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17 November 2015

Committee Secretary
Senate Community Affairs Legislation Committee
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Sir/Madam

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

Catholic Social Services Australia (CSSA) welcomes the opportunity to make a submission on the *Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2015*, which is to change eligibility for Family Tax Benefit Parts A and B.

CSSA is the Catholic Church's peak national body for social services. For over 50 years, CSSA has assisted member agencies work towards a fairer, more inclusive society that reflects and supports the dignity, equality and participation of all people.

Our 59 member agencies employ around 12,000 people, with 4,000 voluntary contributors to this work. The network provides community services to over one million Australians every year, with programmes valued at around \$600 million.

CSSA's vision is to ensure that Australia is a place where all people are treated with respect and have the opportunity to fully participate and contribute; a society in which people of all ages, especially our elders, children and vulnerable groups, have the assistance they need to live a dignified, healthy and meaningful life. To achieve this Australia needs a social support system that is strong, coherent and accessible by those who need it most.

CSSA along with the Australian Catholic Council for Employment Relations is concerned about the proposed changes to eligibility for Family Tax Benefit Parts A and B. CSSA opposes reducing the FTB B rate for single parent families and couple grandparents, but is particularly concerned that the bill will:

- remove Family Tax Benefit Part B for couple parent families where their youngest child is 13 years or older, especially where these children are growing up in low income households;
- 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;
- move away from the longstanding government policy that family payments are made in recognition of the extra costs that families face compared to others with similar income, and the benefits families with children have for the nation.

What is Family Tax Benefit Part B?

Family Tax Benefit Part B helps parents make an effective choice as to how they will balance work and family responsibilities. FTB B is a payment, in the nature of a wage, made to those who care for their own children in their own homes. It was intended, and is, paid in recognition of the value of the work that they do.

Family Tax Benefit Part B (FTB B) is payable to the primary carer of children. In couple parent families it is usually the mother, but sometimes the father, who is entitled to and claims the payment. A sole parent is also entitled to the payment if he or she is the primary carer of the children.

The proposed legislation would place economic pressure on couple parent families to abandon plans to have one of them stay at home to care for their children. It would press sole parents to work more hours to make ends meet.

This policy is being introduced into a broader employment climate where penalty rates are under threat, and the workforce is increasingly casualised with reduced certainty for ongoing employment. The most vulnerable families will be placed at increased economic and social risk as they compete for few existing jobs in usually low paid roles, working unsocial hours. This will further erode any semblance of family life among those families with few broader social and economic resources. These are the families who most need the time and support of the wider Australian community to build strong relationships with one another to ensure that economic and social disadvantage is not perpetuated in the next generation.

Background

The new family payments legislation, the *Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2015*, means the income of single breadwinner families with the youngest child aged 13 years or older would lose Family Tax Benefit Part B. These families would be worse off by more than \$54 per week.

It is not in the interests of Australian families or the Australian economy to expect low income families to do the heavy lifting when it comes to economic reform.

The Howard Government introduced the system of Family Tax Benefits, Parts A and B. Former Prime Minister John Howard argued the term “middle class welfare” is inaccurate, writing:

“It is sound public policy to ensure that taxpayers who carry heavier family responsibilities than other taxpayers, at the same level of income, should receive some support through the taxation system for carrying those responsibilities. ... Surely it is in the national interest to encourage childbearing, to help with the cost of raising children and also to recognise the contribution made to society by those who care and provide for others out of their income?” (Howard, J, *Lazarus Rising*. Harper Collins, Sydney, 2010. Pages 492-493.)

FTB B is paid mainly to women. This proposal is 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.

Many low income working families are already living in poverty. The proposal would put more children into poverty; and the situation of those already in poverty would be made even worse. Priority needs to be given to protecting children against poverty.

The proposed reduction in the social safety net would require increases in low income safety net wages and reverse the practice in recent decades of limiting wage increases by reason of successive increases in the social safety net. The case for the proposed change has not addressed its potential negative impact on employment.

Unlike the Schoolkids Bonus, which will be abolished at the end of 2016, the proposed changes were not foreshadowed in the last election.

Impact of the proposed changes

On current figures, the Government's proposal would mean losses of \$54.45 per week for couple parent families with their youngest child 13 years and older: comprising a weekly loss of \$53.41 and a loss on the annual supplement of \$1.04 per week.

The policy basis for changing a long-standing parity of treatment for couple families with one income as opposed to grandparents or single parent families is not apparent. The proposal would have an inconsistent impact on the standards of living of these families and would be discriminatory. Children in couple parent families would be relatively more disadvantaged. The proposal is inconsistent with the equitable support of children in all families with similar income.

The impact of the proposed changes on single breadwinner couple families with two children aged between 13 and 18 can be shown by reference to the outcomes for two low income working families: where the breadwinner is on the National Minimum Wage (NMW) of \$656.90 per week and where the breadwinner is on the base trade-qualified wage rate (the C10 rate) of \$764.90 per week. The NMW-dependent family would suffer a loss equal to 9.2% of the net wage and the family of the trade-qualified worker would suffer a loss equal to 8.1% of the net wage.

We also need consider the impact of the changes on unemployed families. Where both parents are in receipt of the Newstart Allowance the income of the unemployed family (of the kind above) with no assets and renting is \$784.45 per week. The loss of FTB B of \$54.45 per week amounts to 7.0% of current income. This would put the family further below the poverty line. The poverty line (using the 60% of median poverty line) for this family of four was \$1,060.10 at December 2014; see Statistical Report, Fair Work Commission, 14 May 2015, Table 8.2, page 28. The family would be more than 25% below this poverty line.

The proposed FTB B change would also increase poverty in working families. This can be illustrated by the position of the kind of family referred to above. At December 2014 the C10-dependent working family was 2.5% below this poverty line (ibid.). The loss of \$54.45 per week would have pushed it to 7.6% below. The NMW-dependent single breadwinner family, which was 10.0% below the poverty line in December 2014 (ibid.), would have been reduced to 15.5% below the poverty line.

Conclusion

CSSA asks that the *Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2015* not be passed as CSSA opposes reducing the

FTB B rate for single parent families and couple grandparents, but is particularly concerned that the bill will:

- remove Family Tax Benefit Part B for couple parent families where their youngest child is 13 years or older, especially where these children are growing up in low income households;
- 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;
- move away from the longstanding government policy that family payments are made in recognition of the extra costs that families face compared to others with similar income, and the benefits families with children have for the nation.

Sincerely

Marcelle Mogg
Chief Executive Officer