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Submission to Senate Community Affairs Legislation Committee

Social Services Legislation Amendment

(Family Payments Structural Reform) Bill 2015

20 November 2015

Committee Secretary
Senate Standing Committee on Community Affairs
Parliament House
Canberra
ACT 2600

By email: community.affairs.sen@aph.gov.au

Dear Committee Secretariat,

Re: Inquiry into the *Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2015*

Thank you for the invitation to participate in this inquiry. For over 32 years, the Welfare Rights Centre (WRC) Sydney has advised people with information about their social security rights, entitlements and obligations and helped people to navigate an increasingly complex social security system. We also assist people with the review and appeals systems. WRC also provides information and advice about family payments and employment assistance. The WRC provides community legal education and training, and law reform and it is the largest member of the National Welfare Rights Network.

The Welfare Rights Centre notes the submission from the National Welfare Rights Network and provide the following additional comments for the consideration of the Committee.

Family payments and poverty

"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 the Joint Parliamentary Human Rights Committee.¹

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http://www.aph.gov.au/Parliamentary_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.²

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 a 2012 study by the Australian Council of Social Service (ACOSS) reporting that 603,000 or 17.7% of all children are now living in poverty.³

Impact of FTB B cuts

The group most affected by the FTB B cuts in the Bill are the 136,000 single parents with children over 13 years of age whose payments will drop from \$3,139 to \$1,000. Around 76,000 couples will also be impacted, and some of these are low income families who can ill afford any reductions in family support.

Better indexation needed

A mechanism that maintains the levels of family payments is critical to protecting the well-being of children at risk of poverty. In 2009 the former Labor Government removed the link between FTB and pensions, which meant that FTB no longer increased above the inflation rate. As a consequence, the incomes of the poorest families have fallen behind improvements in community living standards.

The new to indexation arrangements since 2009 have effectively reduced the weekly payment by about \$20 per week, per child. The Government must immediately restore beneficial indexation arrangements for FTB payments to ensure that these important benefits are indexed to wages, as well as prices.

WRC notes that ACOSS has proposed broader structural reforms to the family payments system. Any reform package must address the inadequate indexation arrangements as the current system is not serving families well.

Impact on young people

Welfare Rights is concerned that this Bill will leave a gap in support for 16-18 year olds, with Family Tax Benefit B to cease at 16 years (previously 18 years) for young people *not* eligible for Youth Allowance.

Despite a number of important new job initiatives for young unemployed people in the May Federal Budget, many face major barriers in the current tight labour market. Recent research paints a disturbing picture of the challenges many young people face trying to find work. Since the Global

² 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.

³ Australian Council of Social Service, *Poverty in Australia*, 2012.

Financial Crisis, the number of young people looking for work has increased by 55 per cent, by over 100,000, to 290,000 people.⁴

The latest official Australian Bureau of Statistics data shows that the unemployment rate for 15 to 24-year olds in October 2015 stood at 12.4%. This is more than twice the official rate of unemployment, which was 5.9 per cent.

Around 22,000 young people will be eligible for small payment increases under the Bill before the Committee. The Department of Social Services has advised that 15,600 young people under 18 years who are living at home will receive small fortnightly increases in FTBA, as will 4,930 young people receiving youth rates of Disability Support Pension. Also benefitting are a further 1,050 young people receiving Abstudy and Special Benefit.⁵

While these very modest increases are welcome news, they are insignificant when compared to the extreme and harsh measures in the *Social Services Legislation Amendment (Youth Employment Bill) 2015*.

Under this Bill which is also currently before the Senate, 75,000 young people under 25 may face a four week waiting period. An additional long-standing concern of Welfare Rights is that rates of Youth Allowance are inadequate to meet the financial needs of young people looking for work. A problem with social security payments for young people is that their payments are indexed just once a year, unlike most other working age payments which are indexed twice a year. Indexation to prices instead of wages, also means that young people's social security payments fail to keep pace with rising community standards of living. This is why pensions are linked to a wages index, in addition to the Consumer Price Index. Fairer payment increases are essential to enable those on Youth Allowance to live in dignity and to meet job search costs and other living expenses.

End of Year Supplements and FTB Debts

The Bill would phase out the FTB 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, before withdrawing it entirely from 1 July 2018. The FTB Part B supplement will be reduced to \$302.95 a year from 1 July 2016 and to \$153.30 a year from 1 July 2017, before also being withdrawn from 1 July 2018.

1.7 million families receive Family Tax Benefits supplements, at a cost of around \$4 billion over four years.

The Government has argued there is no need to maintain these supplements because there is no ongoing problem with overpayments.

While it is true that the number of FTB overpayments has declined in recent years, a substantial number of families are still saddled with overpayments, and continually grapple with a complex payments system where it is often difficult to avoid a debt. The Department of Social Services *Annual Report* for 2014-15 reveals that 8% of families, or 163,380 had an overpayment in 2013-14. The total amount of overpayment was valued at \$273 million. The average amount of debt was \$1,672, an

⁴ Brotherhood of St Laurence, *Paying A Price: Young Men and Women Experiencing Joblessness in Australia*, November 2015, p. 1.

⁵ Community Affairs Legislation Committee, *Senate Transcript*, 22 August 2015, p. 24.

increase of \$50 on the previous year.⁶ Welfare Rights casework experience is that in some situations debts can be much higher, at \$5,000 or even more.

Paying off a debt can be problematic for families struggling to make ends meet. Even if it's a few hundred dollars, this is a great deal of money to a single parent family struggling to get by on the inadequate Newstart Allowance.

The promised single touch payroll system with the Australian Tax Office and employees is years away, according to the evidence provided at recent Senate Estimates hearings.⁷

Welfare Rights does not support the removal of these supplements. Low income families and single parents tell us that they factor receipt of these lump sum payments into their tight annual family budgets. It is particularly difficult to save money for things like insurance and car registration, or to replace that ageing fridge that adds to the quarterly electricity bill. Some parents also use the Advance Payments to meet these costs. These supplements are also used for other items like school fees, uniforms, sporting activities and for some they put the Xmas cheer under the tree this December. Losing these supplements would be a heavy blow to large numbers of families. It would reduce the flexibility to juggle funds to cover expected and anticipated costs during the year.

As noted below, the Joint Parliamentary Human Rights Committee has criticised the removal of the supplements, arguing "while the continued availability of family tax benefit will be important for many families, this does not explain why removing the family tax benefit supplement for all families (regardless of income) is proportionate."⁸

Data on adjusted taxable income for 2013-14 from the Department of Social Services as at 30 June 2015 reveals that there were 131,561 FTB Part A clients on incomes of \$100,000 to less than \$150,000. There were 5,534 FTB A clients on incomes above \$150,000. For FTB Part B, there were 137,895 FTB Part B clients on incomes of \$100,000 to less than \$150,000 and there were 8,335 FTB B clients on incomes above \$150,000.⁹

Better targeting and the means-testing family payments to ensure financial sustainability of the system, while protecting those on the lowest incomes has been supported by all major parties over recent years. If there were fairer options that would allow for the means-testing of the FTB supplements it might be worth further investigation and discussion with all stakeholders, the broader community and the parliament.

Human Rights concerns

The Joint Human Rights Parliamentary Committee's recently reported on the *Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2015*.

⁶ Department of Social Services, *Annual Report 2014-15*, p. 248.

⁷ *Ibid*, p. 37.

⁸ *Ibid*, p. 59.

⁹ Department of Social Services, *Annual Report 2014-15*, p. 252.

It found that the proposal to cut Family Tax Benefits B to single income families with children aged over 13 may breach people's right to social security and an adequate standard of living.¹⁰

The Committee also raised concern over the lack of evidence to support the reduction in financial assistance for families, stating "No information is provided as to the impact of these changes on families and how those families will meet their living expenses with the reduced rates of FTB Part B or how the measures have been targeted to avoid undue economic hardship. No information is provided as to why the changes to FTB Part B are structured around the age of the child and not the income of the family."¹¹

As we noted earlier in this submission, 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."¹²

Conclusion

The Welfare Rights Centre is unable to support this Bill and recommends that it be rejected by the Committee. We look forward to working with Government on reform of social security payments that does to deliver poor outcomes for low income and disadvantage families.

Should you require additional information regarding this submission, please do not hesitate to contact Gerard Thomas

Yours sincerely,

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Welfare Rights Centre Sydney

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http://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Human_Rights/Completed_inquiries/2015/Thirtieth_Report_of_the_44th_Parliament

¹¹ Ibid, p. 55.

¹² Ibid, p. 56.