

Labor Senator's Dissenting Report

Introduction

1.1 The Labor Senators on the Community Affairs References Committee (committee) reject the recommendation contained in the majority report that the *Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill (No. 2) 2015* (bill) should be supported.

1.2 This bill contains the latest round of harsh cuts to Australian families.

1.3 If passed, millions of families – and their children – will be negatively impacted.

1.4 Of course, low income and vulnerable families will be hurt the most.

1.5 In the course of this inquiry, the cuts contained in this bill have been overwhelmingly opposed by stakeholders.

1.6 As such, Labor Senators believe that the bill should be rejected.

Description of Cuts

1.7 As outlined in the majority report, this 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 family tax benefit (FTB) Part A and at-home, under-18 fortnightly rates for youth allowance and disability support pension 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 \$1 000.10 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 \$1 000.10 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.

The Liberal Government's record

1.8 Since coming to government in 2013, the current Liberal Government has sought to make deep and harsh cuts to support for low and middle income families.

1.9 Their first attempt came in the 2014 budget, where the Government sought to:

- freeze FTB rates;
- freeze certain FTB thresholds;
- reset FTB supplements, and
- cease FTB Part B for families when their youngest child turns six.

1.10 Evidence presented in Senate Estimates revealed that had these measures been passed, they would have resulted in cuts of around \$8 billion from Australian families.

1.11 These cuts were roundly rejected by the Australian people. Labor are pleased to have been able to prevent these cuts from going through the parliament.

1.12 It is disappointing, however, that the Government has determined to pursue a new round of cuts to families.

Impact of the Current Cuts

1.13 Whilst the Government has touted these cuts as a compromise on its original family payments cuts from 2014, data presented to Senate Estimates shows the impact of these cuts will be widespread, and remains very harsh.

1.14 Labor Senators do not accept that these measures amount to a compromise.

1.15 Because of the abolition of FTB Part A supplements, 1.5 million families will lose \$726 per child every year.

1.16 Of these, more than 600 000 are single parents. 600 000 are on combined family incomes of less than \$40 000 a year.

1.17 Because of cuts to FTB Part B Supplements, 1.3 million families will lose \$354 per family per year. These families are all on a single income.

1.18 130 000 single parent families will lose FTB Part B when their youngest child is 13. Of these, around 80 000 are on incomes of less than \$40 000 a year.

1.19 In total, the Government's own figures show that more than 3 million children will be adversely affected by these cuts.

1.20 Labor Senators are pleased that the Government has removed proposed changes to support for grandparent carers from this bill.

1.21 However, it is clear that these cuts will hurt a very large number of families, many of whom are on low incomes.

Stakeholder Views

1.22 As outlined in the majority report, submissions received by the committee from stakeholders have almost universally opposed the passage of these cuts.

1.23 Overwhelmingly, submissions reflected serious concerns about the impact that these cuts would have on low income families.

1.24 As the Australian Council of Trade Unions submitted:

These measures are extremely harsh on low income families and likely to have significant negative consequences on the capacity of those families to meet the everyday costs associated with raising children.

The reduction in FTB Part B from \$2,737.50 to \$1,000.10 will substantially reduce household income for vulnerable families with teenage children including single parents under the age of 60. The disadvantage already experienced by families that are unable to obtain employment or are employed in low-wage jobs will become further entrenched.¹

1.25 The Community and Public Sector Union also raised concerns with the impact on single parents:

Single parents with teenage children may already face significant barriers to workforce participation and often find that only insecure, short-term work is available. Reducing payments to this already vulnerable group with many having no realistic access to secure work will not improve their life outcomes, rather it will further entrench their disadvantage.²

1.26 The Parenthood shared this view:

What these changes will mean in real terms for Australian families is that they will no longer be able to buy the new school shoes when needed or the books and other school essentials; they'll no longer be able to afford to keep enough petrol in the car to take their kids to and from school or afford the fresh fruit and vegetables to keep their children healthy and well fed; and it will mean that after all the essentials are covered they'll lose what little they had left to buy their children the occasional treat like a trip to the movies.³

1.27 The impact of these cuts on various types of vulnerable families was also made clear, particularly the impacts on single parent families and families of children with disability. As the Salvation Army submitted in relation to single parents:

Of particular concern is the impact of reducing the amount of FTB to single parents with children aged 13 and over, as they are unlikely to be the beneficiaries of additional childcare. None of the government's cameo model the likely impact of the changes on families with children over the

1 Australian Council of Trade Unions, *Submission 3*, p.4.

2 Community and Public Sector Union, *Submission 4*, p. 2.

3 The Parenthood, *Submission 15*, p.1.

age of seven. As such, single parent householders with a youngest child over the age of 13 face being thousands of dollars worse off each year unless they successfully substitute lost benefits with wages.⁴

1.28 Children with Disability Australia drew attention to the impact of these cuts on families of children with disability. They submitted:

Families accessing the FTB-B for children with disability aged over 13 and the supplements will experience a considerable reduction in payments if the measures contained in the Bill are passed. While there is a lack of specific data that examines the socio economic status of families of children with disability, available evidence suggests families of children with disability are more likely to experience economic hardship. For example, the poverty rate of families with at least one person with disability (including parents with disability, children with disability or adults in the family) was 11.1 per cent in 2010 based on incomes, as opposed to 7.6 per cent for families without a person with disability. This data did not take into account additional expenses for families with a person with disability.

There is therefore a significant risk that the proposed reduced rates will negatively impact families of children with disability accessing the payment.⁵

1.29 National Welfare Rights reinforced this view:

For example, many parents with children with high care needs due to disability or learning difficulties do not qualify for higher levels of support such as through payments for carers, which have strict eligibility conditions. However, they also face major difficulties transitioning to work, even as their children get older. Why are those parents treated less beneficially than grandparent carers? Similarly, parents with a disability or other significant medical problem also face barriers to transitioning to work, and yet will get less support once their youngest child turns 13. Others such as foster carers and kinship carers are not considered in terms of their capacity to participate in the workforce.⁶

The Government's new Baby Bonus

1.30 As detailed above, this bill contains a measure to introduce a new rate of FTB Part A for families with children less than one year old.

1.31 The measure has been likened to the reintroduction of the Howard-era Baby Bonus, which was abolished by Labor.

1.32 This measure was announced as part of a deal done between the Liberals and the Nationals to secure the leadership of the new Prime Minister, Malcolm Turnbull.

4 Salvation Army, *Submission 9*, p 5.

5 Children with Disability Australia, *Submission 12*, p. 5.

6 National Welfare Rights Network, *Submission 7*, p. 1.

1.33 The Labor Senators note the contradiction between the Government's calls for cuts to be made to family payments, at the same time that they are increasing some payments as part of backroom deals.

1.34 This measure is not proper policy development and it is fiscally irresponsible. Labor does not support this measure.

Conclusion

1.35 Labor Senators do not support the passage of this legislation.

1.36 The cuts contained in this legislation are harsh. They will hurt low income and vulnerable families.

1.37 Like the measures originally put forward in the 2014 budget they are fundamentally unfair.

1.38 The Government should take them out of the parliament and out of the budget.

Recommendation 1

1.39 Labor Senators recommend that the Senate reject the *Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill (No. 2) 2015.*

Senator Carol Brown

Senator Katy Gallagher

Senator Claire Moore

Senator Nova Peris OAM

