



Anglicare Australia submission to:

**Family Assistance Legislation Amendment (Jobs  
for Families Child Care Package) Bill 2016, and  
the Social Services Legislation Amendment  
(Family Payments Structural Reform and  
Participation Measures) Bill 2016**

22 September 2016

*[www.anglicare.asn.au](http://www.anglicare.asn.au)*

## Anglicare Australia

Anglicare Australia is a network of 36 independent local, state, national and international organisations that are linked to the Anglican Church and are joined by values of service, innovation, leadership and the Christian faith that every individual has intrinsic value. Our services are delivered to one in 40 Australians, in partnership with them, the communities in which they live, and other like-minded organisations in those areas. In all, over 12,000 staff and almost 7,800 volunteers work with over 930,000 vulnerable Australians every year delivering diverse services, in every region of Australia.

Anglicare Australia has as its Mission “to engage with all Australians to create communities of resilience, hope and justice”. Our first strategic goal charges us with reaching this by “influencing social and economic policy across Australia...informed by research and the practical experience of the Anglicare Australia network”.

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## Introduction

Anglicare Australia welcomes the opportunity to provide feedback on the provisions of the proposed Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2016, and the Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2016.

This submission is informed by the advice and experience of the Anglicare Australia network, who we have consulted as these Bills have been developed. The Bills are substantially similar to the previous legislation proposed in the last Parliament, but we welcome the opportunity to highlight the key points of our previous submissions (Appendix 1 and 2) for consideration by the Senate Education and Employment Committee.

We would welcome the opportunity to further this discussion with the Committee in the course of your consideration of these Bills.

## Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2016

Like many in the sector, Anglicare Australia understands the subsidisation of childcare as having two clear objectives: addressing barriers to workforce participation experienced by parents; and ensuring that all children have adequate access to early childhood education. Anglicare Australia holds concerns on both of these fronts about the package in its current form. We believe that this package risks having a disproportionately negative effect on the people – both parents and children – to who access to child care gives the most benefit.

In regards to the purpose of parental workforce participation, Anglicare Australia believes that while the activity test may suit the needs of parents without pre-existing vulnerabilities who wish to increase their working hours, it is likely to be harmful to vulnerable families and families that already excluded from stable and ongoing employment. In this respect, Anglicare Australia believes that the Bill's intended outcomes in employment are likely to be limited, while its unintended negative consequences are potentially very serious and wide-ranging.

Subsidised childcare provides vital support to vulnerable families on low incomes, no income, or engaged in insecure work. It gives them opportunities to access respite, psycho-social support, and address barriers to their workforce exclusion while providing vital early childhood education to their children. By limiting or removing access to child care for families who fail to meet the requirements, the activity test will take away their access to a service that supports their workforce participation and undermine their capacity to fulfil the educational needs of their young children.

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Further to this, the fortnightly calculation of the activity test and means test will mean that unexpected increases or decreases in parental income will quickly result in a reduction or loss of the child care subsidy. It is well documented the path to steady employment for disadvantaged job seekers is not a linear one. Full time employment, part time employment, temporary jobs, casual and insecure work, unemployment and underemployment may all be part of a family's journey, and parents may cycle in and out of employment. For parents without steady employment, the fortnightly calculation of the activity test will add even further unpredictability to their household budgets, and could impact on their decision of whether to enrol their child in care. This works counter to the understanding that the best protective factor that can be offered to a vulnerable child is consistent engagement and support.

As detailed in our submission (see Appendix 1), Anglicare Australia recommends substantial changes to the activity test if it is to remain in the package. We propose that there should be an adequate base level of access for all families (such as a baseline of 15 hours per week, as proposed by Early Childhood Australia), and that engaging in training, psycho-social support, and other activities that build life-skills and work readiness, be counted under the activity test.

In regards to the purpose of ensuring that all children have access to early childhood education, Anglicare Australia is concerned the measures contained within the Jobs for Families package will reduce access to early education and care for young people who are at risk of unsatisfactory educational outcomes.

There is significant evidence that interventions before the age of eight can “limit the impact of damaging environmental factors on childhood development, and close the gap between those children that are advantaged, and those experiencing disadvantage and risk factors such as abuse and neglect.”<sup>1</sup> As discussed above, Anglicare Australia is concerned the most vulnerable families (and the children who are most likely to benefit from the education and support offered through child care) are at risk of having their access to child care significantly reduced or removed altogether.

Anglicare Australia is of the view that this package fails to adequately consider what is in the best interests of these children, and the needs of children need to be more actively placed in the centre of the package. In the context of vulnerable and at risk families, if our social safety net is unable to ensure access to child care for low income and low activity families, then the government is not discharging its duty to consider what is in the best interest of children.

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<sup>1</sup> KPMG, 2014, *Early Childhood Intervention – An Overview of Best Practice*

## **Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2016**

Anglicare Australia welcomes the measures contained within this Bill which will see an increase in FTB A and Youth Allowance, and an alignment of payment rates between FTB A, Youth Allowance and the Disability Support Pension. The increase in fortnightly payments in FTB A and YA is important in providing extra financial assistance for low income families with children. We also see the benefit of aligning the FTB A and YA in encouraging children to remain in school while families are in receipt of support payments.

We reject, however, the assertion that these measures need to be balanced by reducing benefits for some families and the phasing out of supplementary payments. We cannot support the measures contained within this Bill that propose to take financial support away from families that are already struggling.

We are particularly concerned about the detrimental impact of the cut of Family Tax Benefit part B (FTB B) on single low-income families with children over 13. The measure is said to encourage the parent back into the job market as their child enters secondary school, in order to increase family income, and so boost workforce participation levels and the national economy. Anglicare Australia understands this intention, but contends the reduction of payments from families with teenagers, together with the higher costs associated with raising older children, is likely make low income families even more financially vulnerable rather than less. When this 'encouragement' to find extra work fails, affected families will find it harder to fund important opportunities for their children's education and development, with flow on impacts on their life choices, and the risk of further perpetuating the cycle of poverty and disadvantage.

We also are concerned with the proposed amendment under Schedule 3, which will see FTB A and FTB B supplements gradually phased out. By July 2018, these supplements will cease to exist. FTB supplements are relatively small compared to the tax benefit overall, but for many low income families they play an important part in meeting children's schooling and other expenses.

In our submission below (see Appendix 2), Anglicare Australia argues that the Government must consider low income groups first when determining the distribution of family payments, and that balancing the budget cannot come at the expense of the most disadvantaged in our society.

## APPENDIX 1



Anglicare Australia submission to

### **Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2015**

*29 January 2016*

#### **Introduction**

Anglicare Australia welcomes the opportunity to provide feedback on the provisions of the proposed Jobs for Families Child Care Package. This submission is informed by the practical advice and experience of the Anglicare network. Around the country, our members provide child care, early learning, family support programs, and employment support to families that will be affected by the new arrangements contained within the package.

Anglicare Australia welcomes the significant investment into child care that the Jobs for Families package represents. The subsidisation of child care has two clear objectives: addressing barriers to workforce participation experienced by parents; and ensuring adequate access to early childhood education. The package will continue to provide access to child care for many working families.

However, measures contained within the Jobs for Families Child Care Package may not adequately achieve these dual purposes for low-income families, single parents, people who are long-term unemployed or underemployed, and families experiencing social and economic disadvantage.

Of particular concern is the potential for the activity test contained within the package to have a disproportionately negative impact on vulnerable and disadvantaged families. If these families fail to meet the activity test, their access to child care is (at best) reduced from 48 hours per fortnight to 24 hours per fortnight or (at worst) completely removed.

The government has emphasised that child care subsidies are not intended to be a welfare payment, however, it is Anglicare Australia's view the provision of child care subsidies to low income families should continue to be seen as a vital part of Australia's social safety net. Given that early childhood services and care are particularly beneficial for children from disadvantaged backgrounds, we need a social safety net to maintain their access to child care as well as ensuring the hours of child care are sufficient to meet the educational and developmental needs of children. While the Jobs for Families Child Care Package seems to meet the needs of many middle income families, it is Anglicare

Australia's view that the package risks penalising many of the marginalised families that our member agencies work with.

## Implications for parents

In the Minister's second reading speech, the Minister makes it clear that the Jobs for Families Child Care Package is intended to "encourage more families, including jobless families, to increase their involvement in paid employment."<sup>2</sup>

While the measures contained within the package may meet the needs of families without pre-existing vulnerabilities who wish to increase the hours of parental work, the proposed measures are unlikely to increase the workforce participation of disadvantaged jobseekers.

It is unlikely the measures contained within the package will incentivise work for vulnerable families who are on low incomes, no income, or engaged in insecure work. The accessibility of child care is a significant barrier for groups (such as single parents, early school leavers, people with disabilities, older people, Aboriginal and Torres Strait Islanders, and people from culturally and linguistically diverse backgrounds) who are consistently excluded from stable and ongoing employment. In addition, many vulnerable and marginalised families access child care for respite, and to give parents the ability to engage in psycho-social support, as well as providing vital early childhood education to their children.

For these families, removing access to 24 hours of subsidised child care each week regardless of parental workforce participation (as provided under the current Child Care Benefit) risks penalising the very people to whom access to child care gives the most benefit. While the proposed Additional Child Care Subsidy provides 24 hours of child care per fortnight (equivalent to two six-hour sessions each week) for some families with an income of less than \$65,710, this significantly reduced access is unlikely to provide enough access to child care for the needs of parents and children alike.

Feedback from our members indicates that a six-hour session of child care is unlikely to be sufficient, given that it does not cover a standard business day, nor does it take into account parental travel time to and from work. This makes it particularly difficult for low income families who are engaged in very casual work, who may earn slightly more than \$65,710 but not meet the activity test, thereby removing their access to child care under the Jobs for Families Child Care Package. In this scenario, it is highly unlikely that families in this position will enrol their children in child care, as they are simply unable to afford non-subsidised placements.

The activity test, which is a key component of the package, risks arbitrarily removing support from families. Where the goal is workforce participation, Anglicare Australia does not support mandatory activity as the way to enforce employment, education or training. Rather, employment pathways must be responsive to an individual, rather than forced upon them, and recognise the goals and ambitions of the jobseeker, as well as addressing the barriers and challenges they face.<sup>3</sup> A punitive

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<sup>2</sup> Commonwealth, *Parliamentary Debates*, House of Representatives, 2 December 2015 (Luke Hartsuyker, Minister for Vocational Education and Skills)

<sup>3</sup> Anglicare Australia commissioned research by Flinders University to identify which interventions most positively contribute to work participation and building work readiness in disadvantaged job seekers. For more

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approach, whereby participation is mandatory and non-participation results in sanctions and penalties, assumes that unemployment or underemployment is a choice and that education and training is an option for all.

If an activity test is to remain a central tenet of the Jobs for Families Child Care Package, Anglicare Australia recommends there should be a base level of access for all families (such as a baseline of 15 hours per week, as proposed by Early Childhood Australia), and that the activity test be used to assess access to further child care.

Anglicare Australia also suggests that accessing training and support to build work readiness (but outside formal training and education) should be counted as activity under the activity test. This would recognise the importance of life skills as a key component of work readiness. Examples of capacity building psycho-social support include depression management, dealing with difficult emotions, communication skills, positive parenting, fitness programs, sex education and relationships, cooking and nutrition, completing tax forms, budgeting skills, computing skills, motivational skill, interpersonal skills and financial counselling.<sup>4</sup> This type of training and support acknowledges that all aspects of life can impact on a person's ability to gain and sustain employment and financially independent of welfare support.

Anglicare Australia also recommends that engaging in psycho-social support (e.g. case work, drug and alcohol, mental health etc.) should be deemed activity under the activity test. Support that builds parents' skills, knowledge, networks and resilience in turn reduces the risk of disadvantage and harm experienced by children. Access to child care alongside parental psycho-social support removes a significant barrier to engaging with the support offered, and provides care and education to children who may be at risk.

For example, our members report that parents who are seeking support for drug and alcohol addiction often need to access between two and five days of child care each week. This level of child care allows parents to engage in drug and alcohol counselling, group work, relapse prevention and health appointments. The child care ensures that children's base needs are cared for on a daily basis, and allows for child care centre staff to build a trusting relationship with parents. This in turn creates an environment of positive role modelling where parents can seek parenting support (e.g. if struggling with sleep time, meals etc.) from child care centre staff.

It is well documented the path to steady employment for disadvantaged job seekers is not a linear one. Full time employment, part time employment, temporary jobs, casual and insecure work, unemployment and underemployment may all be part of a family's journey, and parents may cycle in and out of employment. The fortnightly calculation of the activity test and means test will mean that parents engaged in casual employment with variable hours, or parents who experience a significant fluctuation in their work hours or take home pay, will quickly see a reduction in the number of hours of subsidised care.

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information, see Goodwin-Smith & Hutchinson, 2014, *Beyond Supply and Demand: Addressing the Complexities of Workforce Exclusion in Australia*

<sup>4</sup> Goodwin-Smith & Hutchinson, 2014, *Beyond Supply and Demand: Addressing the Complexities of Workforce Exclusion in Australia*. See also Anglicare Australia, 2015, *State of the Family Report 2015: Who is Being Left Behind*

In order to ensure consistency of access to early childhood education, Anglicare Australia recommends that the Jobs for Families package be amended to include a transition mechanism to prevent the abrupt cessation of child care, particularly for lower income families. If parental work hours or income suddenly increases, children should maintain their placements for a transitional period. It is also prudent that a transitional mechanism exists to ensure that families do not accrue unacceptable amounts of debt if work hours or income suddenly increases.

To illustrate how access to child care is an essential component of the support offered by community services to vulnerable and disadvantaged families, Anglicare ACT's Franklin Early Childhood School has provided the following case study. The case study reflects a real family's experience; however the names have been changed.

### **Case study – Samantha and Ethan**

Samantha and her two-year-old son Ethan commenced at Anglicare's Franklin Early Childhood School in March 2013. When Samantha and Ethan approach Anglicare, both were suffering from severe emotional trauma as a result of domestic violence, and Ethan presented extreme behavioural challenges.

Samantha was seeking drug and alcohol support, and working with a social worker. Samantha also attended court ordered medical appointments. The child care placement at Franklin Early Childhood School meant that Ethan did not have to spend hours in waiting rooms around Samantha's appointments.

When Ethan first started at Franklin Early Childhood School, Samantha would not make eye contact with the staff. However, over time the team built a relationship with Samantha. This provided an opportunity to role model parenting skills. Samantha asked for help to get Ethan going to bed at a reasonable time.

Samantha periodically engaged in study and work, although it took a number of attempts before she found study options and work opportunities that suited her. Samantha is now working consistently in hospitality. Ethan is now going to kindergarten.

In Samantha and Ethan's situation, child care played a key role in ensuring that Ethan's basic needs were provided for and that Samantha was able to engage in psycho-social support and study. A family such as Samantha and Ethan may not have access to adequate child care under the measures proposed under the Jobs for Families Child Care Package.

## **Implications for children**

Child care subsidies are not just about parental workforce participation. Subsidies are equally about ensuring that all children have access to early childhood education. Access to high quality education is the foundation of an equitable society, alongside guaranteed and adequate income, access to safe and secure housing, and health care.

What children learn and experience in their early years functions as the building blocks for their development. There is a strong link between early childhood education and educational attainment

through school, which in turn acts as a significant protective factor to ensure social and economic participation. Conversely, poor educational engagement and outcomes are linked with poor health, poverty, unemployment and social exclusion.

Anglicare Australia is concerned the measures contained within the Jobs for Families package will reduce access to early education and care for young people who are at risk of unsatisfactory educational outcomes. There is significant evidence that interventions before the age of eight can “limit the impact of damaging environmental factors on childhood development, and close the gap between those children that are advantaged, and those experiencing disadvantage and risk factors such as abuse and neglect.”<sup>5</sup> As discussed above, Anglicare Australia is concerned the most vulnerable families (and the children who are most likely to benefit from the education and support offered through child care) are at risk of having their access to child care significantly reduced or removed altogether.

Anglicare Australia is particularly concerned by the reduction of hours of child care offered within the Jobs for Families Child Care Package. Under the current scheme, all families have access to 48 hours per fortnight regardless of parental activity; however, under the proposed scheme low income families who fail to meet the activity test will only have access to 24 hours of child care per fortnight. We do not support this regressive step, which will have a disproportionately negative impact on the children of vulnerable and marginalised families.

In order to unlock the developmental and behavioural benefits of early childhood education, children need sufficient access to child care. Anglicare Australia strongly believes that 12 hours of child care per week is simply not sufficient. Anglicare Australia is supportive of Early Childhood Australia’s recommendation that 15 hours of child care per week should be the minimum for all children, with vulnerable children having access to a minimum of 24 hours of child care per week.

To illustrate the importance of access to child care for low income families who may not meet the activity test, Southern Cross Early Childhood School has provided the following case study. The case study reflects a real family’s experience; however the names have been changed.

#### **Case study – Oliver**

Oliver’s parents are from overseas, having moved to Australia 13 years ago. Oliver’s father is working, but Oliver’s mother is not.

Oliver has autism, but Oliver’s family is not eligible for support under the NDIS. In order to get the support that Oliver’s family needs, Oliver accesses child care two days a week through the existing Child Care Benefit and support through Therapy ACT.

If Oliver’s family had to pay the full hourly rate to access the respite and support that child care offers, they would not be able to afford the child care placement. This would likely mean that Oliver and his family would miss out on vital practical and emotional support.

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<sup>5</sup> KPMG, 2014, *Early Childhood Intervention – An Overview of Best Practice*

For families like Oliver's, child care should not be tied to activity. Subsidised child care provides a significant opportunity to ensure that children's basic needs, development and education are supported.

Another area of concern for Anglicare Australia is the possibility that children in low income families may miss out on child care placements in favour of children who can enrol full time. As an unintended consequence of the scheme, agencies may prioritise families who have access to 100 hours of subsidy, thereby making it harder for part time enrolments. Anglicare Australia is concerned this would have a disproportionate impact on low income families, who have less means to be able to top up child care from their own earnings.

## Conclusion

Anglicare Australia commends the government for seeking ways to ensure that child care is affordable, accessible and flexible for families, and that child care is available to facilitate parental workforce participation and early childhood education. However, we do not believe this package is simpler or fairer than the current system.

We do not agree that activity tests are linked to good outcomes for parents or children. As the Jobs for Families Child Care Package stands, Anglicare Australia is concerned the families who are most in need of support will be the ones who miss out on subsidised child care. Unexpected increases or decreases in parental income may result in a loss of the child care subsidy, which ignores the fact that often the best protective factor that can be offered to a vulnerable child is to maintain engagement and support. This undermines the potential for child care to support parents' workforce participation, and the educational and developmental needs of children.

Anglicare Australia believes the needs of children need to be more actively placed in the centre of the package. There is disappointingly little education and care terminology throughout the bill. While the explanatory memorandum indicates the package adequately discharges the duty to consider what is in the child's best interest as a primary consideration, Anglicare Australia is of the view this package fails to adequately consider what is in the best interest of children.

In the context of vulnerable and at risk families, if our social safety net is unable to ensure access to child care for low income and low activity families, then the government is not discharging its duty to consider what is in the best interest of children.

## APPENDIX 2



Anglicare Australia submission to:

### **Senate Community Affairs Legislation Committee inquiry into Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill (No. 2) 2015**

*12 February 2016*

## **Introduction**

Anglicare Australia welcomes the opportunity to respond to the Social Services Legislation Amendment Bill No. 2 with regard to restructuring family payments and participation measures.

This current Bill is built on the previous welfare legislation the federal government introduced into Parliament in the 2014 Budget. This prior attempt was blocked in the Senate, following concerns it would hit hard on low to middle income earners, particularly with the measure that would see families with children as young as six losing out on Family Tax Benefit part A (FTB A).

Anglicare Australia is encouraged by some of the revisions of the Bill which reflect the calls for FTB A, Youth Allowance and Disability Support Pension payments to be increased. However, we reject the assertion that these measures need to be balanced by reducing benefits for some families and the phasing out of supplementary payments.

We are particularly concerned about the detrimental impact of the cut of Family Tax Benefit part B (FTB B) on single low-income families with children over 13. Lowering payment rates (or removing them altogether) will penalise those with the least means available to make up the difference themselves, and this disturbing trend is found across many of the government's remaining Budget measures. These families are already experiencing significant financial stress and they are being

further excluded from sharing in the common wealth of the nation, with the living standards for people living on low incomes predicted to continue to fall in the next 10 years.<sup>6</sup>

Anglicare Australia believes the reduction and removal of payments and supplements has a disproportionately negative impact on low income families. Therefore, Anglicare Australia calls on the government to remove the proposed cut in family tax benefit payments and supplements that affect disadvantaged families.

## Increasing FTB A, Youth Allowance & aligning payment rates

The proposed amendment under Schedule 1 entails increasing the rate of Family Tax Benefit Part A (FTB A), as well as aligning the revised FTB A with Youth Allowance (YA) and Disability Support Pension (DSP), so that by July 2018 the three payments will be of the same level. The stated goal of this proposal is to “avoid confusion for families and to make sure there is no financial incentive for an FTB child to leave full-time secondary study to claim youth allowance”.

Anglicare Australia welcomes the increase in fortnightly payments in FTB A and YA, which would provide extra financial assistance for low income families with children. We also see the benefit of aligning the FTB A and YA in encouraging children to remain in school while families are in receipt of support payments. We welcome the goal of simplifying the support payment structures; however, we are not yet convinced the proposed system will be easy for families to navigate. Furthermore, where the goal of reducing bureaucratic processes and red tape is achieved, we would expect to see an associated investment in improving services and communication with families.

On the whole, Anglicare Australia welcomes these proposed changes under Schedule 1 of the Bill.

## Removing Family Tax Benefit supplements

The proposed amendment under Schedule 3 would see FTB A supplements and FTB B supplements gradually phased out across three years. By July 2018, these supplements will cease to exist.

FTB supplements are relatively small compared to the tax benefit overall, but for many low income families they play an important part in meeting children’s schooling and other expenses.

When seeking to correct the Budget deficit, Anglicare Australia strongly asserts that the government should prioritise measures that do not leave the most disadvantaged further behind.

## Revising Family Tax Benefit Part B

The proposed amendment under Schedule 2 will introduce a new rate structure for Family Tax Benefit Part B, which in effect will see, from July 2016:

- an increase of \$1000 per year for families with a youngest child aged under one

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<sup>6</sup> NATSEM (2015), [Living Standard Trends in Australia: Report for Anglicare Australia](#), National Centre for Social and Economic Modelling, University of Canberra, Canberra.

- a reduction of the payment rate from \$2738 to \$1000 for single-parent (under 60) families with a youngest child aged 13 to 16, as well as couple grandparents caring for a youngest child in this age range
- the removal of FTB B for couple families with a youngest child aged 13 or above.

*(Policy analysis by Peter Whiteford – School of Public Policy at ANU<sup>7</sup>)*

Consistent with the Jobs for Families Child Care Package currently under consideration, one of the identified goals of this schedule is to encourage greater workforce participation by parents.<sup>8</sup> By offering less financial support to these parents as their children turn 13 and enter secondary schooling, the measure is said to encourage them back into the job market in order to increase their family income, and so boost workforce participation levels and the national economy.

Anglicare Australia understands this intention, but contends the reduction of payments from families with teenagers, together with the higher costs associated with raising older children, is likely make low income families even more financially vulnerable rather than less.

When this ‘encouragement’ to find extra work fails, affected families will find it harder to fund important opportunities for their children’s education and development, with flow on impacts on their life choices, and the risk of further perpetuating the cycle of poverty and disadvantage.

## Low income families

Anglicare Australia is uneasy about widening inequality in Australia. A NATSEM study commissioned by Anglicare to track and predict the rise and fall of living standards across Australia has shown that lower income households will be left behind in terms of their quality of life over the next decade<sup>9</sup>. The research examines and compares the relative increases in living standards for different household types across Australia over the past 10 years, and provides projections for the next 10 under current government policy, taking into account income quintiles, family types, tenure, age and income source.

The study shows that since 2004, households with the top 20% income enjoyed almost double the growth in living standards compared to the bottom 20%. People comprising the bottom fifth of the income distribution include single parents, people living alone, home owners and private renters. And while the NATSEM figures could not drill down through to the individual experiences, evidence from the Anglicare Australia network is that those living with the lowest incomes are overrepresented by families living with disability or mental illness, care leavers, Aboriginal and Torres Strait Islander communities, and those on bridging visas living in our communities. The living standards of this quintile are projected to fall 4.5% in the next 10 years. This is in comparison to a 5.9% *growth* for the top group.

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<sup>7</sup> Whiteford, Peter (2015), [Family tax benefit savings trimmed, but families with teenagers hit hardest](#), The Conversation, accessed on 28<sup>th</sup> January 2016.

<sup>8</sup> [Social Services Legislation Amendment \(Family Payments Structural Reform and Participation Measures\) Bill \(No. 2\) 2015 Second Reading speech](#). Accessed on 28<sup>th</sup> January.

<sup>9</sup> NATSEM (2015), [Living Standard Trends in Australia: Report for Anglicare Australia](#), National Centre for Social and Economic Modelling, University of Canberra, Canberra.

The NATSEM projections indicates that Australia is on track to leave those people who are doing it toughest further behind in the next decade.

Of particular concern to Anglicare Australia is the impact of reducing the rate of FTB B for single low income families with a teenager (and abolishing the benefit altogether for couple family with a 13 year old). This measure is likely to generate extra financial stress for families who are already doing it tough. Raising children is expensive, and the older they get, the more they cost.<sup>10</sup> Even once family payments are factored in, low income families are facing higher proportionate costs relative to their income<sup>11</sup> compared to higher income groups.

School excursions and recreational activities such as playing sports and learning music are increasingly becoming inaccessible for low income families. This can negatively impact young people's mental and physical wellbeing, and limit their chances of building friendships and discovering strengths and potentials. All of these are important building blocks that help young people explore their aspirations and employment pathways, and transition into adulthood.

The proposed changes to FTB B should also be considered in the context of multiple proposed policies that risk compounding disadvantage rather than alleviating it. For young people, the dual experiences of poverty and the lack of quality education significantly increase the likelihood of entrenched disadvantage, which has significant individual and community level impacts. While the vital importance of a needs-based approach to school funding is now acknowledged by all sectors (and is seen as an approach that allows schools to respond to disadvantage faced by students), government funding plans do not direct resources accordingly.

Students experiencing poverty and disadvantage are at greatest risk of missing out on a quality educational experience, as research clearly shows that students' school performance has little to do with the school they go to, but is highly correlated with their socio-economic status.<sup>12</sup> Denying school communities' needs-based funding limits their access to the resources and opportunities necessary for educational equity in Australia.

While education funding models are outside the scope of this inquiry, it is important to acknowledge the proposed reduction in FTB B benefits and supplements does not occur in isolation. When the full context is considered, it is clear that Schedule 2 and 3 of this Bill risks further widening the inequality gap.

Anglicare Australia is strongly of the view that government resources should be targeted to where they are most needed and effective in order to address poverty and ensure economic, social and cultural participation. Reducing and withdrawing FTB B support to low income families does not

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<sup>10</sup> AMP & NATSEM (2013), [Cost of kids: the cost of raising children in Australia](#), AMP.NATSEM 33<sup>rd</sup> Income and Wealth report, Canberra.

<sup>11</sup> Ibid.

<sup>12</sup> The Age (2014), [Fourth study this year confirms private school no better than public](#), accessed on 28 Jan 2016. See also, Mahuteau, S. and Mavromaras, K. (2013), [An Analysis of the Impact of Socioeconomic Disadvantage and School Quality on the Probability of School Dropout](#), National Institute of Labour Studies, Flinders University, Australia and IZA, Bonn, Germany.

create an environment where individuals, families and communities are supported to address the factors behind poverty and disadvantage.

## Who else is affected?

Anglicare Australia invests significant energy in advocating for Australians living on the lowest incomes. This group is often hardest hit by policies that reduce or remove financial support. However, it is vital that we also consider the impact that proposed policies have on those in the second quintile (those who are between the 10% and 20% mark of income distribution).

For people in the second quintile, their income level is not high enough to free them from some form of financial stress, especially as their children become teenagers or when unexpected expenses arise. Members of this group are often struggling to keep their heads above water, and are at intermittent financial risk as their support payments are often considered next on the chopping board.

And even though they are more likely than those in the bottom 10% to improve their financial situations and hence living standards, they are often 'invisible' in social policy reforms because they seem to be managing. Removing or reducing FTB B from these families' budgets may be the unfortunate measure that pushes these families into poverty and increase their chances of being trapped in the social safety net for the long term.

## Conclusion

Anglicare Australia welcomes the measures contained within this Bill which will see an increase in FTB A and Youth Allowance, and an alignment of payment rates between FTB A, Youth Allowance and the Disability Support Pension.

However, we cannot support the measures contained within this Bill that propose to take financial support away from families that are already struggling. Anglicare Australia has worked strenuously with government and in the public domain, to resist mean spirited cuts in expenditure which simply make the day-to-day life of the most vulnerable members of our society more difficult.

In being portrayed as the 'leaners' of Australian society, low income families have become vulnerable to the expectation that they shoulder the burden associated with the government's quest for a balanced Budget. We urge the government to actively consider these groups first when determining the distribution of family payments, and commit to ensuring that attempts to balance the Budget do not come at the expense of the most disadvantaged families in our society.