

# Chapter 1

## Introduction

### Referral

1.1 On 3 December 2015, the Senate referred the provisions of the *Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill (No. 2) 2015* (Bill) to the Senate Community Affairs Legislation Committee (committee) for inquiry and report by 1 March 2016.<sup>1</sup>

1.2 The Selection of Bills Committee noted that the reason for referral was to 'determine the impact of the measures in the Bill on various types of families.'<sup>2</sup>

### Conduct of the inquiry

1.3 Details of the inquiry, including a link to the Bill and associated documents, were placed on the committee's website.<sup>3</sup> The committee also wrote to 170 organisations and individuals, inviting submissions by 12 February 2016. Submissions continued to be received after that date.

1.4 The committee received 19 submissions to the inquiry. All submissions are listed at Appendix 1 and published on the committee's website.

1.5 The committee held a public hearing in Melbourne on 18 February 2016. A list of witnesses who appeared at the hearing is at Appendix 2, and the Hansard transcript is available through the committee's website.

### Background

1.6 In May 2015, the then Minister for Social Services, the Hon Scott Morrison MP, announced a \$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.'

1.7 This package comprises a range of initiatives to provide additional support for low and middle income families:

- Abolition of the current Child Care Benefit, Child Care Rebate and Jobs, Education and Training Child Care Fee Assistance programmes.
- Introduction of a single means tested *Child Care Subsidy* for all families, subject to a new activity test for up to 100 hours of subsidised care per child per fortnight, paid directly to approved care service providers to make it easier for families.

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1 [Journals of the Senate](#), No. 134—3 December 2015, p. 3625.

2 Selection of Bills Committee, [Report No. 16 of 2015](#), 3 December 2015, Appendix 17.

3 See: [http://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Community\\_Affairs/Family\\_Payments\\_No\\_2](http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Community_Affairs/Family_Payments_No_2).

- For family incomes of up to approximately \$65,000 the *Child Care Subsidy* will be 85% per child of the actual fee or a benchmark price, whichever is lower. This will reduce to 50% for family incomes of approximately \$170,000 and above at the time of implementation.
- Families on incomes under \$185,000 will no longer have a cap on the amount of subsidy they receive.
- A cap of \$10,000 per child at the time of introduction will be established for the total value of subsidies for family incomes of \$185,000 and above.<sup>4</sup>

1.8 In the second reading speech on the Bill, the Minister for Social Services, the Hon. Christian Porter MP (Minister), noted that the expected savings from the measures in the Bill would offset the childcare package:

The new package has been introduced in order to pay for the Jobs for Families package. The package contains the required savings from family payments to offset the additional investment in childcare reforms which will help families and encourage workforce participation.<sup>5</sup>

1.9 The Minister also noted the amendments would:

[S]implify the family tax benefit system and provide more money on a fortnightly basis to those families who need it the most.<sup>6</sup>

1.10 The Bill seeks to reintroduce modified versions of certain measures previously outlined in the *Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2015 (Bill No. 1)*, which were removed by amendments agreed to by the House of Representatives on 26 November 2015.<sup>7 8</sup>

1.11 Chapter 2 provides greater detail on the modified measures proposed in the Bill, which were made in response to concerns raised during a committee inquiry into Bill No. 1.

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4 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 23 November 2015).

5 The Hon Christian Porter MP, Minister for Social Services, *House of Representatives Hansard*, 2 December 2015, p. 14425.

6 The Hon Christian Porter MP, Minister for Social Services, *House of Representatives Hansard*, 2 December 2015, p. 14426.

7 *House of Representatives Votes and Proceedings*, No. 162–26 November 2015, p. 1750.

8 See: [http://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Community\\_Affairs/familypayments](http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Community_Affairs/familypayments).

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## Key provisions and purpose of the Bill

1.12 The Bill is comprised of three schedules and seeks to amend the *A New Tax System (Family Assistance) Act 1999*, *A New Tax System (Family Assistance) (Administration) Act 1999*, *Social Security Act 1991* and the *Social Security (Administration) Act 1991* in order to:

- Reform FTB<sup>9</sup> Part A and at-home, under-18 fortnightly rates for youth allowance<sup>10</sup> and disability support pension<sup>11</sup> by:
  - increasing FTB Part A fortnightly rates by \$10.08 for each FTB child in the family aged up to 19; and
  - increasing youth allowance and disability support pension by around \$10.44 per fortnight for recipients aged under 18 and living at home.
- Reform FTB Part B by changing rates calculated by the youngest child in the family:
  - for children under one, increasing the standard rate by \$1000.10 per year;
  - for children between one and five, maintaining the current standard rate;
  - for children between five and 13, maintaining the current standard rate;
  - for children aged 13 to 16, introducing a reduced standard rate of \$1000.10 per year for individuals who are not single parents aged 60 or more or grandparents or great-grandparents; and
  - for children aged 13 to 18, maintain the current standard rate for single parents who are at least 60 years of age, grandparents or great-grandparents.
- Phase out FTB Part A and Part B supplements by:
  - reducing FTB Part A supplement to \$602.25 a year from 1 July 2016, and to \$302.95 a year from 1 July 2017 and ceasing on 1 July 2018; and
  - reducing FTB Part B supplement to \$302.95 a year from 1 July 2016, and to \$153.30 a year from 1 July 2017, and ceasing on 1 July 2018.<sup>12</sup>

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9 Family Tax Benefit (FTB) is an income tested two part payment from the Australian Government to help families with the cost of raising children. FTB Part A is a per child payment made to eligible families and FTB Part B gives extra help to single parents and families with one main income.

10 Youth Allowance provides financial help for people aged 16 to 24 years who are studying full time, undertaking a full time Australian Apprenticeship, training, looking for work or sick, with payment rates determined by age and circumstance.

11 Disability Support Pension provides financial support for people who have a physical, intellectual or psychiatric condition that stops them from working or people who are permanently blind, with payment rates determined by age and circumstance.

**Schedule 1—Increase payment rates**

1.13 This schedule proposes to increase the fortnightly rates for FTB Part A by \$10.08 for each FTB child in the family aged up to 19 years of age. An equivalent rate of increase (of around \$10.44 per fortnight) would apply to certain youth allowance and disability support pension recipients aged under 18 years of age. These increases would commence from 1 July 2018.<sup>13</sup>

**Schedule 2—Family tax benefit Part B rate**

1.14 This schedule proposes to:

introduce a new rate structure for FTB Part B, and make other amendments to the rules for Part B, to:

- increase the standard rate by \$1,000.10 per year for families with a youngest child aged under one;
- maintain the current standard rate for families with a youngest child aged between one and five;
- maintain the current standard rate for families with a youngest child aged between five and 13;
- maintain the current standard rate for single parents who are at least 60 years of age, grandparents and great-grandparents with a youngest child aged between 13 and 18; and
- introduce a reduced standard rate of \$1,000.10 per year for individuals with a youngest child aged 13 to 16 (currently \$2,737.50) who are not single parents aged 60 or more or grandparents or great-grandparents.<sup>14</sup>

1.15 Item 11 of Schedule 2 specifies that the new criteria for working out the rate of FTB would commence on 1 July 2016. The first indexation of the new amounts outlined in the table in subclause 30(1) of schedule 1 would occur on 1 July 2017.<sup>15</sup>

1.16 The committee notes that the Bill amends previously proposed changes to the standard rates of FTB Part B,<sup>16</sup> to maintain the current standard rates for families with a youngest child aged between one and five or between five and 13, as well as for single parents aged 60 years and over, grandparents and great-grandparents with a youngest child aged between 13 and 18.<sup>17</sup>

**Schedule 3—Family tax benefit supplements**

1.17 This schedule proposes to:

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12 *Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill (No. 2) 2015*, [Explanatory Memorandum](#) (EM), p. 1.

13 EM, p. 2.

14 EM, p. 6.

15 EM, p. 8.

16 See Chapter two for further detail on previously proposed amendments to FTB payment rates.

17 EM, p. 1.

[P]hase out the family tax benefit 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. It will then be withdrawn from 1 July 2018.

The family tax benefit Part B supplement will also be phased out. It will be reduced to \$302.95 a year from 1 July 2016, and to \$153.30 a year from 1 July 2017. It will then be withdrawn from 1 July 2018.<sup>18</sup>

1.18 Part 1 and Part 2 of this schedule provide for the reduction of end-of-year FTB Part A and FTB Part B supplements, to commence on 1 July 2016, with further reductions to commence on 1 July 2017. Part 3 of this schedule provides for FTB Part A and FTB Part B supplements to be phased out completely by 1 July 2018.<sup>19</sup>

### ***Statements of compatibility with human rights***

1.19 The statements of compatibility with human rights (statements) included in the Explanatory Memorandum to the Bill, provide analysis on each of the three schedules of the Bill. The statements affirm that Schedule 1 of the Bill supports the right to social security as it will increase certain social security payments and to the extent that Schedule 2 and Schedule 3 limit the right to social security, those limits are reasonable and proportionate.<sup>20</sup>

1.20 The Parliamentary Joint Committee on Human Rights (PJCHR) examined the bill in its report of 2 February 2016 and referred to comments made in its report of 10 November 2015 in relation to the measures as introduced in a previous bill.<sup>21</sup>

1.21 In its November 2015 report, the PJCHR considered that the reduction in the rate of FTB Part B and the removal of the supplements to FTB Parts A and B may engage and limit the right to social security and the right to an adequate standard of living. The PJCHR sought advice from the Minister on the justification for these limits.<sup>22</sup> The PJCHR had not published the Minister's response by the time this inquiry had concluded.

### **Consideration of the Bill by other committees**

1.22 The Senate Standing Committee for the Scrutiny of Bills made no comments on the Bill.<sup>23</sup>

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18 EM, p. 9.

19 EM, pp 9–10.

20 *Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill (No. 2) 2015*, [Statements of Compatibility with Human Rights](#) (Statements), pp 1-4.

21 Parliamentary Joint Committee on Human Rights, *Thirty-third report of the 44<sup>th</sup> Parliament*, 2 February 2016, p. 3.

22 Parliamentary Joint Committee on Human Rights, *Thirtieth report of the 44<sup>th</sup> Parliament*, 10 November 2015, pp 53–60.

23 Senate Standing Committee for the Scrutiny of Bills, [Alert Digest No. 1 of 2016](#), 3 February 2016, p. 40.

**Financial impact**

1.23 The measures are expected to generate savings of \$5429.1 million over the forward estimates. This is comprised of \$584.2 million in savings from reform of FTB Part A and at-home under-18 youth fortnightly rates, \$781.1 million in savings (indicative) from reforms to FTB Part B and \$4063.9 million in savings from the phase out of FTB Part A and B supplements. The explanatory memorandum does not indicate how many people are expected to be affected by the changes.<sup>24</sup>

**Acknowledgement**

1.24 The committee thanks those organisations who made submissions to the inquiry and gave evidence at the hearing.

**Note on references**

1.25 Pages numbers vary between proof and official Hansard. Any reference to proof Hansard is marked as such.

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24 EM, p. 2.