to support the proposed reforms. We emphasise, however, our commitment to continue working with the government and with the Committee on welfare payments reform to deliver better outcomes for those most vulnerable and disadvantaged.

General comments

In our [submission](#) on previously proposed welfare reform measures last year, UnitingCare Australia indicated that we support reform that is underpinned by thorough analysis of the needs of individuals and families who access the welfare system. The Explanatory Memorandum for the current Bill does not offer any such analysis.

The large budget saving the government expects from these measures (nearly \$5 Billion over the forward estimates), necessitates further explanation of where the burden of this saving will fall. This should involve modelling of the impacts on families of the proposed changes, and for this to be factored into the design of subsequent reform measures. We note that, at the time of making this submission, no modelling appears to have been released by the government.

UnitingCare Australia supports a review of payment architecture and payment adequacy which places both in the context of lifetime wellbeing. We would ideally see this review occurring in the context of a broader tax and transfer reform framework. In this setting, UnitingCare Australia could support alignment of payments to rates that reflect need. Concerning the proposed Bill however, there is no evidence to clearly indicate that the changes it puts forward will improve the situation of payment recipients already experiencing hardship.

We highlight that both the 2014 Review of Australia's Welfare System (the McClure report) and the government's statement on introducing this Bill talks about the importance of aligning and simplifying payments, including a desire to avoid incentives that might encourage people to move between benefits. In his second reading speech, the Minister stated that "These alignment changes are based squarely on the McClure reform recommendations". However, the McClure review stated that the government "should review all supplements alongside the detailed development of the new payment architecture" and that the adequacy of payments should be reviewed, because "people need a payment that enables them to have a basic, acceptable standard of living, and that allows them to meet their obligations to look for work, or to study, and/or to support children." UnitingCare Australia agrees with the latter position of the McClure Report. As



such, we highlight that in the absence of data demonstrating otherwise, the proposed changes appear to challenge the fundamental principle that payments should reflect need.

In our experience working with families in need, there are usually multiple barriers to securing employment. We find that the vast majority of people dependent on welfare payments would like to work, or work more hours, or secure higher-paid employment. We support the provision of incentives that encourage and enable welfare recipients to gain improved training and employment so that the economic and social situations for them and their children are improved. If a person is either unable to work or cannot obtain employment, despite attempting to do so, then reducing payments will not constitute an effective incentive for an individual genuinely looking for work.

UnitingCare Australia believes that everyone benefits from a well-functioning childcare system, including children, parents, employers, the economy and the broader community. We believe that early childhood education and care must be accessible to all children, and that universal access should be considered a basic right. We support the broad direction of proposed childcare reform, that takes an investment approach, simplifies the payment system, and provides more support to those most in need. However, we are concerned that the proposed activity test shifts focus away from quality service provision for children, determining access instead on the basis of a parent or guardian's circumstances. This will disadvantage some children and their families who do not meet the activity test requirements. Many of these families will be recipients of FTB Part A and/or Part B. Therefore, this Bill, and the childcare reform it will fund, risks compounding negative effects for children in some of Australia's most vulnerable families.

Supplements

Currently, FTB Part A supplement is up to \$726.35 for each child. The Bill proposes to reduce it in two steps until being withdrawn completely in July 2018. Currently, FTB Part B supplement is up to \$354.05 per family. The Bill also proposes to reduce this in two steps until being withdrawn completely in July 2018.

Proposed changes to the rate of FTB A will amount to less than the supplement value (a one-off increase of \$263 per annum).

Proposed changes to FTB Part B are more complex, but appear to be particularly harsh for single parent families.

UnitingCare Australia understands that none of the changes in the Bill will come close to balancing the effect of the loss of the supplements for the great majority of families. This is



of concern, given the likelihood that the measures will most adversely impact families on the lowest incomes.

The Bill also proposes that the phasing out of supplements will be facilitated by the introduction of a new computer and assessment system. The Minister, in his second reading speech stated, "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, which measure, in 2018-19, will very significantly reduce the problem of family tax benefit debts." UnitingCare Australia recommends that reform measures linked to this new system should be introduced after it is actually operational, not before, to ensure limited disruption for payment recipients.

Targeting

The Bill proposes to target some measures according to the age of the child (which is also the case in the current benefit system). It proposes to increase FTB Part B by \$1000.10 for parents of children aged less than one. The policy rationale for this is that "Families will benefit from an increased rate of family tax benefit Part B in the first year of a child's life. This supports families who often have a reduced income in this period as a result of new caring requirements." Conversely, benefit levels for families with older children will be reduced. The Explanatory Memorandum states that "For families with older children, family tax benefit Part B will be better targeted, encouraging parents to participate in the workforce when care requirements are reduced."

UnitingCare Australia supports efforts to assist people into employment, but is concerned that the proposed payment structure is tied to the level of a child's parental care requirements. Our experience across the community is that reducing payments to encourage people into work is not an effective strategy. The overwhelming majority of unemployed Australians do want to work. Our objective should therefore be to wrap supports around people to allow them to work. To be effective in this regard, our focus should be on greater investment in job creation opportunities.

UnitingCare Australia would welcome the release of government data or modelling on the needs of the various family groupings and the effect of the targeting of these measures.

We note that the Explanatory Memorandum states, "Single parents and couple grandparents will continue to access a rate of Part B until the end of the calendar year in which their youngest child turns 16, recognising that these families may have fewer resources to meet living costs." UnitingCare Australia agrees with this statement in respect of those categories of family. We are not clear, however, that grandparents are the



only category of couple family who may have fewer resources to meet living costs. Foster carers and other carers, for instance, will often have fewer resources and be in complex situations that significantly reduce their opportunities to secure paid employment while fulfilling their caring roles. We therefore ask the government to set out evidence to more clearly support the assumptions underpinning this proposed change.

Recommendations

Through this submission, UnitingCare Australia recommends that the committee ask the government to:

1. Release modelling that shows the net impact of its proposed changes on different kinds of families, particularly those who rely heavily or solely on income support.
2. Demonstrate its planning in relation to reviewing the adequacy of payments, as recommended by the McClure review.
3. Explain the net effect on the range of family types of the \$5 per week increase proposed by the Bill, and particularly when combined with the proposed removal of the Supplements.
4. Provide evidence that the costs to families of raising children aged over 13 are lower than those for children below that age, or an alternative rationale for adjustments.
5. Explain why it proposes to exempt only grandparent families from the removal of FTB Part B for couple families when the youngest child is aged 13 or over, but not to exempt any other category (including foster carers).
6. Continue with development and implementation of childcare reforms regardless of the progress of this Bill.

In the absence of data sets and evidence to support the measures in the Bill, UnitingCare Australia is unable to support the proposed reforms. We emphasise, however, our commitment to continue working with the government and with the Committee on welfare payments reform to deliver better outcomes for those most vulnerable and disadvantaged.

Yours sincerely,

Lin Hatfield Dodds
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