

# Chapter 2

## Key issues

2.1 In speaking of the changes proposed in the *Social Services Legislation Amendment (Family Measures) Bill 2015* (Bill), the Minister for Social Services, the Hon. Christian Porter MP (Minister) stated that in 2015-16, the government will provide around \$20 billion in family tax benefit payments, and that:

These two budget measures, along with the reform package introduced recently by the Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2015, will improve the sustainability of family payments, while providing continued support to those most in need of assistance.<sup>1</sup>

2.2 While many submitters supported reforms to the family tax benefit (FTB) payments system to ensure it is simpler, fairer and better targeted, most submitters opposed the two measures proposed in the Bill and raised concerns with the overall potential impact on low income and/or vulnerable families, particularly Aboriginal and Torres Strait Islander families.

### Impact on low income and vulnerable families

2.3 Multiple submitters raised concerns that reductions in income assistance disproportionately impact low income families.<sup>2</sup> The St Vincent de Paul Society submitted:

While the current Bill correctly recognises that, for many people, the large family supplement and portability of Family Tax Benefit A don't provide a significant financial benefit, the government has failed to take into account the impact this will have on families on very low incomes.<sup>3</sup>

2.4 The Australian Council of Trade Unions (ACTU) agreed with this view and stated the Bill would:

...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.<sup>4</sup>

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1 [House of Representatives Hansard](#), 2 December 2015, p. 14 422.

2 See: Western Australia Commissioner for Children and Young People, [Submission 1](#), p. [2]; Family Voice Australia, [Submission 2](#), p. 4; Children with Disability Australia, [Submission 4](#), p. 2; National Welfare Rights Network, [Submission 6](#), p. [3 and 7]; Welfare Rights Centre, [Submission 7](#), p. 2, Australian Council of Trade Unions (ACTU), [Submission 9](#), p. 2 and National Council of Women of Australia, [Submission 10](#), p.1.

3 St Vincent de Paul Society, [Submission 3](#), p. 2.

4 [Submission 9](#), p. 2.

2.5 The Refugee Council of Australia (RCOA) stated both provisions of the Bill will adversely impact refugee community members, who often travel overseas for prolonged periods and also often have large families.<sup>5</sup>

2.6 Children with Disability Australia (CDA) raised concerns that families with children with disability have increased costs of living, and recommended that 'further consideration should be given to families experiencing multiple disadvantage due to low income, cultural or linguistic status or other indicators of vulnerability.'<sup>6</sup>

2.7 FamilyVoice Australia commented on the provision of income assistance to families, proposing the general principal that during child-rearing years, self-supporting families should be assisted through tax rebates while low to no income families should be assisted through the welfare system.<sup>7</sup>

2.8 The National Welfare Rights Network proposed this Bill be reviewed in conjunction with other changes to social security payments:

In recent years, governments on both sides of politics have introduced a series of measures that have steadily undermined the adequacy of the family payments system. This affects the most vulnerable children in our communities whose parents and carers rely on family payments to help meet the costs of raising a family.<sup>8</sup>

2.9 The National Welfare Rights Network further stated support for 'careful and comprehensive review of the family payments program aimed at ensuring it provides adequate support to low income families, while minimising disincentives to take up paid work, especially for second income earners who are overwhelmingly women.'<sup>9</sup>

2.10 The Welfare Rights Centre estimated that the change to Family Tax Benefit (FTB) portability will impact around 34 200 families in 2016-17, while the removal of the large family supplement would impact 375 500 families in 2016-17.<sup>10</sup> In contrast, the ACTU submitted the removal of the large family supplement would mean that 125 000 families will lose, at least, \$321.50 a year.<sup>11</sup>

### **Impact on Aboriginal and Torres Strait Islander families**

2.11 Two submitters raised concerns that the measures in this Bill would have a disproportionate impact on Aboriginal and Torres Strait Islander families. The Western Australia Commissioner for Children and Young People (WA Commissioner) submitted that because the average size of families was 3.3 persons for Aboriginal families and 2.6 for non-Aboriginal families, the removal of the FTB

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5 Refugee Council of Australia, *Submission 8*, p. 1.

6 *Submission 4*, pp 1-2.

7 *Submission 2*, p. 4.

8 *Submission 6*, p. [3]. See also *Submission 10*, p. 1.

9 *Submission 6*, p. [3].

10 *Submission 7*, pp 1-2.

11 *Submission 9*, p. 2.

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Part A Large Family Supplement would therefore have a greater impact on Aboriginal families.<sup>12</sup>

2.12 The WA Commissioner went on to state that one-parent Aboriginal families also tended to be larger than one-parent non-Aboriginal families and recommended:

[C]onsideration for the retention of the large family supplement for vulnerable families, particularly large Aboriginal families. In the alternative I recommend that the government phase out supplements for existing vulnerable families over a period of time to minimise the impact of this change on already struggling families.<sup>13</sup>

### **Comments on specific measures**

2.13 The Bill seeks to:

- (a) Reduce the time for which FTB Part A will be paid to recipients who are outside Australia, known as portability, from the current 56 weeks to six weeks. Portability extension and exemption provisions that allow longer portability under special circumstances will continue to apply.
- (b) Cease the large family supplement component of FTB Part A.

#### ***Reducing the portability period***

2.14 While some submitters agreed that 'the present threshold of 56 weeks might be considered overly generous and not reflective of short-term absences from Australia' they also expressed concern that a six-week cut off may be too short, for example because many such families remain Australian residents for tax purposes.<sup>14</sup>

2.15 Other submitters also agreed that 'being overseas does not necessarily lessen someone's 'connection to Australia'; it does not imply that the person or family does not wish to return, or no longer identifies as Australian.'<sup>15</sup>

2.16 The National Welfare Rights Network acknowledges that

[T]his measure is likely to impact on very few families, as few have the means to travel for longer than six weeks at a time.<sup>16</sup>

2.17 The Chinese Australian Services Society Ltd (Chinese Society) expressed appreciation for the need for the Government to allocate limited resources, and agreed that families who receive FTB should have strong ties to Australia. However, the Chinese society also expressed concern that the reduction from 52 weeks to six weeks:

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12 *Submission 1*, p [2]. The Welfare Rights Centre agreed with the potential impact on Aboriginal and Torres Strait Islander families. See *Submission 7*, p. 2.

13 *Submission 1*, p. [2].

14 *Submission 2*, pp 4-5. See also Chinese Australian Services Society Ltd, *Submission 5*, p.2.

15 *Submission 3*, p. 2.

16 *Submission 6*, p. [5].

[D]oes not take into account those families going overseas for a relatively longer period of time, where they may still incur expenses in raising their children.<sup>17</sup>

2.18 The Chinese Society recommended the current provisions be retained, whereby the FTB rate is reduced to the basic rate after a six week absence, and the portability period is reduced to a total of 28 weeks. It also recommended establishing a mechanism to respond to possible hardship cases.<sup>18</sup>

2.19 The Welfare Rights Centre expressed concern that the proposed shortened portability period does not reflect the needs of multicultural Australia:

This Bill ignores the cultural realities of a 21<sup>st</sup> century multicultural Australia, with many people having close and extensive ties to families living in countries outside of Australia...overseas travel can be required in family emergencies, in cases of illness accident, natural disasters, and when care for relatives is required.<sup>19</sup>

2.20 The St Vincent de Paul Society argued that the six-week portability period was too short and pointed to the need for some parents of FTB-eligible children to travel overseas for longer periods than six weeks, to care for relatives or to receive medical treatment.<sup>20</sup>

2.21 RCOA questioned the impact the reduced portability period would have on refugee communities:

[I]t is common for refugee community members to be required to travel overseas for long periods of time to visit their relatives and other community members, who were not able to come to Australia. This is particularly important for those who have sick or dying relatives in secondary countries of asylum. As such, refugee communities may travel overseas for several months. This bill will impact their ability to receive family tax benefit while overseas, placing further barriers on people visiting their family members.<sup>21</sup>

2.22 The National Welfare Rights Network agreed with RCOA and submitted that 'the families affected will include some of the more vulnerable families in the community, such as new migrants and refugees who retain strong family ties overseas.'<sup>22</sup>

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17 *Submission 5*, p. 2. See also *Submission 9*, p. 4.

18 *Submission 5*, p. 2.

19 *Submission 7*, p. 1. See also *Submission 3*, p.2.

20 *Submission 3*, p. 2.

21 *Submission 8*, p. 1.

22 *Submission 6*, p. [5].

2.23 Submitters also identified potential flow on effects of the Bill. Eligibility for FTB is tied to other payments, so for some families the loss of income would be greater than the FTB Part A payment.<sup>23</sup>

2.24 The Explanatory Memorandum (EM) to the Bill states that reducing the portability period is consistent with the purpose of family assistance payments, which is to assist with the costs of raising children in Australia. Where families are outside Australia for significant periods of time, that purpose would not be met.<sup>24</sup>

2.25 The changes to reduce the portability period are also consistent with the portability period of other income assistance payments and rebates:

These provisions ensure that fairness remains at the centre of these reforms. Fairness has always been at the heart of our social security system. This realignment of the portability rules is a logical and fair change. It ensures that portability rules for most income support payments remain consistent across the board. This is important in simplifying what is already a confusing and complicated social security system.<sup>25</sup>

2.26 The EM also notes that the Bill retains the capacity for the Minister to extend the portability period in prescribed circumstances, such as where a person cannot return to Australia because they have been hospitalised.<sup>26</sup>

### ***Ceasing large family supplement***

2.27 Submitters raised concerns that ceasing the large family supplement would have negative consequences for large families, particularly for low income large families.<sup>27</sup>

2.28 The EM to the Bill provides data from reports by the National Centre for Social and Economic Modelling (NCSEM) published in 2002, 2007 and 2013, which found that larger families do not face higher per-child costs compared to other families.<sup>28</sup>

2.29 However, the WA Commissioner argued that the NCSEM report also found that:

...[T]he proportion of income spent on children increases as the number of children increases, with low income families spending a greater proportion of income of the children compared with higher income large families.<sup>29</sup>

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23 *Submission 3*, p. 2. See also *Submission 6*, p. [4] and *Submission 8*, p. 1.

24 Social Services Legislation Amendment (Family Measures) Bill 2015, [Explanatory Memorandum](#) (EM), p. [2].

25 Minister, [House of Representatives Hansard](#), 2 December 2015, p. 14 424.

26 EM, p. [4].

27 All submissions raised concerns with the potential negative impact of the Bill on low income large families.

28 EM, p. [2].

29 *Submission 1*, p. [2]. See also *Submission 6*, p. [6].

2.30 This view was echoed by St Vincent de Paul Society, who recommended the measure be rejected, but also put forward a second option where the large family supplement would be retained for low-income families.<sup>30</sup> CDA also agreed with this view, and added that the NCSEM data did not take into account the specific circumstances of families of children with disability.<sup>31</sup> National Council of Women of Australia also pointed to certain increased costs of larger families, such as larger, more expensive cars for families with four or more children.<sup>32</sup>

2.31 FamilyVoice Australia has pointed out that many large families rely on a single income, and therefore these families are likely to suffer compounding effects of changes being considered to FTB Part B rates and eligibility.<sup>33</sup>

2.32 RCOA raised concerns over the impact this measure could have on refugee families 'as there are a number of refugee communities which commonly have large families with more than four children.'<sup>34</sup>

2.33 The EM to the Bill states that the cessation of the large family supplement is consistent with recommendations to abolish the supplement made by the Henry Tax Review in 2010 and the Commission of Audit in 2014.<sup>35</sup>

2.34 In his second reading speech, the Minister noted:

The Henry tax review in 2010 recommended that the large family supplement be abolished, as the policy rationale behind the payment was not strong. The National Commission of Audit reiterated this position in 2014 by stating that the basic rates of FTB part A payment were sufficient for the costs of raising children...This [amendment] reinforces the logical and evidence based approach that the government takes to achieving policy outcomes.<sup>36</sup>

2.35 Additionally, as outlined in chapter one of this report, savings from this measure, combined with savings from other changes including additional family payments changes, would fund the \$3.5 billion *Jobs for Families* childcare package to 'provide greater choice for more than 1.2 million families by providing a simpler, more affordable, more flexible, and more accessible child care system.'<sup>37</sup>

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30 *Submission 3*, p. 4.

31 CDA, *Submission 4*, p. 2.

32 *Submission 10*, p. 1.

33 FamilyVoice Australia, *Submission 2*, p. 5.

34 RCOA, *Submissison 8*, p. 2.

35 EM, p. [2].

36 Minister, *House of Representatives Hansard*, 2 December 2015, pp 14423-14424.

37 The Hon Scott Morrison MP, Minister for Social Services, 'Job for Families child care package delivers choice for families', Media Release, 10 May 2015, <http://www.formerministers.dss.gov.au/15859/job-for-families-child-care-package-delivers-choice-for-families/> (accessed 27 January 2015).

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2.36 The need for improvements to the childcare system was acknowledged by the ACTU in its submission:

Universal access to government-funded paid parental leave is critical to maternal and child health and wellbeing and helps supports greater female workforce participation.<sup>38</sup>

### **Committee view**

2.37 The committee acknowledges concerns raised about the proposed reduction to the portability period, and the impact this may have on multicultural communities. However, the committee also notes the comments made by submitters about the overly generous existing portability period, and the relatively minor numbers of families likely to be impacted by this measure.

2.38 Furthermore, the committee concurs with the statements in the EM to the Bill, which outline that the reduced portability period will ensure family payments are targeted to families who have a stronger residence connection to Australia.

2.39 The committee notes concerns raised with ceasing the large family payment supplement on low income families. However, the committee also notes the data which shows that larger families do not face a higher per child cost, and that these families will continue to receive per child family assistance payments for each eligible child.

2.40 The committee notes the *Jobs for Families* package, and acknowledges the need for savings measures to fund this important reform which will help to support families to support themselves and reduce their dependence on welfare payments.

### **Recommendation 1**

**2.41 The committee recommends that the Bill be passed.**

**Senator Zed Seselja**

**Chair**

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38 *Submission 9*, p. 3.

