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Submitted electronically

**12 February 2016**

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

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The St Vincent de Paul Society (the Society) is a respected lay Catholic charitable organisation operating in 149 countries around the world. Our work in Australia covers every state and territory, and is carried out by more than 65,000 members, volunteers, and employees. Our people are deeply committed to social assistance and social justice, and our mission is to provide help for those who are marginalised by structures of exclusion. Our programs assist millions of people each year, including people living with mental illness and physical disability, people who are homeless and insecurely housed, migrants and refugees, and people experiencing poverty.

## The Bill

On 07 December 2016, the Society was invited to make a submission to the present inquiry. We welcome the opportunity to make this contribution, and would request to appear at the oral hearings to provide further evidence.

This Bill is an attempt to pass measures first raised in the 2014-2015 Budget, and previously rejected by the Senate. It seeks to amend family payments in three ways: increasing Family Tax Benefit A (and some other payments to children living at home) by around \$10 per fortnight (Schedule 1); modifying Family Tax Benefit B so that it is increased for children under one year old, decreased for children between 13 and 16 years old, and removed for children aged 16 to 18 years old, unless the child is in the care of a grandparent, great-grandparent, or single parent aged over 60, old (Schedule 2); and phasing out the Family Tax Benefit Supplements over several years (Schedule 3).

## Our View

The Society opposes all measures that take away income from people who are already locked out of a decent standard of living. While the provisions in this Bill apply to all families who receive Family Tax Benefits, including many on adequate incomes from paid work and other sources, who may not rely on the Benefits and Supplements, this Bill would also impact families who are already struggling to make ends meet. It is a blanket approach that takes away the same quantum from all, regardless of their circumstances, and will thus have a grossly disproportionate impact on those who are already locked out of prosperity. For that reason, the Senate must not pass the reduction in Family Tax Benefit B for children aged between 13 and 18 years old (Schedule 2), and the phasing out of the Supplements (Schedule C), nor the cessation of indexation of payments (Schedule 2, Item 10).

The main purpose of the Bill appears to be to ensure that the Social Security system is 'sustainable': the measures will save nearly \$5 billion, mostly through the elimination of the Supplements.<sup>1</sup> The St Vincent de Paul Society has always agreed that Australia's approach to revenue and spending must be sustainable.<sup>2</sup> But measures are not worthwhile simply

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<sup>1</sup> Explanatory Memorandum to the Bill, page 2, at [http://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r5571\\_ems\\_e09be27e-9091-495a-9e0d-d73099a462cf/upload\\_pdf/504421.pdf;fileType=application%2Fpdf](http://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r5571_ems_e09be27e-9091-495a-9e0d-d73099a462cf/upload_pdf/504421.pdf;fileType=application%2Fpdf).

<sup>2</sup> St Vincent de Paul, Pre-Budget Submission 2016-2017 (January 2016) at [https://www.vinnies.org.au/page/News/National/Housing\\_health\\_and\\_income\\_equity\\_must\\_be\\_2016\\_Federal\\_Budget\\_priorities\\_Pre-budget\\_submission/](https://www.vinnies.org.au/page/News/National/Housing_health_and_income_equity_must_be_2016_Federal_Budget_priorities_Pre-budget_submission/).

because they increase our revenue, or cut our spending. Government has a strategic choice to make about where it will raise money, and where it will spend. Our view has been that these decisions must be guided by the values that shape us as a nation, rather than by convenience, ideology, or political game-playing. These values emerge from a robust and democratic discussion, as well as considering our history, our future, and our international relationship. Based on these factors, we have argued that the values that should shape our policy-making are fairness, substantive equality, and a commitment to dignity and human rights.<sup>3</sup>

## Analysis

The measures mentioned above do not pursue any of these purposes. A fair way to create a sustainable income protection system is to ask those who can afford to pay more to do so. We must undo the income tax cuts of the last 15 years, which cost us \$40 Billion per year, increase taxation on large multinationals and domestic companies making superprofits, and remove a range of very generous payments in the form of tax breaks to the wealthiest Australians (including superannuation, capital gains, and negative gearing). Superannuation concessions, for example, cost the government around 20% of its revenue from income tax – around \$24.6 billion in 2009.<sup>4</sup> These tax concessions overwhelmingly go to the wealthy: the top 5% of earners (mostly men) receive 37% of the concessions, while part-time workers (including many single parents, mostly women) receive no benefit.<sup>5</sup> Measures that cut payments indiscriminately from people on low-income and middle-income, without asking the wealthy to pay their share, are not simply fair.

Secondly, this Bill is not equitable. It reduces payments by the same amount across all income levels. What this means is that families on the lowest incomes will be hit disproportionately hard. According to ACOSS modelling, low-income single parent families with two children would lose more than \$3000 per year when these measures are implemented.<sup>6</sup> For the 600,000 children living in families where the annual income is less than \$20,000 per year,<sup>7</sup> the results could be catastrophic. This is particularly so in light of the fact that payments to single parents have been significantly cut back in recent years. We cannot support measures that significantly reduce the income of some of the people on the lowest incomes. The impact of these cuts on the families we assist will be devastating; families who are already struggling against all odds just to make ends meet, like these stories collected from our members.

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<sup>3</sup> St Vincent de Paul Society, Pre-Budget Submission 2015-2016 (January 2015).

<sup>4</sup> The Australia Institute, *Research Paper 61*, 1 at [tai.org.au/index.php?q=node%2F19&pubid=540&act=display](http://tai.org.au/index.php?q=node%2F19&pubid=540&act=display).

<sup>5</sup> *Ibid*, 2.

<sup>6</sup> Australian Council of Social Services, *Government Must Release Modelling* (Media Release) (December 2015) at [http://www.acoss.org.au/media\\_release/government-must-release-modelling-on-planned-cuts-to-family-payments-acoss/](http://www.acoss.org.au/media_release/government-must-release-modelling-on-planned-cuts-to-family-payments-acoss/).

<sup>7</sup> Australian Council of Social Services, *Poverty in Australia* (October 2014) at <http://www.acoss.org.au/poverty-2/>.

### **Christabel and Harvey's story**

Christabel and Harvey are a married couple in their mid-thirties, with four children aged 12, 9, 8 and 6. Harvey is in full-time employment and Christabel is looking for work.

Harvey's weekly pay after tax is \$719. Their fortnightly Family Tax Benefit is currently \$900. Making ends meet is very difficult. Harvey has to use his car to travel to Dandenong for work. His petrol bill is \$100 per week. Christabel's is about \$50. Once housing expenses and bills are paid, all other expenses—food, clothing, petrol, car repairs, doctors' visits and medication expenses, school fees and uniforms and anything else—must be met by \$370 per week. In a family of six, there are always unexpected expenses that necessitate tough decisions and further sacrifice. Next year, the eldest child commences secondary school. The college requires every student to have a laptop computer, to be paid for over time by the parents. The abolition of the Education Maintenance Allowance will deprive the family of more than \$800 a year just as they need it more than ever.

### **Veronica's Story**

I have three boys, and had worked full-time for over 18 years. The last six years unfortunately took a turn for the worse: my ex-husband, the father of my two youngest, caused our life to be a world of violence, dramas and humiliation. It was physically and mentally draining. I lost my home. With no family or confidantes to talk to or help financially, the volunteers at Vinnies have always offered to do what they can.

I was back at work for the past 12 months, but unfortunately my contract finished, our car needs a new transmission (\$2500), and my washing machine and vacuum cleaner blew up.

I pay \$285 a week for rent, trying to make ends meet on Newstart: \$450 a week. My rent got behind, gas and electricity accounts became too much, water and food on top. It not only causes stress, worry and anxiety, but also shatters self-esteem and causes humiliation.

It is clearly not equitable to cut the incomes of the working poor, like Christabel and Harvey, or to single parents who are already experiencing severe disadvantage, like Veronica, by the same quantum as we are cutting back on middle-class welfare to those who can afford it. The formal equality of this Bill will have the result of a significantly worse impact on those on low incomes, and particularly single parents on low incomes, the vast majority of whom are women. This Bill therefore, in our view, is fundamentally inequitable. An equitable Bill would recognise that those on low-incomes cannot afford to lose the Supplement, and would protect them from this.

Finally, in removing significant income from parents looking for work, the Bill further risks violating the human rights of those recipients. Income inequality is continuing to rise in Australia,<sup>8</sup> with over half a million children living in financial poverty. Newstart is already

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<sup>8</sup> See, eg, St Vincent de Paul, *Two Australias: A Report on Poverty in the Land of Plenty* (September 2013) at [http://www.vinnies.org.au/icms\\_docs/169073\\_Two\\_Australias\\_Report\\_on\\_Poverty.pdf](http://www.vinnies.org.au/icms_docs/169073_Two_Australias_Report_on_Poverty.pdf).

so low that it is likely to be breaching the human rights of the unemployed,<sup>9</sup> and people in ever-increasing numbers are forced into casual, insecure jobs, working unsociable hours. Reducing or removing the Family Tax Benefit payments for these families will push them further into poverty. Instead, an approach that values human rights must focus on *increasing* Newstart and Commonwealth Rent Assistance,<sup>10</sup> and indexing all payments appropriately,<sup>11</sup> to reflect the real cost of living now and in the future.

## Conclusion

This Bill's measures to increase several payments cannot hide the fact that it is trying to take away \$4 Billion from families. With the ACOSS analysis clearly showing that the impact on low-income families will be severe, this Bill in its current form is neither fair nor equitable, and risks violating the human rights of those already doing it tough.

Instead of these measures that cut away arbitrarily into the incomes of families who are locked out of prosperity, we need to focus on building up the structural supports to help people succeed. We outlined our vision in our Budget submission, and repeat it now. We need to make sure that low-income Australians have a place to call home, with a national plan on housing and large Federal investment in building new dwellings, with a particular focus on safe housing for women leaving domestic violence. We must fully commit to and fund a Social Determinants of Health approach to physical and mental health, including significant investment in the health of Australia's First Peoples. And our government must increase, not decrease, working age payments to people on the margins, as well as develop a plan to create as many work and educational opportunities as possible for people who face significant barriers to both.

We have a positive vision for the future of our country, and for the 2.5 million people the St Vincent de Paul Society assists every year. We invite the Senate and the Government to work with us, and with the community and business sectors more broadly, to ensure that this vision becomes a reality.

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<sup>9</sup> Senate Standing Committee on Education and Employment, *the Adequacy of the Allowance System for Jobseekers* (2012) at [aph.gov.au/Parliamentary\\_Business/Committees/Senate/Education\\_Employment\\_and\\_Workplace\\_Relations/Completed\\_inquiries/2010-13/newstartallowance/report/index](http://aph.gov.au/Parliamentary_Business/Committees/Senate/Education_Employment_and_Workplace_Relations/Completed_inquiries/2010-13/newstartallowance/report/index).

<sup>10</sup> See our positions at [https://www.vinnies.org.au/page/Publications/National/Submissions/Low-Income\\_Submissions/](https://www.vinnies.org.au/page/Publications/National/Submissions/Low-Income_Submissions/).

<sup>11</sup> St Vincent de Paul Victoria, *The Relative Price Index* (August 2013) at [vinnies.org.au/content/Document/RPI\\_Summary\\_Report\\_Aus\\_Dec\\_2012%20\(21%20August%202013\).pdf](http://vinnies.org.au/content/Document/RPI_Summary_Report_Aus_Dec_2012%20(21%20August%202013).pdf).