



C/-102/55 Holt Street, Surry Hills NSW,2010
Phone: (02) 9211 5300 Fax: (02) 9211 5268
Toll Free: 1800 226 028 TTY: (02) 9211 0238
ABN: 76 002 708 714

welfarerights@welfarerights.org.au www.welfarerights.org.au

18 March 2013

Senator Claire Moore
Chairperson
Senate Community Affairs Legislation Committee
Parliament House
Canberra ACT 2600

By email: community.affairs.sen@aph.gov.au

Dear Senator Moore

RE: Inquiry into Family Assistance and Other Legislation Amendment Bill 2013

The National Welfare Rights Network (NWRN) welcomes the opportunity to provide comments on the *Family Assistance and Other Legislation Amendment Bill 2013*.

Our comments are necessarily brief given the limited notice of the Committee's inquiry.

Should you require any additional information please do not hesitate to contact me on 02 9211 5389.

Yours sincerely

Maree O'Halloran AM
President
National Welfare Rights Network

Family Assistance and Other Legislation Amendment Bill 2013

Submission to Senate Community Affairs Legislation Committee by the National Welfare Rights Network (NWRN)

18 March 2013

The baby bonus was introduced with effect from 1 July 2004. Paid initially at a rate of \$3000, it was later increased to \$5000. The bonus was paid at a flat rate after the birth of each child or at adoption (or when entrusted into a family's care) regardless of a person's level of income or wealth.

Originally provided as a lump sum payment, widespread criticism led to the baby bonus being paid in 13 week instalments.

In 2008 the Government legislated for the baby bonus to be restricted to families on incomes under \$150,000 per year. The National Welfare Rights Network (NWRN) supported this move.

Further changes were announced in the 2012-13 Mid-Year Economic and Fiscal Outlook. From 1 July 2013, it is proposed that the baby bonus paid to subsequent children will be reduced to \$3000. NWRN agrees that there must be careful means testing of all social security and family assistance payments.

Our preference for changes to the baby bonus, particularly in light of the number of single parents now reliant on the Newstart Allowance, would have been means testing aligning the bonus to the income tests for Family Tax Benefit A. However, the NWRN is generally supportive of the reduction for the second child and subsequent given the many other important and grave calls on the welfare budget.

Multiple births will continue to attract \$5000 per child. NWRN welcomes this approach, as it recognises that the birth or adoption of twins brings with it significant financial pressures.

We understand that the changes overall will affect about 80,000 births and adoptions a year.

Other payments are also available for parents, including Paid Parental Leave and Partner Pay. NWRN also accepts the argument that in many cases the financial demands are often less following the birth of additional children, as items like prams, car seats and change tables have already been purchased.

The changes to the baby bonus will result in savings over the forward estimates of \$505 million. NWRN supports better targeting of public tax resources, including better targeting of the baby bonus.

Given the need to ensure the sustainability of Government programs, \$505 million is a significant amount of savings and the baby bonus was poorly designed at inception. The savings made from redesigning the bonus need to be directed to other areas of social spending which are priorities. The \$505 million in revenue savings from the baby bonus reduction should be redirected to increasing the Newstart Allowance which is now the income support provided to, for example, many vulnerable single parents when the youngest child reaches eight years of age and many people with disabilities.

NWRN believes an urgent priority for government is to reform and streamline the structure of family payments and support for children. Instead of a fragmented approach to providing better targeted support for families like the changes announced in MYEFO, NWRN urges a wider examination of payments for families and young children, as recommended in the 2010 Henry Tax Review.

A broad review should consider abolishing the baby bonus and beneficially reforming payments for families and young children within a means-tested environment. Despite some welcome changes to family payments for older children in January 2012, the system still leaves some families in hardship. This situation arises because, despite the increasing costs of children as they age, family payment levels decrease for older children. Typically, older teenagers cost at least twice as much as very young children.

An additional issue that should be considered in the review are the recent changes to the indexation of family payments. Linking the indexation to CPI instead of wages growth is a useful way of curtailing so-called "middle class welfare" but has occurred at a cost to families living on low incomes.

Child poverty remains a problem in Australia. According to a recent 2012 report by the Australian Council of Social Services (ACOSS) there were 757,000

children living in poverty in Australia.¹ This means that one in six children live in poverty. This is a national disgrace.

Single parents face higher costs (especially in relation to housing costs) because they are raising children alone. Many single parents experience high rates of poverty and deprivation.

According to a recent study:

- 43 per cent of single parents lacked a decent secure home;
- 57 per cent were unable to pay a utility bill on time;
- 56 per cent could not find \$2000 in an emergency;
- 54 per cent could not afford essential dental treatment; and
- 24 per cent were unable to provide recent school books and clothes.²

These parents are under significant financial stress, and from 1 January 2013 many of them face weekly income losses of between \$60 and \$110 per week. Other single parents faced such cuts in 2006.

The NWRN supports the Government's approach to prioritising the spending of tax revenue where it is needed most, and we support the passage of the *Family Assistance and Other Legislation Amendment Bill 2013*. However, we propose that the funds be re-directed to providing better support for low income and disadvantaged families in a broader review and reform of the baby bonus and family payments. Alternatively, the Government should direct the savings from this measure to assist single parent families including those affected by the 1 January changes to Parenting Payment Single in the *Social Security Legislation Amendment (Fair Incentives to Work) Bill 2012*.

An increase to the Newstart Allowance, better indexation of that payment and increasing the income free area (currently only \$62 per fortnight) would help single parent families who require income support, people with disabilities, mature age unemployed workers and longer term unemployed people.

¹ Australian Council of Social Service, *Poverty in Australia Report 2012*, October 2012.

² Australian Council of Social Service, 'Who is missing out?' *Material deprivation and income support payments*, ACOSS Paper 187, March 2012.