

## **ACTU Submission to the Senate Standing Committee on Community Affairs:**

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

### ***Social Services Legislation Amendment (Family Measures) Bill 2015 – Parliament of Australia***

5 February 2016

## Introduction

1. The Australian Council of Trade Unions (ACTU) is the peak union body representing Australian workers and their families.
2. Australian unions have a proud history of achieving improved conditions for working families and social reforms to protect and provide for our most vulnerable members of society.
3. With unemployment at high levels and working people struggling to maintain adequate living standards, it is more important than ever for the Government to maintain a strong social safety net to achieve equal opportunity and alleviate poverty and disadvantage for low income families.
4. The *Social Services Legislation Amendment (Family Measures) Bill 2015* and the *Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill (No. 2) 2015* contain substantial cuts to family payments which will significantly disadvantage many families who rely on this financial assistance to achieve an adequate standard of living.
5. Although less severe than the measures proposed in the 2014-15 Budget, the legislation remains harsh and will result in significant income losses for low income families with a youngest child aged 13-16 including single parents under the age of 60 and couple families.
6. When viewed in the context of the Government's entire legislative agenda, it is clear that the Government is more focused on delivering savings to the budget bottom line, than about engaging in genuine reform of the system to better support families.
7. While the ACTU welcomes the increased investment of \$3.2 billion into early childhood education and care, we are fundamentally opposed to funding this package by cutting support to other vital family support mechanisms such as family tax benefits and paid parental leave.<sup>1</sup>
8. The Government should instead examine other policy areas to improve the tax revenue base and deliver the necessary services and support that Australians need.
9. Generous superannuation concessions for high-income earners; capital gains tax and negative gearing exemptions and corporate tax avoidance are all areas that cost the Government billions of dollars annually.
10. Addressing these tax reform areas is clearly preferable to cutting much needed support for low and middle income families.

## Guiding Principles

11. In order to providing working families with equal opportunity, alleviate poverty and disadvantage and ensure that children get the best start in life, the ACTU recommend the following guiding principles:

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<sup>1</sup> *Fairer Paid Parental Leave Bill 2015 (Cth)*

- All Australian children should be supported from birth to adulthood through a suite of policies including paid parental leave, early childhood education and care support and family tax benefits assistance.
- Family tax benefits provide much needed support to low and middle income families to help cover the everyday costs associated with raising children and should be maintained at a level that is sufficient to provide an adequate standard of living.
- Universal access to government-funded paid parental leave is critical to maternal and child health and wellbeing and helps supports greater female workforce participation.
- Affordable and accessible early childhood education and care helps ensure that all children get the best start in life. A high quality, well-regulated childcare system through the National Quality Framework that links Government funding to decent wages and conditions for early childhood workers supports children's learning and development.
- Workplaces should provide flexible working hours and family friendly work arrangements.
- Workforce participation for those who have capacity to work should be encouraged by removing barriers or disincentives, including discrimination, un-family friendly work arrangements, effective marginal tax rates and access to training.

### **The proposed cuts to family tax benefits**

12. One of the primary purposes of the family tax benefit system is to help supplement the incomes of low and middle income families to assist in covering the everyday costs associated with raising children.
13. In doing so, this helps protect against child poverty and promotes child health and wellbeing, social inclusion and a strong and productive community.
14. This is particularly important given ACOSS's 'Poverty in Australia 2014' report which found that 603,000 Australian children (17.7% of all children) are living below the poverty line.<sup>2</sup>
15. The higher risk of poverty among children reflects the higher costs facing families with children, which parents who are not in paid work or on a low wage often struggle to meet.
16. Sole parents are at a particularly high risk of poverty due to lower rates of employment and low levels of social security payments for these families. In 2012 a third (33%) of sole parents were living in poverty. As a consequence just over a third (36.8%) of all children in poverty were in sole parent households.<sup>3</sup>
17. The ACTU is opposed to the measures contained in the Social Services Legislation Amendment bills currently before this Committee.

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<sup>2</sup> Australian Council of Social Service, Poverty in Australia 2014, accessed at [http://www.acoss.org.au/images/uploads/ACOSS\\_Poverty\\_in\\_Australia\\_2014.pdf](http://www.acoss.org.au/images/uploads/ACOSS_Poverty_in_Australia_2014.pdf).

<sup>3</sup> Ibid.

18. In particular we are concerned by the phasing out of end of year supplements for recipients of FTB Part A and B by 2018-19 and reduction in the rate of FTB Part B for individuals with a youngest child aged 13-16.
19. These measures are 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.
20. The reduction in FTB Part B from \$2,737.50 to \$1,000.10 will substantially reduce household income for vulnerable families with teenage children including single parents under the age of 60. The disadvantage already experienced by families that are unable to obtain employment or are employed in low-wage jobs will become further entrenched.
21. Removing end of year supplements will cause additional financial strain for low and middle income families and leave many families unable to meet larger annual expenses, such as car registration and maintenance, education costs and utilities.
22. While the legislative changes also include a small increase to the rate of FTB Part A, youth allowance and related payments, this increase is not sufficient to compensate families for the loss of the end of year supplements.
23. The ACTU opposes the abolition of the large family supplement. The proposed abolition means that 125,000 families will lose, at least, \$321.50 a year.<sup>4</sup>
24. The justification for removing this payment has been that larger families do not face higher per-child costs compared to other families.<sup>5</sup> While there are 'economies of scale' with the average cost of each child decreasing, the additional proportion of income spent on each additional child is still significant for families. For example, the proportion of income spent on three children about 2.5 times that spent on one child.
25. The removal of the large family supplement will have a disproportionate effect on lower income families as they spend a larger proportion of their income on costs relating to children.
26. The ACTU also opposes the proposed reduction in the FTB Part A 'portability' period. The portability period has already seen a number of changes in recent years, reduced from its original three years to the current 56 weeks. Reducing the period further to just six weeks as proposed in the Bill will place additional, unnecessary pressure on families.
27. While a family payment recipient is overseas, their expenses in Australia continue, such as rent or mortgage payments and utilities, and they are still providing care for their children. Ceasing all Family Tax Benefit payments at six weeks may impact on their ability to meet these ongoing expenses.
28. The proposed legislative changes to family payments are estimated to save the Government around \$4.48 billion over the forward estimates – \$1.28 billion more than the Government's commitment to investing in early childhood education and care, which suggests that these cuts will also fund other government revenue shortfalls.

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<sup>4</sup> Judith Ireland, Federal budget 2015: Large families to lose out amid big boost to childcare funding, Sydney Morning Herald, 13 May 2015, <http://www.smh.com.au/federal-politics/political-news/federal-budget-2015-large-families-to-lose-out-amid-big-boost-to-childcare-funding-20150512-1mzhke.html>

<sup>5</sup> House of Representatives, Explanatory Memorandum, Social Services Legislation Amendment (Family Measures) Bill 2015

29. It is wholly inappropriate for the Government to cut essential family support payments whilst it has taken no action to reform generous superannuation concessions for high-income earners; capital gains tax and negative gearing exemptions; and corporate tax avoidance which cost the Government billions of dollars annually in forgone revenue.

**Key recommendations**

30. The ACTU recommends that the cuts to the family tax benefits be opposed and that the Government instead focus on:
  - a) Simplifying the current family tax benefits system to ensure that low income and middle income families receive the assistance they need to help cover the costs of raising children;
  - b) Targeting family tax benefits assistance to help reduce child poverty and ensure that all families have an acceptable standard of living; and
  - c) Ensuring that assistance helps promote workforce participation for those that have a capacity to work with a focus on reducing effective marginal tax rates.

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