

## Submission

on the

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

to the

## Community Affairs Legislation Committee

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## Table of Contents

<b>1. Introduction .....</b>	<b>1</b>
<b>2. General principles.....</b>	<b>1</b>
<b>2.1. Family is the basic group of society.....</b>	<b>1</b>
<b>2.2. Family is the fundamental economic unit of society.....</b>	<b>2</b>
<b>2.3. Parenting benefits should be equal .....</b>	<b>2</b>
<b>2.4. Provide parenting benefits to parents .....</b>	<b>3</b>
<b>2.5. Provide parenting benefits as tax rebates .....</b>	<b>4</b>
<b>2.6. Provide welfare support to the needy .....</b>	<b>4</b>
<b>3. Objectives of bill .....</b>	<b>5</b>
<b>3.1. Reform FTB Part B .....</b>	<b>5</b>
<b>3.2. FTB Part A and B supplements .....</b>	<b>5</b>
<b>4. Conclusion.....</b>	<b>6</b>
<b>5. Endnotes .....</b>	<b>7</b>

## 1. Introduction

On 3 December 2015, the Senate referred the *Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill (No. 2) 2015* to the Senate Community Affairs Legislation Committee for inquiry and report.<sup>1</sup>

FamilyVoice Australia is a national Christian voice – promoting true family values for the benefit of all Australians. Our vision is to see strong families at the heart of a healthy society: where marriage is honoured, human life is respected, families can flourish, Australia’s Christian heritage is valued, and fundamental freedoms are enjoyed.

We work with people from all major Christian denominations. We engage with parliamentarians of all political persuasions and are independent of all political parties. We have full-time FamilyVoice representatives in all states.

Submissions are due 12 February 2016.

## 2. General principles

Before addressing the specific measures in the bill, it is important to consider some basic principles that apply to government benefits for families and the care of children.

### 2.1. *Family is the basic group of society*

Families are the basic group of society. They are responsible for socialisation, economic activity, emotional nurturing and reproduction, all of which are essential for a functioning society. The Australian Bureau of Statistics provides a workable definition of family as “a group of two or more people that are related by blood, marriage, adoption, step or fostering who usually live together in the same household”.<sup>2</sup>

The Universal Declaration of Human Rights (UDHR) and the International Covenant on Civil and Political Rights (ICCPR) internationally recognise the importance of the family. UDHR article 16(3) states: “The family is the natural and fundamental group unit of society and is entitled to protection by society and the state”.<sup>3</sup> The ICCPR also states this principle in article 23.<sup>4</sup>

Families provide emotional support and nurture that are essential for healthy development. The first exposure to love and nurture comes from the family unit and from this process important emotional bonds are created. Deprivation of emotional support from the family unit in the early stages of life can lead to children who are immature, insecure and educationally adrift.<sup>5</sup>

#### ***Recommendation 1:***

***Any provision of government support for raising children should recognise the family as the fundamental group unit of society that has primary responsibility for bearing, raising and socialising children to become productive members of society.***

## **2.2. Family is the fundamental economic unit of society**

The family is not only the basic social unit of society; it is also the fundamental economic unit. This is apparent across society and over time. Families are economic units; they share resources internally and expend resources as a single unit externally with society. This concept has been standardised by Nobel Prize winner in economics Gary S. Becker, who argued for the household acting as a single decision-maker.<sup>6</sup>

Within the family, there is the sharing of food, bills, utilities, shelter and resources. This means that the income earners provide for the household and sharing of the costs of living together occurs. When financial decisions are made within the family, the vast majority of the finance goes towards mutually beneficial items such as housing, food and transport – these three categories alone taking up 51% of the average expenditure of households.<sup>7</sup> The income-pooling hypothesis describes this income sharing within a family.

### **Recommendation 2:**

***The Australian taxation system should recognise each family as an economic unit and allow pooled family income to be shared among family members for income tax purposes.***

## **2.3. Parenting benefits should be equal**

The role of unpaid work in the home is an essential part of the overall economic activity of the family. However, some economists perceive unpaid work as having little or no economic value. They say that improving the economy is only achievable when both parents are paying taxes and are partaking in paid work.<sup>8</sup> This view undermines the importance of unpaid work and ignores the reality that the family is the fundamental economic unit of society.

Senior Fellow of the Centre for Independent Studies Barry Maley states:

*“There is no good reason why production in the market should be accorded higher value or importance than home production and child rearing. Productive labour in traded goods and services and the growth of human capital depend for their continuance upon the regeneration, socialisation and education of those who will be workers in the future”.<sup>9</sup>*

Maley recognises the value of unpaid family work. He questions why paid work holds a higher social value and points out the importance of the socialisation and education of children. Furthermore, he notes the importance of children for the future and the significant role they will play in contributing economically.

Patrick Byrne and Tempe Harvey from the Australian Family Association also highlight the value of unpaid work in the family for roles such as childcare and community services. They note that the 2010 Senate report on Paid Parental Leave (PPL) omitted any reference to the value of unwaged family, child-care and community services. Byrne and Harvey state:

*“This omission implies an assumption in both reports that the unwaged work done principally by mothers (but also by some fathers) in the home has no economic value. Rather, the prevailing trend in economic analysis assumes that the economy is best stimulated when both parents are in paid work and paying taxes”.<sup>10</sup>*

Byrne and Harvey point out that when a parent chooses to undertake unpaid work they are allowing the family to provide their own social services, including childcare. Furthermore, they argue that

this unpaid work represents a substantial saving to the welfare bill of the state, since services such as childcare rely on state support.<sup>11</sup> This is an important observation and reinforces Maley's view that measuring economic output as GDP ignores important contributions made to society by parents (and others) who undertake unpaid community and household work.

The government should have a policy of neutrality for parenting benefits and recognise that families are best placed to make appropriate decisions for themselves. Current family benefits are not equitable, since different families with the same number of dependents are not treated equally.

***Recommendation 3:***

***Government-funded family benefits should embody the principle of government neutrality. Families should have the freedom to make their own decisions about employment and childcare – without government pressure. Equal benefits should be provided to families that make different decisions about balancing home and work responsibilities.***

## **2.4. Provide parenting benefits to parents**

Consumer choice is the ability for consumers "to choose among competing products and services".<sup>12</sup> This has the advantage of allowing the consumer (in this case, a family) to make the best decision possible, free from government interference. This is a principle that should be applied to parenting choices: let the parents decide what is best for their family.

The 2009 report *Australia's Future Tax System Review* favours funding parents as opposed to child care providers. One section of the report addresses the question: "What is the role of child care assistance?" The conclusion is that funding parents directly provides "a number of advantages".<sup>13</sup>

Firstly, it "allows parental needs to drive where child care centres are established and the type of care available".<sup>14</sup> More broadly speaking, it allows other choices to be made as needed, such as a choice to contract a special carer for disabled children, to employ a qualified nanny, or to care for their own children at home.

Secondly, "the government does not have to determine where child care centres should be located or which ones should receive additional funding."<sup>15</sup> Furthermore, the government would not have to spend resources at all on the area of childcare or other related services if they were not the primary funding agent of these services. Regular market forces can already provide satisfactory outcomes for whatever parents need.

Thirdly, "providing funding directly to parents allows for better targeting of assistance to particular groups of parents and children based on their individual characteristics."<sup>16</sup>

Providing parenting benefits to parents also reinforces the important concept of government neutrality. Families receiving benefits can make decisions for themselves in the best interests of their children. Institutional childcare subsidies undermine consumer choice by favouring one option over others. Parents should be given the opportunity to choose how parenting benefits are spent.

**Recommendation 4:**

***Parenting benefits should be provided directly to parents, so they can freely choose their own childcare options in the best interests of their children in their particular situation. The market can then respond to parental demand with childcare options that best meet the needs of parents.***

## **2.5. Provide parenting benefits as tax rebates**

The large administrative costs of collecting taxes and delivering welfare services can be substantially reduced by providing family benefits through income tax rebates. The more money that stays with the family, the less that is lost through “tax-welfare churn” – the practice of taxing people then returning those taxes in the form of welfare payments.<sup>17</sup>

**Recommendation 5:**

***Reduce the wastage associated with tax-welfare churn and help families to be self-supporting by replacing the existing system of childcare subsidies and benefits with a single income tax rebate for all families raising children.***

## **2.6. Provide welfare support to the needy**

A clear distinction should be made between self-supporting families with a taxable income earned by one or more members and those families with little or no income.

Self-supporting families can be helped with the cost of raising children, through a significant tax rebate during the years when the children are dependent on their parents. This should be considered an entitlement and be administered through the taxation system.

Families with little or no income should be assisted through the welfare system.

**Recommendation 6:**

***Families with little or no income should be assisted through the welfare system.***

## 3. Objectives of bill

### 3.1. Reform FTB Part B

As stated in the explanatory memorandum this bill proposes to:

*introduce a new rate structure for family tax benefit Part B, and make other amendments to the rules for Part B, to*

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

Currently, eligibility requirements apply to families with children aged up to 18 years of age for family tax benefit Part B.<sup>19</sup> The proposals made in this bill are yet another attack on single-income families who care for their own children.

Children still need care before and after school, especially from ages 6 to 12. Even when dependants get older, parents are still responsible for providing care to their children. As such families should not be disadvantaged by changing the eligibility requirements for receiving FTB Part B or by reducing the amount payable when they reach 13 years of age from \$2,737.50 to \$1000.10.<sup>20</sup>

#### **Recommendation 12:**

***Changing the eligibility and amounts payable for FTB Part B payments to parents with children under 13 (down from 18 years of age) discriminates unfairly against single-income families and should be rejected.***

### 3.2. FTB Part A and B supplements

The bill also proposes to phase out FTB Part A and B supplements. It states:

*The Bill will phase 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.<sup>21</sup>*

And

*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 completely from 1 July 2018.<sup>22</sup>*

Current end-of-year supplements form part of both Family Tax Benefit Part A and B. Part A is “up to \$726.35 for each child”<sup>23</sup> and Part B is “up to \$354.05 per family”.<sup>24</sup> Withdrawing these benefits by July 2018 is yet another attack on families in the form of budget savings. In conjunction with the proposed reduction in Part B benefits (ages 13-18), single-income families will be particularly hard hit.

Proposals to remove supplements fail to recognise the family as an economic unit and that the government has an interest in family-based child raising.

***Recommendation 10:***

***The removal of the family tax benefit end-of-year supplements is neither fair nor reasonable and should not be considered without a corresponding increase to the base rates of the benefits themselves – particularly Part B.***

## 4. Conclusion

The proposed changes to Family Tax Benefit Parts A & B disadvantage all families raising children, single-income families disproportionality so. The changes proposed for Family Tax Benefit Part B further limit opportunities for parents to choose to care for their children at home.

Home care should be a parent’s choice but these measures make this choice financially more difficult. The changes proposed to Family Tax Benefit Part B and to the Part A and B supplements are both unfair and unreasonable and should be rejected.



## 5. Endnotes

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<sup>1</sup> Senate Community Affairs Legislation Committee, “Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill (No. 2) 2015”:

[http://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Community\\_Affairs/Family\\_Payments\\_No\\_2](http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Community_Affairs/Family_Payments_No_2)

<sup>2</sup> *Family Characteristics Survey: Summary of Results, 2009-2010*. 4442.0, Australian Bureau of Statistics, 27 May 2011: <http://www.abs.gov.au/AUSSTATS/abs@.nsf/Previousproducts/4442.0Main%20Features22009-10?opendocument&tabname=Summary&prodno=4442.0&issue=2009-10&num=&view=>

<sup>3</sup> *Universal Declaration of Human Rights*, United Nations (1948): <http://www.un.org/en/documents/udhr/>

<sup>4</sup> *International Covenant on Civil and Political Rights*, United Nations (1966):

<http://www.ohchr.org/en/professionalinterest/pages/ccpr.aspx>

<sup>5</sup> M.L. Kellmer Pringle, “Deprivation and Education”, in Edward Pruden (ed.) *Education: Annual Review of the Residential Child Care Association* 19 (1972), 16-24: <http://www.cyc-net.org/cyc-online/cycol-0402-pringle.html>

<sup>6</sup> Gary S. Becker, *A Treatise on the Family* (Harvard University Press, 1991).

<sup>7</sup> Australian Bureau of Statistics. “Household Expenditure Survey, Australia: Summary of Results, 2009-10”, (6 September 2011): <http://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/6530.0Main%20Features22009-10?opendocument&tabname=Summary&prodno=6530.0&issue=2009-10&num=&view=>

<sup>8</sup> Tempe Harvey and Patrick Byrne, “The Need for an Overhaul of the Family Benefits System.” *AFA Journal*, 31.2 (1 July 2010), 52.

<sup>9</sup> Barry Maley, “Families, Fertility and Maternity Leave”, *Issue Analysis* 24 (16 September 2002), 11.

<sup>10</sup> Harvey and Byrne, 52.

<sup>11</sup> *Ibid.*

<sup>12</sup> “Consumer choice”, *Collins English Dictionary*:

<http://www.collinsdictionary.com/dictionary/english/consumer-choice>

<sup>13</sup> *Australia’s Future Tax System: Final Report*, Part 2, F4-1, “What is the role of child care assistance?” (Commonwealth of Australia. 2010):

[http://taxreview.treasury.gov.au/content/FinalReport.aspx?doc=html/Publications/Papers/Final\\_Report\\_Part\\_2/index.htm#Volume2](http://taxreview.treasury.gov.au/content/FinalReport.aspx?doc=html/Publications/Papers/Final_Report_Part_2/index.htm#Volume2)

<sup>14</sup> *Australia’s Future Tax System: Final Report*, Part 2, F4-1, “What is the role of child care assistance?” (Commonwealth of Australia. 2010):

[http://taxreview.treasury.gov.au/content/FinalReport.aspx?doc=html/publications/Papers/Final\\_Report\\_Part\\_2/chapter\\_f4-1.htm](http://taxreview.treasury.gov.au/content/FinalReport.aspx?doc=html/publications/Papers/Final_Report_Part_2/chapter_f4-1.htm)

<sup>15</sup> *Australia’s Future Tax System: Final Report*, Part 2, F4-1, “What is the role of child care assistance?” (Commonwealth of Australia. 2010):

[http://taxreview.treasury.gov.au/content/FinalReport.aspx?doc=html/publications/Papers/Final\\_Report\\_Part\\_2/chapter\\_f4-1.htm](http://taxreview.treasury.gov.au/content/FinalReport.aspx?doc=html/publications/Papers/Final_Report_Part_2/chapter_f4-1.htm)

<sup>16</sup> *Australia’s Future Tax System: Final Report*, Part 2, F4-1, “What is the role of child care assistance?” (Commonwealth of Australia. 2010):

[http://taxreview.treasury.gov.au/content/FinalReport.aspx?doc=html/publications/Papers/Final\\_Report\\_Part\\_2/chapter\\_f4-1.htm](http://taxreview.treasury.gov.au/content/FinalReport.aspx?doc=html/publications/Papers/Final_Report_Part_2/chapter_f4-1.htm)

<sup>17</sup> Andrew Baker, *TARGET30—Tax-Welfare Churn and the Australian Welfare State*, (Centre for Independent Studies, 1 March 2013): <https://www.cis.org.au/publications/target30/tax-welfare-churn-and-the-australian-welfare-state>

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<sup>18</sup> Social services legislation amendment (Family Payments Structural Reform and Participation Measures) Bill (No.2) 2015, “Explanatory Memorandum”:

[http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22legislation%2Fems%2Fr5571ems\\_e09be27e-9091-495a-9e0d-d73099a462cf%22](http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22legislation%2Fems%2Fr5571ems_e09be27e-9091-495a-9e0d-d73099a462cf%22)

<sup>19</sup> Department of Human Services, ‘Family Tax Benefit’ – Eligibility for Family Tax Benefit Part B:

<http://www.humanservices.gov.au/customer/services/centrelink/family-tax-benefit-part-a-part-b>

<sup>20</sup> Social services legislation amendment (Family Payments Structural Reform and Participation Measures) Bill (No. 2) 2015, “Explanatory Memorandum”:

[http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22legislation%2Fems%2Fr5571ems\\_e09be27e-9091-495a-9e0d-d73099a462cf%22](http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22legislation%2Fems%2Fr5571ems_e09be27e-9091-495a-9e0d-d73099a462cf%22)

<sup>21</sup> Ibid.

<sup>22</sup> Ibid.

<sup>23</sup> Department of Human Services, ‘Payment rates for Family Tax Benefit Part A’:

<http://www.humanservices.gov.au/customer/enablers/centrelink/family-tax-benefit-part-a-part-b/ftb-a-payment-rates>

<sup>24</sup> Department of Human Services, ‘Payment rates for Family Tax Benefit Part B’,

<http://www.humanservices.gov.au/customer/enablers/centrelink/family-tax-benefit-part-a-part-b/ftb-b-payment-rates>