

20 July 2018

Committee Secretary  
Senate Standing Committees on Community Affairs

By email: [community.affairs.sen@aph.gov.au](mailto:community.affairs.sen@aph.gov.au)

Dear Committee Secretary,

**NSSRN submission in relation to the Social Services Legislation Amendment (Maintaining Income Thresholds) Bill 2018**

1. The National Social Security Rights Network (NSSRN) is a peak community organisation in the area of income support law, policy and administration. Our members are community legal centres across the country that provide free and independent legal assistance to people experiencing issues with social security and family assistance payments. The NSSRN draws on this front line experience in developing its submissions and policy positions.
2. The NSSRN does not endorse the Social Services Legislation Amendment (Maintaining Income Thresholds) Bill 2018 ("the Bill"). The purpose of the Bill is to maintain "the high income thresholds and supplement amounts for family payments at their current levels until 30 June 2021."<sup>1</sup> The Bill places a freeze on indexation for Family Tax Benefit Part A, Family Tax Benefit Part B, associated family assistance supplement payments and parental leave payments until 1 July 2021. These are payments that assist with the costs of raising children.
3. The measures contained in the Bill were announced in December 2017 as part of the Government's 2017-2018 Mid-Year Economic and Fiscal Outlook (MYEFO). This measure is anticipated to save \$321.9 million in government expenditure over the next four years.<sup>2</sup> The savings come from limiting the eligibility for payments through these indexation freezes.
4. Indexation provides for adjustments to amounts in line with Consumer Price Index movements, thus maintaining the amount's real value, or purchasing power, over a period of time. Freezing indexation for these family assistance payments means that some families who gradually earn more income (in line in CPI increases) will move above the higher income thresholds and lose their entitlement, or move into a higher income bracket and receive a reduced rate of payment. Although these families may earn more income, the value of their income will not necessarily increase in real terms.<sup>3</sup>
5. The effect of this Bill is that many families will end up with less due to loss of or reduced entitlement to these family payments. These families will be required to meet higher living costs on reduced finances, leading to increased financial pressures.
6. The higher income limit for many of these payments have been subject to indexation freezes for

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1 Commonwealth of Australia, (December 2017), Mid-Year Economic and Fiscal Outlook 2017-18, 148

2 Ibid.

3 Department of Parliamentary Services (Cth), Bills Digest, No 125 of 2017-18, 20 June 2018.

some time. For example, Family Tax Benefit Part A and Part B have been subject to indexation freezes since 2008. Although middle and higher income families are predominantly affected, for many of these families the loss of entitlements has adversely affect their ability to meet living costs.

7. The Explanatory Memorandum of the Bill argues that these indexation freezes will ensure that family assistance payments are targeted towards low and middle-income families. However, there has been no complimentary proposal outlining how the expenditure savings will flow to low income families. The argument that indexation freezes will ensure sustainability of family assistance payments into the future is not credible given that government policy over the last decade has seen annual cuts to social security payments for families.

### **Indexation freezes may exacerbate rising financial stress for families**

8. Increasingly, many families experience financial stress. A recent study by NRMA Blue found that almost half of Australian families have “seen cost of living pressures jump by more than 10 percent in the last year.”<sup>4</sup> Other recent commentary have identified the prevalence of mortgage stress, with reportedly “up to 1 million households 'on the edge' of mortgage default by September [2018].”<sup>5</sup>
9. The cost of raising children is also increasing. Recent figures estimate that the average weekly expenditure on raising a child aged 0-2 years old has risen to \$144/week, or \$14,976 over 2 years.<sup>6</sup> This cost must also be considered in the context of rising child poverty in Australia. The Australian Council of Social Service found that child poverty in Australia has “increased by 2 percentage points over the decade 2003-04 to 2013-14.”<sup>7</sup> Children are estimated to make up close to a quarter of Australian residents who live in poverty.
10. Unsurprisingly, research has found that family assistance payments are an effective method of reducing child poverty.<sup>8</sup> It is therefore imperative that government policy aligns with effective strategies to address financial disadvantage and poverty, and provide adequate family payments to assist with the rising costs of living and having a family in Australia.

### **Human Rights implications**

11. Australia has international human rights obligations to provide all residents with an adequate standard of living<sup>9</sup>, and to provide families and children with special protection and assistance.<sup>10</sup> This Bill undermines these human rights by limiting access to payments intended to assist with the rising cost of raising children. The resulting effect of this Bill is that more families will be at risk of financial insecurity.

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4 NRMA (2018, July 9), Cost of living for families jumps 10 percent: NRMA Blue survey (media Release), Retrieved from <https://www.mynrma.com.au/community/news-and-media-centre/cost-of-living-for-families-jumps-ten-percent>

5 Taylor, D (2018, July 11), 'Up to 1 million households 'on the edge' of mortgage default by September, analyst warns, ABC News (Online), <http://www.abc.net.au/news/2018-07-11/up-to-1-million-households-may-go-into-mortgage-default-by-sept/9976268>

6 Chris Brycki, 'What's the cost of raising a child?' SBS News, 9 November 2015.

<<https://www.sbs.com.au/news/comment-what-s-the-cost-of-raising-a-kid>>

7 Australian Council for Social Service (2017, October), A future for all children: Addressing child poverty in Australia (Briefing Paper), <https://www.acoss.org.au/a-future-for-all-children/>

8 Whiteford, P. & Adema, W. (2007), What Works Best in Reducing Child Poverty: A Benefit or Work Strategy?, (OECD SOCIAL, EMPLOYMENT AND MIGRATION WORKING PAPERS, 51), <http://www.oecd.org/social/family/38227981.pdf>, p8.

9 International Covenant on Civil and Political Rights, opened for signature 16 December 1966, 999 UNTS 171 (entered into force 23 March 1976) art 11.1

10 International Covenant on Civil and Political Rights, art 10.

12. A number of recent legislative proposals have focused on reducing access to family assistance payments.<sup>11</sup> The NSSRN is concerned that these measures will gradually result in the elimination of these payments from our social security and welfare system, including for those on lower incomes and most in need. We have an international and social responsibility to ensure that all families and children have access to adequate financial support.

### **Conclusion**

13. Ongoing indexation freezes will result in many families struggling to meet the increased living costs of having a family. Although this measure will result in government expenditure savings, the longer term impact on families and children may be significant.

### **Contact for this submission**

The NSSRN would welcome the opportunity to provide further feedback to the Committee on our submission.

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<sup>11</sup> Including, for example, the Social Services Legislation Amendment (Encouraging Self-sufficiency for Newly Arrived Migrants) Bill 2017 which introduces a newly arrived resident's waiting period of 3 years for family tax benefit, paid parental leave, and dad and partner pay leave. That measure is estimated to affect 50,000 families. We note the Budget 2018 measure that seeks to further increase this proposed waiting period to 4 years.