The Senate

Community Affairs
Legislation Committee

Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill (No.2) 2015 [Provisions]

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Secretariat

Ms Jeanette Radcliffe (Committee Secretary)

Ms Kate Gauthier (Principal Research Officer)

Mr Colby Hannan (Principal Research Officer)

Mr Tasman Larnach (Senior Research Officer)

Ms Carol Stewart (Administrative Officer)

PO Box 6100
Parliament House
Canberra ACT 2600

Phone:	02 6277 3515
Fax:	02 6277 5829
E-mail:	community.affairs.sen@aph.gov.au
Internet:	www.aph.gov.au/senate_ca

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44th Parliament

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ABBREVIATIONS

ACCER	Australian Catholic Council for Employment Relations
ACOSS	Australian Council of Social Service
ACTU	Australian Council of Trade Unions
ATO	Australian Tax Office
Bill	Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill (No. 2) 2015
Bill No. 1	Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2015
Committee	Senate Community Affairs Legislation Committee
CDA	Children with Disability Australia
CPSU	Community and Public Sector Union
CSSA	Catholic Social Services Australia
Department	Department of Social Services
DHS	Department of Human Services
EM	Explanatory Memorandum
FTB	Family Tax Benefit
McClure Report	A New System for Better Employment and Social Outcomes: Final Report
Minister	Minister for Social Services
NWRN	National Welfare Rights Network
PJCHR	Parliamentary Joint Committee on Human Rights
Salvation Army	Salvation Army Australia
SDAE Association	Shop Distributive and Allied Employees' Association

Statements	Statements of compatibility with human rights

LIST OF RECOMMENDATIONS

Recommendation 1

2.80 The committee recommends that the Bill be passed.

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.[1]

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.'[2]

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.[3] 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.

- 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. [4]

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.[5]

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.[6]

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.[7] [8]

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.

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[9] Part A and at-home, under-18 fortnightly rates for youth allowance[10] and disability support pension[11] 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.[12]

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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.[13]

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.[14]

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.[15]

1.16 The committee notes that the Bill amends previously proposed changes to the standard rates of FTB Part B,[16] 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.[17]

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.[18]

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.[19]

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.[20]

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.[21]

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.[22] 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.[23]

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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 44th* Parliament, 2 February 2016, p. 3.

22 Parliamentary Joint Committee on Human Rights, *Thirtieth report of the 44th* 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.[24]

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.

24 EM, p. 2.

Chapter 2

Key issues

Context of the Bill

2.1 On 21 October 2015, the Minister for Social Services, the Hon Christian Porter MP (Minister), introduced the *Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2015* (Bill No. 1),[1] which was subsequently referred to the Community Affairs Committee for inquiry and report by 30 November 2015.[2]

2.2 Amendments to Bill No. 1 were agreed to by the House of Representatives on 26 November 2015, removing schedules 1 and 3 and items 1–3 and 5–9 of schedule 2.[3] The remaining provisions sought to remove family tax benefit (FTB) Part B payments for couple families with a youngest child aged 13 or over, with exceptions made for single parents, grandparents and great-grandparents caring for a youngest child aged 13 to 18.[4]

2.3 The Revised Explanatory Memorandum for Bill No.1 states:

> This Bill will introduce one of a package of reforms to family tax benefit Part B. The remaining reforms in the package have been removed from this Bill and will be reintroduced with certain modifications in a separate Bill.[5]

2.4 The *Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill (No. 2) 2015* (Bill) seeks to introduce certain modified versions of reforms that were removed from Bill No. 1. A key change made to address concerns with a provision proposed under Bill No. 1, is to ensure the proposed reduction of FTB Part B rate does not apply to single parents who are at least 60 years of age, grandparents and great-grandparents with a youngest child aged between 13 and 18. The new provisions also explicitly maintain the current standard FTB Part B rate for families with a youngest child aged between one and five or between five and 13.

2.5 The committee acknowledges the significant changes to the proposed measures contained in the Bill, made by the Government in response to concerns raised by submitters and witnesses during the committee's inquiry into Bill No. 1.[6]

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1 The Hon Christian Porter MP, Minister for Social Services, *House of Representatives Hansard*, 21 October 2015, p. 11 919.

2 See: http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/ Community_Affairs/Family_Payments.

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

4 *Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2015*, Revised Explanatory Memorandum, (Revised EM), p. 1.

5 *Revised EM*, p. 1.

Key issues

2.6 Most submitters and witnesses supported reforms to the FTB payments system to ensure it is simpler, fairer and better targeted, and supported the rate increases for certain cohorts. However, submitters and witnesses generally opposed the proposed reduced payment rate for certain families and expressed concerns about the following issues:

- Impacts on low income families and vulnerable families, such as single parents and families of children with disability.
- The costs of raising children increase with children's age, while the measures propose a corresponding reduction in payments.
- The proposed increases do not compensate for the loss of supplements.
- The proposed amendments do not appropriately encourage greater workforce participation.
- IT and payroll system upgrades may not address end of year FTB debts.

2.7 There was some qualified support from submitters and witnesses to measures which:

- achieve structural improvement in family payments system;
- encourage greater workforce participation, or
- increase payment rates.

2.8 In outlining the overarching reasons for the measures contained in the Bill, an officer from the Department of Social Services (department) told the committee:

> [T]hese measures are to do with the sustainability of the system, as well as to encourage participation and help pay for the Jobs for Families measures. In that sense, we know that better targeting FTB B will assist the sustainability of the welfare payment system.[7]

Impact on low income families

2.9 Most submitters and witnesses raised the issue of the impact on low income families, particularly given the numbers of Australian families who are currently living below the poverty line:

> Today a considerable number of families are facing substantial economic difficulties, primarily due to inadequate income. A large number of Australian families are living below, or close to, the poverty line…

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6 See: http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Community_Affairs/Family_Payments.

7 Ms Cath Halbert, Group Manager, Payments Policy Group, Department of Social Services (Department), *Proof Committee Hansard*, 18 February 2016, p. 42.

> …The 2011-12 ABS data suggests that around 2.6 million (11.8%) of Australians live under the poverty line. According to NATSEM the general trend is that poverty rates have increased.[8]

2.10 The Australian Council of Trade Unions (ACTU) submitted that the 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'. [9]

2.11 The Australian Council of Social Service (ACOSS) provided evidence at the inquiry hearing that despite a well–targeted income support system, child poverty rates continue to be unacceptably high:

> The current system, in fact, works reasonably well and is fairly highly targeted already, partly due to a number of changes that have been made in recent years around, for example, income testing of part B. But child poverty rates continue to be unacceptably high. According to the latest research, there are 600,000 children living below the poverty line in Australia, and one in three single parent families is living in poverty. If passed, our concern is that this bill is likely to contribute to an increase in those poverty rates.[10]

2.12 The National Welfare Rights Network (NWRN) submitted that the projected overall savings of $4 billion, represent a major reduction in payments to low income families:

> Further, they must be considered in the context of the measure that passed in the previous bill. The combined savings projected in the previous bill (prior to amendment), of $4.84 billion over the forward estimates was greater than those proposed in the 2014 Budget Measures bills that were defeated or are currently stalled in the Senate.[11]

2.13 The ParentHood also submitted these measures would have a negative impact on low income families:

> 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

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8 Shop Distributive and Allied Employees' Association (SDAE Association) *Submission 2*, p. 2. The majority of submissions also raised concerns with the impact these measures would have on low income families.

9 Australian Council of Trade Unions (ACTU), *Submission 3*, p. 3.

10 Ms Jacqueline Phillips, Director of Policy, Australian Council of Social Service (ACOSS), *Proof Committee Hansard*, 18 February 2016, p. 2.

11 National Welfare Rights Network (NWRN), *Submission 7*, p. [4].

> little they had left to buy their children the occasional treat like a trip to the movies.[12]

2.14 The National Council of Women of Australian recommended in their submission, that the Government establish an independent review of the adequacy and indexation of social security payments, as recommended by ACOSS.[13]

2.15 The committee notes the concerns raised about the potential impact of these measures on low income families. It also notes the evidence presented by the department stating that the measures to better target FTB payments are designed to ensure the overall sustainability of the welfare payment system.

Disadvantage to vulnerable families

2.16 Submitters raised concerns with the impact these measures would have on other types of vulnerable families, particularly those who are unable to obtain employment or who are employed in low-wage jobs.

2.17 The NWRN noted that the rationale provided by Government for the continuation of FTB Part B payment to Grandparent carers, is that there is a reduced expectation of workforce participation of this cohort. The NWRN submitted there are other cohorts that also experience circumstances which should reduce the expectation they will participate in the workforce:

> 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.[14]

2.18 The Community and Public Sector Union (CPSU) 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

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12 *Submission 15*, p. 1.

13 National Council of Women of Australia, *Submission 8*, p. 6. This was also recommended by Mr Brian Lawrence of the Australian Catholic Council for Employment Relations. See: *Proof Committee Hansard* , 18 February 2016, p. 21.

14 *Submission 7*, p. [4].

> having no realistic access to secure work will riot improve their life outcomes, rather it will further entrench their disadvantage.[15]

2.19 Ms Amanda McKenzie submitted that while FTB Part B is paid at the same rate to both sole parents and two parent families with a single income, single parents face greater costs of workforce participation as they generally have to pay for formal childcare.[16]

2.20 The Australian Catholic Commission for Employment Relations (ACCER) also raised the issue of childcare costs more often borne by sole parent families, stating 'child care costs can force sole parent families into poverty'.[17]

2.21 Many submitters were supportive of payments being made to grandparent carers, However, Catholic Social Services Australia (CSSA) pointed out that this would create a discriminatory system:

> CSSA opposes reducing the FTB B rate for single parent families and couple grandparents, but is particularly concerned that the bill will… introduce a difference in payments that go to the children of two parent single income families as opposed to children cared for by grandparents or single parents, so that the payments become inherently discriminatory.[18]

2.22 CSSA further stated that the proposed FTB Part B payment reductions are ' inherently discriminatory against women because it deprives them of income while they are absent from the workforce and raising children. It will exacerbate the lifetime discrimination that leaves women, on average, with substantially less income and assets than men'.[19]

2.23 Ms Marcelle Mogg, Chief Executive Officer of CSSA, told the committee of her concerns with the potential impact on women, stating 'all the studies that are available in the public domain about looking at household income and particularly future wealth will say that women are generally disadvantaged relative to men from comparable positions'.[20]

2.24 Ms Winnie Bridie, Policy Officer with Children with Disability Australia (CDA) raised concerns with the impact on families of children with disability, due to the barriers to workforce participation these families face combined with the increased costs of raising children with disability:

> The current lived reality for those families is that there are many additional financial expenses associated with having a child or children with

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15 The Community and Public Sector Union (CPSU), *Submission 4*, p. 3. The impact on sole parent families was also raised by the ACTU, *Submission 3*, p.4; Salvation Army Australia, *Submission 9*, p. 2, and Welfare Right Centre NSW, *Submission 18*, p. 2.

16 Ms Amanda McKenzie, *Submission 14*, p. [1].

17 Australian Catholic Commission for Employment Relations (ACCER), *Submission 17*, p. 9.

18 *Submission 5*, p. [3].

19 *Submission 5*, p. [4].

20 *Proof Committee Hansard*, 18 February 2016, p. 22.

> disability. These include a range of incidental costs or when families have to fund service gaps. It is also common for families to report that they have reduced capacity to work, often due to systemic issues such as limited access to early childhood education and care, and schools, and access and availability of services and supports.[21]

2.25 CDA stated they are concerned that little consideration has been given to the special circumstances of families of children with disability, particularly in regard to the FTB Part B changes to a reduced standard rate for the youngest child aged 13 to 16, and the removal of all FTB Part B payments for recipients with a youngest child aged 17 to 18 who are not single parents aged over 60 or grandparent carers:

> CDA consulted with members regarding the proposed changes. Members expressed strong concerns around the reduction of this payment as it is often used to fund essential living expenses for children with disability, including therapies, care costs, medical costs, food, clothing, school supplies, transport and utilities. Difficulties in paying for these essential items as a result of reduced FTB rates will significantly increase the financial pressure on families who are already vulnerable.[22]

2.26 CDA recommended extending the exemptions that apply to single parents over 60, grandparents and great-grandparents to include families of children with disability.[23]

2.27 The Centre for Excellence in Child and Family Welfare raised concerns with the impact these measures could have on foster carers, given that participation rates are already in decline and existing state-based care allowances are minimal.[24]

2.28 In responding to these concerns, the department explained to the committee that FTB payment rates are primarily based on the income of recipients:

> We have not done any specific work on children with disabilities for family tax benefit, given that it is not a disability-linked payment. As you know, we have a range of payments that are specific to children with disabilities and their parents and carers, but FTB is not a disability-linked payment.[25]

2.29 The Centre for Excellence in Child and Family Welfare recommended that the department release modelling to show the impact of the proposed measures on different family structures.[26]

2.30 The department has responded to requests for such modelling, providing estimates of the financial impact to five different family types.[27]

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21 *Proof Committee Hansard*, 18 February 2016, p. 37.

22 CDA, *Submission 12*, p. 5.

23 CDA, *Submission 12*, p. 7.

24 Centre for Excellence in Child and Family Welfare, *Submission 19*, p. 2.

25 Ms Cath Halbert, *Proof Committee Hansard*, 18 February 2016, p. 44.

26 CECFW, *Submission 19*, p 3.

The cost of raising children

2.31 Submitters expressed concern that the costs of raising children, particularly education costs, increase as children get older, while the Bill proposes to reduce payments as children age.

2.32 The SDAE Association submitted:

> Children are a major expense for families. This expense grows as children become older. As such it is important to take this factor into account when determining appropriate support payments to families.[28]

2.33 The NCSMC agreed with this view and stated:

> NCSMC shares the distress of the families who will be most affected, and that it is families with children over the age of 13. Ironically, the cuts hit when assistance is needed the most. We also raise our concerns that access to payments for children who are finishing their secondary schooling (17, 18, 19 years) will be completely abolished.[29]

2.34 The NWRN also agreed with this view and submitted:

> The Henry Tax Review recognised that the rate of family payments failed to adequately reflect the direct costs of older children and recommended that assistance should be higher for older children.[30]

2.35 The NWRN further submitted that this would have a negative impact on participation in higher education:

> The measure to introduce a reduced rate of $1,000.10 per year for single parent families and couple grandparents with a youngest child aged 13 to 16 also effectively removes FTB Part B for people with children aged over 16 who meet the definition of "senior secondary school child". Children turning 16 are usually starting Year 11 or Year 12 so that the cessation of FTB Part B at this age will impact on the sole parents and grandparent carers ability to cover their children’s educational costs. Education costs are greater for Vocational Education and Training (VET) courses or units which allow you to obtain Australian Tertiary Admission Rank (ATAR). This change seems to be at odds with the move toward smarter education and may decrease participation in higher education.
>
> It is important to ensure that there is adequate support provided during high school to afford the best educational outcomes for young people and to encourage school retention rates.[31]

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27 Department, *Answers to Questions taken on Notice during 18 February public hearing*, received from the department, 23 February 2016.

28 SDAE Association, *Submission 2*, p.2. See also Salvation Army, *Submission 9*, p. 3; Anglicare Australia, *Submission 10*, p. 3 and ACOSS, *Submission 11 Attachment 1*, p. 4.

29 *Submission 6*, p. 5.

30 *Submission 7*, p. [6].

31 *Submission 7*, p. [8].

2.36 The National Council of Women submitted that the Henry Tax Review also found:

> …that in terms of meeting the cost of children, the system was more than adequate for young children with room for better alignment with what research shows about costs increasing as children get older.[32]

2.37 CDA submitted that the same increase in costs for older children is experienced by families of children with disability:

> Available evidence demonstrates that child raising costs increase as children get older, particularly during transition points such as starting primary school, starting secondary school and during the final two years of schooling. Again, families of children with disability often experience additional costs at these times.[33]

2.38 In evidence to the committee, the department noted the reduction in FTB payments as children age was not in response to the estimated costs of raising children, but was a reflection on the earning capacity of parents:

> It is considered that, as children get older, the parents' ability to participate in the workforce will increase, and these measures reflect that.[34]

Workforce participation

2.39 Some submitters expressed support for measures which encourage greater workforce participation. The Salvation Army Australia submitted that increased parental engagement with paid employment is 'a strong indicator for childhood inclusion in education and employment' but then went on to say they did not 'understand how reduced income has the effect of supporting transitions to employment'.[35]

2.40 The Refugee Council of Australia submitted that the FTB rate reduction for families with a youngest child aged 13 to 16 was likely to have a counterproductive effect on workforce participation of refugee communities, as the reduced payment would delay the settlement process and therefore hinder people's ability to gain stable work.[36]

2.41 Ms Lin Hatfield-Dodds, National Director of UnitingCare Australia, told the committee that there were better ways to improve workforce participation rates than the proposed measures:

> We continue to have a strong view that, rather than adopting a punitive approach through cuts to the family tax benefit payments, focusing on

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32 National Council of Women, *Submission 8*, p. 3.

33 CDA, *Submission 12*, pp 6–7.

34 Ms Cath Halbert Department of Social Services responded to these concerns in evidence presented to the committee, and stated *Proof Committee Hansard*, 18 February 2016, p. 42.

35 *Submission 9*, p. 1. See also Anglicare Australia, *Submission 10*, p. 3.

36 Refugee Council of Australia, *Submission 13*, p. 1.

> providing constructive support with appropriate accountability built in will be more effective in assisting people into work and moving away from a long-term reliance on welfare…We, therefore, support the provision of incentives that encourage and enable welfare recipients to gain improved training and employment so that the economic and social situations for them and their children are improved.[37]

2.42 Ms Katherine Beaumont, President of the NWRN disagreed with the stated objectives of the Bill:

> This legislation purports to be about structural reform of the family payment system and encouraging participation in the workforce. It is however no more, no less, than a savings grab of over $4 billion to be stripped from the family payment system. The National Welfare Rights Network supports genuine reform of the family payment system and measures to increase workforce participation, however piecemeal reduction in rates is not reform.[38]

2.43 As outlined earlier in this report, the department told the committee that as children age, there is an expectation of an increased ability for parents to participate in the workforce.[39]

Phasing out FTB supplements

2.44 While submitters were supportive of measures which would increase payments to some cohorts, they raised concerns that these increases would not compensate for the loss of end of year supplements. The ACTU submitted:

> While the legislative changes also include a small increase to the rate of FTB Part A, youth allowance and related payments, this increase is not sufficient to compensate families for the loss of the end of year supplements.[40]

2.45 NCSMC quoted ACOSS analysis which stated:

> [W]hen all the changes are fully phased in that a sole parent with one child over 13 will lose approximately $2,500 per year and a sole parent with two children will lose approximately $3000 per year ($48 per week and $58 per week respectively.[41]

2.46 Submitters also pointed out that for low income families, the end of year supplements are often used for large annual expenses:

> These lump-sum payments can make a big difference to struggling families. Families experience a number of large annual expenses, such as car

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37 *Proof Committee Hansard*, 18 February 2016, p. 6.

38 *Proof Committee Hansard*, 18 February 2016, p. 23.

39 Ms Cath Halbert, Group Manager, Payments Policy Group, Department of Social Services, *Proof Committee Hansard*, 18 February 2016, p. 42.

40 *Submission 3*, p. 4. See also CPSU, *Submission 4*, p. 1.

41 NCSMC, *Submission 6*, p. 5.

> registration and maintenance, education costs and utilities, which people on low incomes often have difficulty budgeting for, so they rely on these supplements to pay those necessary expenses. The removal of the supplements will leave many low income families under significant stress and unable to meet these irregular expenses.[42]

2.47 ACOSS submitted that the increase in payments to FTB Part A do not take effect until 1 July 2018, two years after the payment cuts take effect.[43]

2.48 In discussing the proposal to phase out of FTB Part A and Part B Supplements, the Minister stated that these supplements were introduced 'to be used as an offset for potential family tax benefit overpayments arising from underestimation by FTB families of their annual income' and also stated that 'the FTB supplements are meant to help pay for debt that 75 per cent of families already never accumulate'.[44]

2.49 The Minister outlined changes to income reporting systems being introduced to address the problem of overpayments from underestimating income:

> With the Australian Taxation Office introducing a single-touch payroll system, a system which will allow for accurate reporting of income by the 2018-19 financial year, the changes will significantly reduce the problem of family tax benefit debts.[45]

2.50 Mr Brian Lawrence of the Australian Catholic Council for Employment Relations disagreed with the premise that FTB Supplement payments were solely intended to offset end of year overpayment debts:

> We have addressed this issue in relation to the introduction of both supplements by referring to speeches by Prime Minister Howard and Minister Patterson in that 2004-05 period. Both supplements were intended as real benefits to boost family income and living standards. Their intended and actual benefits were not compromised or minimised by the payment as an annual supplement.[46]

2.51 Mr Lawrence further recommended that 'on the assumption that the IT system can do what the government says it can do and hopes it can do, we think all that means is that it might be possible to simply roll the supplements into the periodic payments'.[47]

2.52 Other submitters and witnesses disagreed with the Government's rationale for ceasing end of year FTB supplement payments, stating the FTB debt accrual problem would not be completely fixed. In its submission, ACOSS raised concerns with the IT

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42 CPSU, *Submission 4*, p. 2. See also NCSMC, *Submission 6*, p. 5 and Refugee Council of Australia, *Submission 13*, p. 2.

43 *Submission 11*, p. 3. See also Salvation Army, *Submission 9*, p. 3.

44 *House of Representatives Hansard*, 2 December 2015, pp. 14426-14427.

45 *House of Representatives Hansard*, 2 December 2015, p. 14426.

46 *Proof Committee Hansard*, 18 February 2016, p. 17.

47 *Proof Committee Hansard*, 18 February 2016, p. 18.

interface between the Department and the Australian Tax Office (ATO), which ACOSS described as 'not yet advanced enough to prevent over and underpayments, which end of year supplements were designed to address.'[48]

2.53 UnitingCare Australia told the committee that the 'digital divide' made it difficult for many payments system end users to report income:

> [T]here is a real push in Centrelink to push people to telephony and digital interface with the system. That is proving very challenging, in part, because of people's understanding and, potentially, their capability, but mostly because the system is a bit broken. People are having to do multiple runs into a physical office, back home on to a phone or a computer and back into the office.[49]

2.54 The CPSU raised a number of concerns with the design of the ATO one-touch payroll system, which is intended to mitigate the risk of FTB overpayments. The CPSU submitted that only employers with 20 or more employees will be required to use this system from 1 July 2018, and a decision on smaller employers will not be made until the conclusion of the 2018–19 pilot is complete. 'Therefore, many families receiving Family Tax Benefit will not have their income reported through single touch payroll in 2018–19 and possibly for some time thereafter'.[50]

2.55 The CPSU also submitted that the FTB is currently calculated based on a family's estimated annual adjusted taxable income, whereas the one-touch payroll system will only provide taxable income data to the ATO and the department. The CPSU contended that 'without further significant redesign of the Family Tax Benefit system, it is clear that integrating single touch payroll into the current payment framework will not be possible'.[51]

2.56 The NCSMC also expressed a lack of faith in the capacity of existing IT systems to respond to over-payments:

> NCSMC was recently informed that mothers must report their earnings both to the Department of Human Services (DHS) Child Support Agency and DHS-Centrelink as this IT system within the same department does not have the capacity to share this data.'[52]

2.57 Other witnesses pointed to the general complexity of income reporting and payments claiming systems. Ms Kerry Arch told the committee:

> When the new system comes in we want to be able to get through to Centrelink without being on hold for two hours only to be cut off and not even get to speak to someone. People's reporting is not being entered and

48 *Submission 11 Attachment 1*, p. 5.

49 Ms Lin Hatfield-Dodds, National Director, UnitingCare Australia, *Proof Committee Hansard,* 18 February 2016, p. 11.

50 *Submission 4*, p. 2.

51 *Submission 4*, p. 2.

52 *Submission 6*, p. 5.

> they are trying to get through for significant issues that they are facing. Then they have delayed payments for one to two days. Single parents cannot afford to have their payments a day late. [53]

2.58 The department told the committee that the new system being developed by the ATO will:

> [P]rovide real-time income, which eventually will remove the need for people to estimate their income, often not getting it right. That is where the overpayments or underpayments arise.[54]

2.59 The Department told the committee that the ATO has confirmed the pilot of this system will commence from 1 July 2016, with most employees using the new reporting system by 2018.[55]

2.60 The committee is satisfied with evidence presented by the department which noted that the new income reporting measures being introduced by the ATO will address IT issues that can make it difficult for users to accurately report their income.

Other issues

2.61 Submitters raised additional issues to the ones outlined above. Submitters and witnesses raised the issue of the payment reductions being used to fund the Government's proposed childcare package. Ms Kerry Arch told the committee:

> I do not believe that the family tax benefits should be funding the childcare package. It is cruel and unjustified. Why are the single parents always the ones that have to support everyone else in the community?[56]

2.62 Ms Jo Briskey, Executive Director of the ParentHood also raised concerns with the fairness of taking income support payments from vulnerable families to pay for childcare for other cohorts:

> [W]e reject the notion that, in order to fund the additional investment into child care, other families are being asked to pay for it. We think it is unfair, to put it simply. Obviously, within the childcare package there are a large number of families who are going to be significantly better off in terms of the affordability of their early learning and care. However, that is for a period of time when your children are at an age when you are using child care. These families may then well see the support that they need reduced significantly by the time their children are older. There is also the fact that there is a whole percentage of families who currently have older children who will be losing a significant amount of the support that they depend on in order to set up other families to be better off. We think that that is just

53 Ms Kerry Arch, *Proof Committee Hansard*, 18 February 2016, p. 6.

54 Ms Cath Halbert, *Proof Committee Hansard*, 18 February 2016, p. 46.

55 Ms Cath Halbert, *Proof Committee Hansard*, 18 February 2016, p. 46.

56 *Proof Committee Hansard*, 18 February 2016, p. 7.

not the way to go. It is a sense of robbing Peter to pay Paul and it is really not the way to go.[57]

2.63 Some submitters and witness were concerned with the impact these changes would have in conjunction with other measures that reduce payments to families:

> [T]his measure cannot be viewed in isolation. Denying access to the parenting payment single for families whose youngest child is older than eight years has a 'domino effect' such as financial hardship and impeding women`s capacity to work their way out of poverty. It reduces the ability to protect women from domestic violence (including post-separation). The harm is further exacerbated due to the failings of child support system with the combined result of trapping sole parent families in a life full of hardship.[58]

2.64 CDA also pointed to the overall reduction in family payments across the full suite of recent measures:

> It is also important to note that the measures contained in the Bill are proposed in addition to previous or upcoming reductions in family payments, such as the School Kids' Bonus, the reduced income threshold for FTB payments and linking the Family Tax Benefit to the Consumer Price Index rather than wage increases.[59]

2.65 The department addressed these concerns in their evidence to the committee, stating the measures are intended to ensure income support payments are better targeted at the greatest need:

> You would be aware that there have been recent measures to more tightly target FTB B, for example—that reduction of the primary income earner limit from $150,000 to $100,000. It was clearly considered by the parliament at that time that it was not as targeted as it could be. These measures just further extend that targeting.[60]

Support for increases

2.66 Submitters and witnesses expressed support for the increases in payments rates contained in the measures.[61] However, some submitters pointed to the issue of kinship carers particularly in Aboriginal and Torres Strait Islander families being ineligible for the payments being granted to grandparents. Ms Sheila Byard, Board Member of the National Council of Women of Australia, told the committee that in the Victorian Aboriginal community, much of the caring is being done by a family

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57 *Proof Committee Hansard*, 18 February 2016, p. 7.

58 NCSMC, *Submission 6*, p. 2.

59 *Submission 12*, p. 7. See also NWRN, *Submission 7*, p. [5]; Salvation Army, *Submission 9*, p. 3; Anglicare Australia, *Submission 10*, p. 3; ACCER, *Submission 17*, p. 2 and CECFW, *Submission 19*, p. 3.

60 Ms Cath Halbert, *Proof Committee Hansard*, 18 February 2016, p. 46.

61 Support for the increases to FTB payments rates included: Salvation Army, *Submission 9*, p. 3 and Anglicare Australia, *Submission 10*, p. 3.

member other than a grandparent. Ms Christine Belcher, Welfare Rights Advocate with the NWRN, told the committee:

> Some of the Aboriginal communities define 'grandparents' in a different way. We have a number of clients who call aunties and uncles 'grandparents'. But if we are going to go on this definition—that you have to be related as a grandparent—then those people will miss out, and a lot of them do care for children.[62]

2.67 However, Mrs Anne McLeish, Director of Grandparents Australia told the committee that she estimated grandparents – who will receive the FTB payments – made up 90 per cent of kinship carers, and that this group had particular needs:

> Not the least of these are their age, their financial circumstances and their lack of capacity—compared with younger carers, for example—to bounce back and to maintain their social networks.[63]

Support for structural improvement in family payments system

2.68 Many submitters were supportive of moves to simplify and improve the family payments system. However, submitters were critical of aspects of this measure which they proposed were designed as a savings measure as opposed to structural reform.

2.69 The CPSU submitted:

> There is also concern that these changes affect the integrity of the transfer system and have not been well thought out. Rather, they are focused on reducing Government expenditure and will only serve to make an already strained system more complex at the cost of maintaining an adequate safety net for Australia's most vulnerable. [64]

2.70 The NWRN agreed with the view that ceasing supplement payments without a corresponding increase in base payments, is a budget-savings measure rather than a structural simplification:

> The NWRN agrees with the objectives of simplification of the payments system. But again, the starting point must be to ensure the adequacy of payments so that Australia's highly targeted system can still meet its objective of providing a safety net. This is particularly important to the family payments system which is concerned with the adequacy of support for children.[65]

2.71 The Salvation Army Australia (Salvation Army) agreed with the rationale for the measures, which it saw as encouraging greater workforce participation, providing savings for childcare reform, enhance long term sustainability of the social security

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62 *Proof Committee Hansard*, 18 February 2016, p. 24.

63 *Proof Committee Hansard*, 18 February 2016, p. 29.

64 *Submission 4*, p. 1. See also *Submission 2*, p.5.

65 *Submission 7*, p. [9]. See also *Submission 18*, p. 5.

system. However, the Salvation Army also submitted that changes to social security legislation should not adversely impact those who need it most.[66]

2.72 Ms Julie Phillips of ACOSS told the committee that ACOSS disagreed the measures would simplify the FTB system because the number of FTB Part B payments would go up from two to five payments rates:

> … one for families with youngest child under one, one for families with youngest child aged 1-5, one for families with youngest child aged 5-13 years, one for single parents and grandparents over 60 with youngest child aged 13-18 and one for other families with youngest child aged 13-16 (noting that this leaves a gap for the majority of eligible single parents aged under 60 years with youngest child aged 17-18 years). These changes could hardly be called a simplification of the family payments system nor a reform which improves targeting to need.[67]

2.73 Ms Cath Halbert of the Department of Social Services told the committee that the payment rate changes were intended to better target FTB payments, and stated:

> If you wish to assist particular groups, targeting is what will get you there, and this is what has happened with these new rate structures. It has been targeted at specific groups who seem to need additional assistance. For example, although couple families will lose FTB B entirely, sole parents with children of certain ages will now be paid a new rate of FTB B…Targeting does add complexity, but we continually look for opportunities to simplify.[68]

2.74 The committee acknowledges that the income support payment system is complex and can be difficult to navigate. The committee recognises the work being undertaken by the Government to develop and introduce a range of measures designed to simplify the income support payment system. This Bill is one of those measures.

Committee view

2.75 The committee supports the payment rate increases proposed in this Bill:

- Increase to FTB Part A payments, to acknowledge and attempt to offset some of the costs associated with raising children. The committee notes that FTB Part A is a means tested payment and as such targets those most in need.
- Increase in payment rate for the at-home, under-18 fortnightly rate for youth allowance and disability support pension to align with the standard rate for FTB Part A payments for a child aged between 13 to 19 years. The committee agrees this will assist to reduce any incentives for young Australians to leave school in order to change payment systems.
- Increase in FTB Part B rate for children under one, which recognises the need for providing greater choice for families when children are very young.

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66 *Submission 9*, p. 1.

67 *Submission 11*, p. 3.

68 *Proof Committee Hansard*, 18 February 2016, p. 47.

2.76 The committee acknowledges that certain measures introduced in this Bill are modified versions of measures introduced in a previous bill, also the subject of an inquiry by this committee. The committee believes the changes to those measures appropriately address concerns regarding the impact on certain vulnerable families.

2.77 The committee acknowledges concerns about the proposed reductions in certain to FTB Part B payments as children grow older. The committee considers that these changes will provide an incentive for parents to re-engage in the workforce, recognising that as children grow older, parents have increased capacity to participate in the workforce. The committee acknowledges that the Bill contains appropriate safeguards for grandparent carers and single parents who have limited capacity to find employment.

2.78 The committee acknowledges concerns about the impact of phasing out FTB Part A and FTB Part B supplements. The committee recognises that only a small proportion of families use the supplement for its original purpose to offset debts incurred as a result of FTB overpayments. The committee is satisfied that under the Single Touch Payroll system, families will be able to more accurately estimate payments and less likely to incur a debt. The committee also recognises that reducing the number of income support supplements is consistent with the recommendations of the McClure Report to improve the sustainability of Australia's welfare system.

2.79 The committee acknowledges concerns about linking the expected savings from the proposed changes to FTB Part B payments to the government's childcare package. The committee considers that using the savings for this purpose is justified and will contribute to increasing productivity and boosting the participation of parents in the workforce. The committee notes that the combination of these measures, together with the *Jobs for Families* childcare package, will help to support families to support themselves and reduce their dependence on welfare payments.

Recommendation 1

2.80 The committee recommends that the Bill be passed.

Senator Zed Seselja

Chair

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 riot 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 cameos model the likely impact of the changes on families with children over the

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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.

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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

Australian Greens Senators' Dissenting Report

Introduction

1.1 The Australian Greens do not support the recommendation of the majority report that the Social Security Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill (No. 2) (bill) 2015 be passed.

1.2 The bill closely matches the previous bill (Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2015), which the Australian Greens also opposed.[1]

1.3 The differences being that in the initial bill:

- single parents aged 60 years or above were included in the FTB-B rate reduction measure - only grandparent carers were excluded;
- grandparent carer couple families with a youngest child aged 13-16 years in receipt of FTB-B would have had their maximum rate reduced to $1000.10 per annum, and
- FTB-B would have been removed for all family-types with a youngest child aged 17 or 18 years.

1.4 The status of the relevant measures in the previous bill, in comparison to the slightly amended measures in Schedule 2 of the current bill, are summarised in a helpful table in the Parliamentary Library's Bills Digest:[2]

Schedule 2 of the previous bill	Current status
Increase the standard rate of FTB-B by $1000.10 per annum for families whose youngest child is aged under one.	Removed from the previous bill and reintroduced in the No. 2 bill unchanged.
Reduce the rate of FTB-B for single parents with a youngest child aged 13–16 to $1000.10 per annum and remove FTB-B in respect of children aged 17–18.	Removed from the previous bill and reintroduced in the No. 2 bill but single parents aged 60+, grandparent carers and great-grandparent carers are exempt from the rate reduction.

1 Australian Greens dissenting report, in Senate Community Affairs Legislation Committee, *Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2015*, 30 November 2016, pp 15-17.

2 Parliamentary Library, *Bills Digest no. 65*, 19 January 2016, p. 7.

Reduce the rate of FTB-B for grandparent carer couples with a youngest child in their care aged 13–16 to $1000.10 per annum and remove FTB-B in respect of children aged 17–18.	Removed from the previous bill and not reintroduced.
Remove FTB-B for couple families (other than grandparent carers) with a youngest child aged 13 or over.	Passed with amendments to also exempt great-grandparent carers.

Measures in the current bill

1.5 The current bill retains key measures which the Australian Greens oppose, including cuts to FTB-B for single parents with children aged 13 or over (with some exemptions for specific categories), and the removal of the FTB-A and FTB-B supplements.

1.6 Jacqueline Philips of the Australian Council of Social Services said in evidence to the Committee that:

> I want to make a few quick points about the specific changes that are contained in the current bill, particularly the amendment to exempt single parents over 60 and grandparents from the changes to part B. While this is, no doubt, some improvement on the previous iteration of these measures, we view this merely as an adjustment at the margins which will do nothing to diminish the severe impact on those families who are most vulnerable—low-income families and, particularly, single parent families, the vast majority of whom are under 60 years of age. As we note in our submission, the changes in this bill regarding older parents and grandparents will benefit less than three per cent of recipients.[3]

1.7 The Australian Greens' fundamental concerns about the nature of the cuts and the impact of those cuts on vulnerable families are not addressed by the changes in this bill. The Australian Greens support protecting single parents aged 60+, grandparents and great grandparent carers from the impact of cuts. This protection should also be extended to the vulnerable groups that are still targeted by the harsh and poorly targeted measures in this bill.

1.8 The Australian Greens dissenting report on the previous bill sets out fundamental concerns, which still stand in relation to the current bill.[4]

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3 *Proof Committee Hansard*, 18 February 2016, p. 2.

4 Australian Greens dissenting report, *Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2015*, pp 15-17.

Modelling

1.9 As noted in the previous dissenting report, the Australian Greens are concerned at the lack of transparency in the examples and figures released by the Government in relation to this bill. The Government only provided detailed estimates of the impact of the changes in response to a question on notice using examples from the Parliamentary Library's digest on the initial bill.

1.10 The data provided by the Department of Social Services shows that under the measures in this bill, when the supplements are fully removed:

- A single parent on Newstart with a child aged 13 years old will be $2,602.45 worse off.
- A couple with two children in full time study, aged 14 and 16, and one parent earning $80,000 annually, would be $4,117.2 worse off.
- A couple with two children in full time study aged 14 and 16, with one parent earning $60,000 annually and the other parent earning $30,000 annually, would be $927.1 worse off a year.
- A couple with two children aged 9 months and 3 years, with one parent earning $80,000 and another parent with no income would be $281.05 worse off a year.[5]

Policy approaches

1.11 The lack of transparency highlighted in relation to the current and previous bill reflect a systemic problem, under which there is no agreed standard for what is necessary or adequate to support an individual or family. This systemic issue is reflected across a range of payments, including Newstart, Parenting Payment, and a number of other income support payments.

1.12 In their submission on the initial bill, the Australian Council of Social Services recommended that the Government should:

> Establish an independent payments review commission to review the adequacy of all payments (including pensions, allowances, family payments and supplements) and indexation arrangements on a regular basis (say every 3 to 4 years) with a view to ensuring all households are able to achieve an acceptable standard of living. This body should recommend benchmarks for income required to achieve an adequate standard of living, including for children, based on the best available research.[6]

1.13 The Government's current approach to social policy typically involves an arbitrary and ad-hoc search for savings, rather than a considered, evidence-based approach. This frequently results in measures that would harm vulnerable members of society, rather than constructive, structural change. A more systematic and considered

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5 Department of Social Services, *Answers to Questions taken on Notice during 18 February public hearing*, 23 February 2016.

6 Australian Council of Social Service , *Submission 11*, p. 6.

approach to social policy would help the Government avoid the flaws and pitfalls in its current approach

Recommendation 1

1.14 The Australian Greens recommend that the Government consider adopting more evidence-based approaches to social policy, including through approaches such as the independent payments review recommended by the Australian Council of Social Services.

Recommendation 2

1.15 The Australian Greens recommend that the bill not be passed.

Senator Rachel Siewert

APPENDIX 1

Submissions and additional information received by the Committee

Submissions

1 FamilyVoice Australia

2 Shop Distributive and Allied Employees' Association

3 Australian Council of Trade Unions

4 Community and Public Sector Union

5 Catholic Social Services Australia

6 National Council of Single Mothers and their Children

7 National Welfare Rights Network

8 National Council of Women of Australia

9 Salvation Army Australia

10 Anglicare Australia

11 Australian Council of Social Service (plus two attachments)

12 Children with Disability Australia

13 Refugee Council of Australia

14 Ms Amanda McKenzie

15 The Parenthood (plus an attachment)

16 St Vincent de Paul Society

17 Australian Catholic Council for Employment Relations

18 Welfare Rights Centre NSW

19 Centre for Excellence in Child and Family Welfare

Answers to Questions on Notice

1 Answers to Questions taken on Notice during 18 February public hearing, received from Australian Council of Social Service, 18 February 2016

2 Answers to Questions taken on Notice during 18 February public hearing, received from Children with Disability Australia, 22 February 2016

3 Answers to Questions taken on Notice during 18 February public hearing, received from Department of Social Services, 23 February 2016

4 Answers to Questions taken on Notice during 18 February public hearing, received from Catholic Social Services Australia, 23 February 2016

APPENDIX 2

Public hearings

Thursday, 18 February 2016

Monash Conference Centre, Melbourne

Witnesses

Australian Council of Social Service
PHILLIPS, Ms Jacqueline, Director of Policy

The Parenthood
BRISKEY, Ms Jo, Executive Director
ARCH, Ms Kerry, Founder, United Sole Parents of Australia

UnitingCare Australia
HATFIELD DODDS, Ms Lin, National Director
COWLING, Mr Martin J, Associate National Director

National Council of Single Mothers and their Children
EDWARDS, Ms Therese

Australian Catholic Council for Employment Relations
LAWRENCE, Mr Brian, Representative

Catholic Social Services Australia
MOGG, Ms Marcelle, Chief Executive Officer

CatholicCare Melbourne and Gippsland
LIMBRICK, Ms Sheree, Acting Chief Executive Officer

National Welfare Rights Network
BEAUMONT, Ms Katherine, President
BELCHER, Ms Christine, Welfare Rights Advocate

Grandparents Australia
McLEISH, Mrs Anne L, OAM, Director

National Council of Women of Australia
BYARD, Ms Sheila Meredith, Board Member
WILLIAMS, Dr Pamela Kaye, Adviser

Children with Disability Australia

GOTLIB, Ms Stephanie, Chief Executive Officer
BRIDIE, Ms Winnie, Policy Officer

Department of Social Services

HALBERT, Ms Cath, Group Manager, Payments Policy Group
EMERSON, Mr Ty, Branch Manager, Family Payments and Child Support Policy