

Australian Greens Senators' Dissenting Report

1.1 The Australian Greens do not support the majority report of this Committee. This Bill in its original form is simply another version of harsh cuts from the Government's cruel 2014-15 Budget, and it should not be passed.

1.2 We note that the Government has amended the Bill in the House of Representatives after its introduction, but prior to this Committee's reporting date, with changes reflecting Labor's reported position.¹ The Australian Greens still oppose the amended Bill, which will cut Family Tax Benefit B to 76,000 couples with children aged 13+.² This is an age when the support children need is increasing, and the Government should not be cutting support to families.

1.3 The amended Bill is simply a watered down version of the Government's cuts, and should not be passed.

Measures in the Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2015

1.4 The *Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2015* ('the Bill') makes a number of changes to the family tax benefit (FTB) system, and to a number of related payments.

1.5 Specifically, the Bill:

- Phases out the annual FTB-A (\$726.35) and FTB-B (\$354.05) supplements between 2015-16 and 2017-18.³
- Removes FTB-B for all children aged 17-18, and couple families with a child aged 13-16.
- Reduces the maximum rate of FTB-B from \$2,784.95 to \$1,000 annually for single parents and grandparent carers with children aged 13-16.
- Increases FTB-A and some equivalent payments (for specific Youth Allowance and Disability Support Payment recipients) by around \$5 a week.
- Increases FTB-B by \$1,000 annually for families with a child under one.

1.6 The changes in this Bill represent a significant cut to the FTB system. The measures are expected to provide a net save of around \$4.8 billion over the forward

1 <http://www.abc.net.au/news/2015-11-10/federal-opposition-agrees-to-scrap-family-tax-benefit-b/6927328> (accessed 27 November 2015).

2 See: *Submission 2*.

3 <http://www.humanservices.gov.au/customer/enablers/centrelink/family-tax-benefit-part-a-part-b/ftb-b-payment-rates>; <http://www.humanservices.gov.au/customer/enablers/centrelink/family-tax-benefit-part-a-part-b/ftb-a-payment-rates> (accessed 27 November 2015).

estimates.⁴ The Government's rationale is an ad-hoc search for savings regardless of the damage, reflecting the approach taken in the 2014-15 Budget, rather than a genuine attempt at structural reform to improve the system.

Cuts to FTB-B

1.7 The Bill as originally introduced removes FTB-B for all children aged 17-18, and couple families with children aged 13-16. It also significantly reduces FTB-B for single parents and grandparent carers with children aged 13-16.

1.8 These cuts will impact 136,000 single parents, and some 4,000 grandparent carers and thousands of low income couple families. These cuts reduce support that is intended to combat child poverty, and could have a devastating impact. While the cuts take a different form, the underlying approach is the same as the 2014-15 Budget. As the Australian Council of Social Services said in their submission:

Although the current Bill will be less severe in its impacts than those proposed in 2014-15 Budget, the changes remain very harsh. Unlike the age pension changes, this Bill does not seek to better target payments to lower income families while tightening access for those on higher incomes. It will affect those on the lowest incomes the most, including single parent and low income couple households.

It is estimated that 136,000 single parents with older children will be adversely affected by the changes to Part B alone, with a sole parent with one child over 13 to lose approximately \$2,500 per year (as will grandparents) and those with two children over 13 to lose around \$3,000 per year (as will grandparents).

Some 76,000 couple families will lose the Part B payment entirely, some of who are already on very low incomes. Low-income couples with children over 13 will lose between \$3,500 and \$4,000 per year.

Some 4000 grandparents will be affected by the changes.

The numbers affected and the extent of the income losses mean that the changes are likely to lead to an increase in child poverty, noting child poverty is already concentrated in single parent families. There are already 600,000 children living below the poverty line in Australia.⁵

1.9 The cost of children typically increases with age, however the approach in this Bill is to cut payments to older children. As the Government's McClure Report concluded:

The costs of children increase markedly at the following points in the lifecycle: starting primary school, starting secondary school and entering the final two years of secondary school. The new Child and Youth Payment will better reflect this and be higher for older children than for younger children. Payments for low income families with children and young people

4 Parliamentary Library, 'Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2015', *Bills Digest no. 50*, 18 November 2015, pp 7-8.

5 *Submission 2*, p. 4.

should support children to finish their education and transition to the workforce.⁶

1.10 During the Committee hearing, Departmental officials said they had not analysed the cost of children, but referred to the 'cost of children table ... developed for child support purposes'.⁷ That table reflects a higher cost for children aged 13 and over, with lower costs for children aged 12 and under,⁸ and multiple submissions and witnesses noted that children's needs increase as they age.⁹

1.11 In particular, cuts to FTB-B would have a devastating impact on the 136,000 single parents affected, who are already struggling following other cuts. As one witness said, '[s]ole parents have borne the brunt of successive cuts. They are completely ill equipped to manage any further reductions.'¹⁰ These include the measures by successive Liberal and Coalition Governments which forced single parents onto Newstart, which significantly increased the risk of child poverty.¹¹

1.12 While the cut to FTB-B is reduced for single parents and grandparents with children aged 13+, this would not cover some other groups who may need additional support as carers. In particular, kinship and foster carers are not covered by the reduced rate of FTB-B and will be subject to the full cut after children turn 13.¹²

1.13 The cuts to FTB-B included in this Bill will hit the parents and carers of teenagers particularly hard. The evidence shows that children's needs are typically greater as they age, particularly in their final two years of school.

Phasing out end of year supplements

1.14 One of the harshest cuts in the Bill is the removing of the end of year supplements for FTB-A and FTB-B. When these supplements were initially introduced, there were two broad rationales for their introduction:

- To provide an increase to the overall FTB payments; and
- To do so in a way which provided relief to families who had small debts as a result of the reconciliation process.¹³

6 Report of the Reference Group on Welfare Reform to the Minister for Social Services, *A new system for better employment and social outcomes: Final report*, February 2015, p. 88.

7 *Committee Hansard*, 19 November 2015, p. 35.

8 <http://www.humanservices.gov.au/customer/enablers/child-support/child-support-assessment/working-out-child-support-using-the-basic-formula> (accessed 27 November 2015).

9 *Submission 2*, p. 4; *Committee Hansard*, 19 November 2015, p. 13; *Submission 13*, p. 6.

10 *Committee Hansard*, 19 November 2015, p. 13.

11 <http://www.abc.net.au/radionational/programs/backgroundbriefing/the-welfare-to-work-trap/6795072> (accessed 27 November 2015).

12 *Committee Hansard*, 19 November 2015, p. 27.

13 Parliamentary Library, 'Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2015', *Bills Digest no. 50*, 18 November 2015, pp 9-10.

1.15 Part of the Coalition's stated rationale is to phase-out the supplements, with the expectation that by the time they are phased out new Australian Taxation Office systems will allow accurate estimates of income throughout the year.¹⁴ Public statements by the Government, and evidence heard during the Committee process, suggest that expecting new systems to be fully effective is at best wildly optimistic.

1.16 While the Government initially intended to introduce the single-touch Australian Taxation Office system by July 2016, that date has been postponed to some time 'in a couple of years'.¹⁵ In October 2015, an ATO spokesperson said:

Consultation is continuing on the scope and timing for the Single Touch Payroll initiative and the feasibility of conducting targeted pilots subject to a final Government decision to proceed with the initiative.¹⁶

1.17 Multiple witnesses and submissions to the Committee were concerned that the relevant departmental computer systems were simply not capable of the linkages required.¹⁷ As Ms Terese Edwards, Chief Executive Office of the National Council for Single Mothers and their Children Inc. said:

On Tuesday I attended a child support teleconference and it was made clear to us that even though this has been a goal for the last eight years that families still need to go to both agencies just to let them know of their income, because the computer systems cannot talk to each other within the one department. If you ever have the chance to go onto the family payments Facebook page, which is run by the department, you will find that at critical points, where tax returns are meant to be in, or other forms are lodged or around payments, that the most common complaint is that the IT system is not working. I would argue that the current system is not working; it causes great duress. So I have no faith in this being cited as a rationale for reducing the annual supplements.¹⁸

1.18 Fundamentally, the Government's rationale that updated computer systems will enable end of year supplements to be phased out is flawed.

1.19 Regardless of the computer systems, removing the supplement would be a significant reduction in the support provided to vulnerable groups including single parents. As the National Welfare Rights Network explained:

14 *House of Representatives Hansard*, 21 October 2015, pp 11919 – 11920.

15 Minister for Small Business and Assistant Treasurer, 'Cutting red tape for employers through Single Touch Payroll', *Press release*, <http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressrel%2F3584227%22> (accessed 27 November 2015); 'ATO still wants payroll reporting', *Australian Financial Review*, 14 October 2015, p. 7, <http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressclp%2F4131699%22> (accessed 27 November 2015).

16 <http://www.smartcompany.com.au/finance/tax/48756-ato-pushing-ahead-with-plans-to-introduce-real-time-payroll-reporting.html> (accessed 27 November 2015).

17 *Committee Hansard*, 19 November 2015, pp 10, 15, *Submission 2*, p. 5.

18 *Committee Hansard*, 19 November 2015, p. 15.

...simply abolishing the supplements, without a corresponding and equivalent increase in base rates of payment, is no more than a reduction in payments in a system where levels of support for many families are inadequate (especially following the transition of single parents with children from Parenting Payment Single to Newstart Allowance).¹⁹

1.20 Many families rely on the end of year supplement to make purchases which are otherwise unavailable, but can be crucial for struggling families:

Another key and important supplement is the annual 'one-off' supplement, which is essential for single parents and carers. These end-of year supplements are factored into household budgets, enabling carers and single parents to meet large costs that they simply cannot meet within the weekly budget. Items purchased with these payments can include car registration, the replacement of household goods or insurance costs...²⁰

1.21 Despite the Government's best efforts to focus on other aspects, the reality is that except for those families with a child under one, the vast majority of FTB recipients would lose significant amounts of support if this Bill were passed.²¹ This is particularly true for families on FTB-B.

1.22 The removal of the end of year supplements compounds the harsh impacts of the FTB-B cuts, taking away crucial support from those who need it most, including single parents, grandparent carers, and low income couples. The Australian Council of Social Services estimated that the Bill would reduce support:

- to single parent families by \$50 to \$60 per week;
- to low-income couple families of by \$70 to \$80 per week.²²

1.23 Cuts to the end of year supplements will hit families who need support the most, including single parents, grandparent carers and low income couples.

Cuts to support for individuals who are victims of domestic violence

1.24 Tragically, some recipients of family tax benefit have experienced domestic violence. Evidence to the inquiry highlighted the risks of cutting support to those most in need. Ms Terese Edwards said:

With regard to family and domestic violence, our survey of single mothers impacted by family and domestic violence stated that family payments are essential—not just helpful, not just good but essential—when they exhausted their savings and borrowed money. We also heard from families

19 *Submission 13*, p. 9.

20 http://www.dss.gov.au/sites/default/files/documents/08_2014/125_-_national_welfare_rights_network.docx (accessed 27 November 2015); <https://www.dss.gov.au/our-responsibilities/review-of-australia-s-welfare-system/public-submissions/public-submissions-121-140> (accessed 27 November 2015).

21 Parliamentary Library, 'Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2015', *Bills Digest no. 50*, 18 November 2015, p. 4.

22 *Committee Hansard*, 19 November 2015, p. 8.

about the ongoing cost to protect themselves, the cost of continuously leaving and running, and the cost of extra medical support, counselling et cetera.²³

1.25 The Australian Greens strongly oppose cutting support to some of the most vulnerable members of our community.

Modelling, transparency and the impact of the cuts

1.26 The Australian Greens are significantly concerned about how the Government has chosen to hide the impact of its cuts. The Government has consistently chosen to conceal the full impact of its cuts, in press releases, in speeches in Parliament, and in failing to provide key information to the Committee.

1.27 The press release announcing the changes included 'cameos', supposedly to demonstrate the impact of the cuts. However, the examples presented explicitly included the impact of childcare reforms (for which legislation had not yet been introduced into Parliament, and which would not benefit all families), and explicitly *excluded* the slashing of supplements, which would dwarf the minor \$5 a week increase.

1.28 Similarly, in his second reading speech, the Minister said: 'The increase in their fortnightly payments will help families better manage their day-to-day budgets by providing them with timely, regularised assistance when they need it the most'.²⁴ This ignores the fact that when the impact of removing the supplement is included, almost all recipients will be worse off.

1.29 A number of witnesses to the Committee highlighted the lack of published analysis by the Government.²⁵ Officials from the Department of Social Services said that in briefing Government, they had 'provided various advice around these measures', and that 'we have done examples of how families would be impacted by the whole range of measures'.²⁶ It is irresponsible of the Government to make a \$4.8 billion cut without explaining the impact it will have on single parents, grandparent carers and low income couples. The Government appears to be determined to hide what the real impact of the cuts will be.

1.30 The Australian Greens wish to thank those who provided clear and detailed analysis of the impacts, which are invaluable in understanding the impacts of specific measures in the Bill, despite the Government's unwillingness to provide clear information. Among those who examined the specific impacts were:

- The Australian Council of Social Services,²⁷

23 *Committee Hansard*, 19 November 2015, p. 14.

24 *House of Representatives Hansard*, 21 October 2015, pp 11919 – 11920.

25 *Committee Hansard*, 19 November 2015, pp 4-5 & 9.

26 *Committee Hansard*, 19 November 2015, p. 36.

27 http://www.acoss.org.au/media-releases/?media_release=back-to-the-drawing-board-on-family-payments-new-bill-still-hits-poorest-families (accessed 27 November 2015).

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- The Parliamentary Library,²⁸ and
 - Peter Whiteford in *The Conversation*.²⁹

1.31 The Government has worked to hide the impacts of its cuts, making it harder to evaluate the detailed impact of the measures in the Bill.

Links to the child care reform package

1.32 Ministers and officials repeatedly cited the putative link between the cuts in this Bill, and the proposed child care reform package. However while the child care package has been announced, no enacting legislation has been introduced into the Parliament.

1.33 More importantly, many of those who will be hit hardest by the cuts will not benefit from the increased child care support. In particular, those with children aged 13+ are very unlikely to receive any benefit from changes in the childcare package.

1.34 As the Australian Council of Social Services explained to the Committee, the two packages in conjunction would likely involve a redistribution from older families to younger families:

Our sense is that the effect of those two packages is going to be a redistribution of income, really, from families with older children to families with younger children. We also note that not everyone in the childcare package is going to be a winner either, and we have some significant concerns about low-income and vulnerable families who will be affected by the new stricter activity test, which will effectively reduce their access to early childhood education and care from two days to one day a week, or 24 hours to 12. So there are also some significant losers from the childcare package.³⁰

1.35 The link between the measures in the Bill and the proposed child care package is tenuous at best, and the Government has not clearly made the case for why improving child care requires cutting support to families, particularly single parents, grandparents and low income couples.

28 Parliamentary Library, 'Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2015', *Bills Digest no. 50*, 18 November 2015.

29 <http://theconversation.com/family-tax-benefit-savings-trimmed-but-families-with-teenagers-hit-hardest-49496> (accessed 27 November 2015).

30 *Committee Hansard*, 19 November 2015, pp 9-10.

Recommendation 1

1.36 The Australian Greens recommend this Bill not be passed.

Senator Rachel Siewert