Welfare Rights Centre

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Committee Secretary
Senate Standing Committee on Community Affairs Legislation Committee
Parliament House
PO Box 6100
Canberra Act 2600

Email: community.affairs.sen@aph.gov.au

Re: Submission to the inquiry into the Social Services Legislation Amendment (Family Measures) Bill 2015

The Welfare Rights Centre NSW welcomes the opportunity to provide brief comments on the *Social Services Legislation Amendment (Family Measures) Bill 2015,* which involved two initiatives: limiting Family Tax Benefit for families who are overseas for more than six weeks and the removal of the Large Family Supplement.

Schedule 1. Portability of Family Tax Benefit A

This bill seeks to remove Family Tax Benefit A from families who are overseas for more than six weeks (a significant reduction from the current 56 weeks). At present, Family Tax Benefit (Part A) can be paid at the full rate for temporary absences overseas of up to six weeks and at the 'base rate' for a further 50 weeks (56 weeks in total).

The measure will see the period for which Family Tax Benefit Part A is payable while overseas reduced to a maximum of just six weeks in a 12-month period.

It is estimated that, in 2016-17, around 34,200 families will be affected by this measure, saving $42.1 million over the forward estimates. A family with one child could be worse off by between $5,000 and $6,500 per annum if this Bill proceeds.

This Bill ignores the cultural realities of a 21st century multicultural Australia, with many people having close and extensive ties to families living in countries outside of Australia. In the experience of the Welfare Rights Centre NSW, overseas travel can be required in family emergencies, in cases of illness, accident, natural disasters, and when care for relatives is required.

While some people need to travel to assist with caring duties, in some situations people travel overseas to be cared for, as there is no suitable carer in Australia, or for respite.

There appears to be no logical reason for this reduction in support and payment flexibility for families, and there appears to be no logic in pursuing these changes, apart from the savings that

they may provide to Government. Indeed, the budget papers merely note that this measure is being pursued as "savings for this measure have already been provided for by the Government".[1]

Recommendation: That the Committee recommend that this Schedule not be enacted.

Schedule 2. Removal of the Large Family Supplement

The Large Family Supplement is currently worth $324.84 per annum per child after the second-born child (that is, for the third and each subsequent child). It is paid as a fortnightly benefit, currently at $12.46. However, from 1 July 2016, a large family will lose $324.84 a year for their fourth child and every subsequent child.

A significant number, around 375,500 families and children will be impacted in 2016-17, and 371,600 in 2017-18. $338 million will be saved in 2016-17, and $346 in 2017-18, if this measure is passed by the Parliament.

The Government previously failed to get political and community endorsement for the removal of this supplement, with the revised legislation seeking to remove the payment from 1 July 2016.

This measure was part of the harsh and now discredited 2014-15 Federal Budget and was due to start on 1 July 2015. The government is seeking to save $177.3 million by cutting an additional family payment that is provided to large families.

It is useful to consider the available data on poverty in Australia when considering the likely impacts of Schedule 2. According to the 2014 *ACOSS Poverty in Australia* report:

- There are over 602,000 children (17.7 per cent of all children) living below the poverty line.
- Nearly 37 per cent of all children in poverty were in sole parent households.
- Poverty is higher amongst adults born in countries where the main language is not English (18.8 per cent) than amongst those born overseas in an English speaking country.
- 2011 data found that 19.3 per cent of Aboriginal and Torres Strait Inlander people were living in poverty, compared to 12.4 per cent of the Australian born population.[2]

These restrictions to the Large Family Supplement will have a disproportionate impact on Indigenous families, with data suggesting that Aboriginal households at 3.3 persons are, on average, larger than non-Aboriginal households, with just 2.6 per household.[3]

Low income families, and particularly sole parent families, will be particularly impacted by this reduction in payments. Single parents on Newstart with 3 or more children will also be impacted by these payments cuts – payment reductions which they can ill-afford. In 2013 there were 8,700 single parents on the Newstart Allowance who would have been affected by this policy change.

The government believes that these cuts can be justified because there are economies of scale in larger families. However, it failed to acknowledge that in families where incomes are stretched, every cent counts. The loss of the Supplement could mean that items like eggs, fruit juice and cheese won't be on the shopping list.

Analysis by the Parliamentary Library notes that the Large Family Supplement was introduced in 1996 to ensure the rate of payments for families with four or more children would be maintained

[1] The Hon. Joe Hockey, Treasurer, *Budget Measures Paper No. 2*, 2015-16, p. 157.
[2] Australian Council of Social Service, *Poverty in Australia 2014*. At: http://www.acoss.org.au/images/uploads/ACOSS_Poverty_in_Australia_2014.pdf
[3] Australian Institute of Health and Welfare, *Healthy for Life – Aboriginal Controlled Health Services Report Card*, Canberra.

children in large households, but seeks to justify this reduction in family support, noting that "the savings from this measure will be redirected by the Government to repair the Budget and fund policy priorities".[5]

The *Explanatory Memorandum* states that the cessation of the Large Family Supplement will "simplify payments by removing a non-essential component of family tax benefit."[6] It is doubtful that parents with stretched household budgets, who access vouchers to pay utility bills, and get food parcels from St Vincent's de Paul each month would agree that an additional $325 per year to meet bills and food expenses is merely a 'non-essential component'.

It is concerning that the Department of Social Services has not undertaken any modelling of the impact of this measure on different family types by family income levels.[7]

Compounding impacts of payment reductions

The Welfare Rights Centre NSW is concerned about the overall cumulative, compounding effects of the payment reductions in this bill, and how they interact with other legislation before the Parliament. For instance, it is likely that some families who will be impacted by the loss of the Large Family Supplement (loss of $325 per annum) may also be impacted by the removal of the Pensioner Education Supplement (loss of $1,622 per annum) and the Education Entry Payment (loss of $208 per annum), which are contained in the *Social Services Legislation Amendment Budget Repair) Bill 2015* that the Committee has investigated.

As a result of just these three measures, a family could be worse off by $2,150 a year.

Families affected by the cuts in this Bill may also be impacted by $4 billion in family payment reductions that are included in the *Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2015* that is also before this Committee. The removal of the Family Tax Benefit Supplements would be a significant financial loss for families, particularly those on low incomes. Families with older children may also be impacted by the proposed 4-week waiting time for Youth Allowance Recipients aged under 25.

It is critical that the cumulative payment reductions in all of the relevant Bills before the Parliament are considered, as only then will the Parliament be provided with an accurate picture of the impacts of the measures in the Bills it is considering.

A further troubling aspect these reforms is that there has been no attempt to undertake any cumulative Family Impact Assessments. The Welfare Rights Centre NSW believes that this type of rigorous analysis and assessment should be routinely undertaken by all Departments when providing reform proposals, and they should be subject to public scrutiny.

Reform of Family Payments

"Family tax payments are an integral part of Australia's social welfare scheme and critical for many families to provide an adequate standard of living," according to the Joint Parliamentary Human Rights Committee.[8]

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[5] Ibid, The Hon. Joe Hockey, p. 151.
[6] Porter, C. The Hon Minister for Social Services, *Social Services Legislation Amendment (Family Measures) Bill 2015*, p. 6.
[7] Senate Community Affairs Committee, Answers to Questions on Notice, *Social Services Portfolio, 2014-15, Budget Estimates Hearing, Question No. 206.*
[8] http: www.aph.gov.au/Parliarnentary Business/Committees/Joint/Human Rights/Completed inquiries/2015 /Thirtieth Report of the 44th Parliament, p. 56.

The role of the family payments system is to keep families out of poverty and to assist with the costs of raising children to cover essential items such as food, clothing, transport, accommodation, etc.

Historically, financial support through the family payments system is credited with reducing unacceptable rates of child poverty in Australia. From 1982 to 1995-96 there was a one-third reduction in child poverty, attributed largely to the significant increases in government income payments to lower income families with children.[9] However, child poverty is still a major concern. Available evidence indicates that existing financial support for families is now less effective in alleviating child poverty, with 17.7% of all children now living in poverty.[10]

The Welfare Rights Centre NSW supports sensible and fair reform of the family payments system. But this Bill fails the test of fairness, will exacerbate poverty, increase disadvantage, and cause harm to vulnerable families and children

We note that the Australian Council of Social Service has developed a discussion paper for reform of family payments which we consider provides a very useful starting point for a broader community dialogue about how families and children can best be supported.

Recommendation: That the Committee recommend that this Schedule not be enacted.

Should the Committee require clarification on these comments or additional information please do not hesitate to contact me on [redacted]

Yours sincerely,

Aaron Neal
Director and Principal Solicitor
Welfare Rights Centre NSW

[9] Harding A. and Szukalska, A. Trends in Child Poverty 1982 to 1995-96, presented at the Australian Association for Social Research Annual Conference, 12 February 1999.
[10] Australian Council of Social Service, Poverty in Australia, 2012.