NATIONAL
WELFARE RIGHTS
NETWORK

NWRN Submission

to the

Senate Community Affairs Legislation Committee

on the

Social Services Legislation Amendment

(Family Measures) Bill 2015

Contents

1 About NWRN

The National Welfare Rights Network (NWRN) is the peak community organisation in the area of social security law, policy and administration. We represent community legal centres and organisations whose role is to provide people with information, advice and representation about Australia's social security system.

NWRN member organisations operate in all states and territories of Australia. They are organisations which have community legal services and workers dedicated to social security issues. Their services are free and they are independent of Centrelink and government departments.

The NWRN also has as Associate Members the Central Australian Aboriginal Legal Aid Service (CAALAS) and the North Australian Aboriginal Justice Agency (NAAJA).

The NWRN develops policy about social security, family assistance and employment assistance based on the casework experience of its members. The Network provides submissions to government, advocates in the media and lobbies for improvements to Australia's social security system and for the rights of people who use the system.

3 Overview

The *Social Services Legislation Amendment (Family Measures) Bill 2015* (**the Bill**) proposes two measures:

1. Reduce the period of temporary overseas absence for which a parent or carer is eligible to receive Family Tax Benefit Part A (portability) to six weeks (from 1 January 2016).

2. Abolish the large family supplement component of Family Tax Benefit Part A (from 1 July 2016).

The National Welfare Rights Network (**NWRN**) opposes these two measures. The family payments system is a critical measure that reduces child poverty in Australia in low income families. In recent years, governments on both sides of politics have introduced a series of measures that have steadily undermined the adequacy of the family payments system. This affects the most vulnerable children in our communities whose parents and carers rely on family payments to help meet the costs of raising a family. In those circumstances, the NWRN cannot support further measures that will impact on the poorest families in the community the hardest.

This piecemeal approach to reform of the family payments system is undermining adequacy for families. The NWRN supports careful and comprehensive review of the family payments program aimed at ensuring it provides adequate support to low income families, while minimising disincentives to take up paid work, especially for second income earners who are overwhelmingly women.

3 Analysis of the Bill

3.1 Reduction of portability of Family Tax Benefit Part A to six weeks

3.1.1 Current portability rules for Family Tax Benefit Part A

If a family departs Australia permanently, eligibility for Family Tax Benefit Part A ceases, as they are no longer an Australian resident for the purpose of Family Tax Benefit eligibility.

Currently, if a parent or child travels temporarily overseas:

- Family Tax Benefit Part A continues to be paid for the first six weeks;
- The rate of Family Tax Benefit Part A is reduced to the base rate if the absence continues past six weeks;[1] and
- Family Tax Benefit Part A is not payable if the absence exceeds 56 weeks.[2]

A family can travel overseas on multiple occasions, however Family Tax Benefit Part A can generally only be paid at above the base rate, if they return to Australia for at least six weeks between trips.

In certain circumstances Family Tax Benefit may be paid at more than the base rate for longer than six weeks or continued at the base rate for longer than 56 weeks (and up to three years).[3] This includes circumstances where a person is prevented from returning to Australia, such as by an accident or hospitalisation of themselves or a family member or a natural disaster. There are also specific exemptions for members of the Defence Force deployed overseas and for people receiving financial assistance to travel overseas for medical treatment for themselves or their child under the Medical Treatment Overseas Program.

3.1.2 The effect of the changes in the Bill

If the Bill is passed then from 1 January 2016 Family Tax Benefit Part A would cease after the first six weeks of a temporary absence, rather than continuing to be paid at the base rate as under the current rules. This aligns the portability rules with the current rules for Family Tax Benefit Part B.

This change also means that payments which depend on Family Tax Benefit eligibility, such as Child Care Benefit and Double Orphan Pension, also cease after six weeks.

Current exceptions to the six-week limit continue, permitting Family Tax Benefit Part A to be paid at the base rate after six weeks absence in certain circumstances.

In the explanatory memorandum, the rationale for this reduction in the portability of Family Tax Benefit Part A is said to be:

> *This measure will align the portability rules for Family Tax Benefit Part A with those for Family Tax Benefit Part B and most income support payments. Reducing portability to six*

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[1] In addition, Energy Supplement ceases. Family Tax Benefit part B also ceases after six weeks. See the Guide to Family Assistance Law at 3.1.1.50, http://guides.dss.gov.au/family-assistance-guide/3/1/1/50.

[2] Ibid

[3] Family Tax Benefit part B (and rent assistance) can also be continued.

> *weeks is consistent with the purpose of family assistance payments, which is to assist Australian families with the costs of raising children in Australia. Strengthening Family Tax Benefit residence requirements will better ensure family assistance payments are targeted to those families who have a stronger residence connection to Australia.*[4]

3.1.3 NWRN response

The NWRN opposes this measure as a further reduction in support to low income families. We acknowledge that this measure is likely to impact on very few families, as few have the means to travel for longer than six weeks at a time. However, the families affected will include some of the more vulnerable families in the community, such as new migrants and refugees who retain strong family ties overseas. Extended family can be a crucial support for parents, and new migrant and refugee families often do not have extended family in Australia. As the Department of Social Services says on its own website:

> *Portability policy acknowledges that travel is an integral part of modern living. This is particularly true in ethnically diverse societies such as Australia, where almost a quarter of the population is overseas born.*[5]

The NWRN does not accept the purported rationale for this measure, which suggests that it will ensure that payments are targeted to families with “stronger residence connection to Australia”. Putting aside what it means to say that one family has a “stronger” connection than another, the current rules already adequately ensure that payments are targeted in this way by:

- Ceasing family payments immediately for families who permanently dePart Australia;
- Reducing payments to the base rate after six weeks temporary absence, the base rate being currently low at $57.68/fortnight;
- Ceasing Energy Supplement after six weeks;
- Maintaining payments at base rate for a subsequent absence if a family initially travelled overseas for more than six weeks, but returned to Australia for less than six weeks before their departing on the subsequent overseas travel.

This measure will impact on those few low-income families who have the means to travel for longer than six weeks, often due to extended family making considerable sacrifices to save for airfares. The NWRN opposes it.

3.2 Abolishing the large family supplement component of Family Tax Benefit Part A

3.2.1 Current rules

The large family supplement is a component of Family Tax Benefit Part A, which is an additional amount added to the per child rate for a fourth or subsequent child. The additional amount is currently $12.46 per fortnight per child or $324.85 per year per child.

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[4] See Explanatory Memorandum Outline section
[5] https://www.dss.gov.au/about-the-department/international/policy/portability-of-australian-income-support-payments (accessed 29 January 2016).

The large family supplement was limited to the fourth and subsequent child for the 2015/2016 year by the *Social Services and Other Legislation (2014 Budget Measures No. 6) Act 2014*.[6] Although originally paid in respect of the fourth and subsequent child, it had been paid for the third or subsequent child since 1 July 2006.[7] In June 2014, when the restriction to the fourth and subsequent child was proposed, the Department of Social Services estimated about 78,600 single parent families with three children would lose the large family supplement and a further 36,300 single parent families with four or more children would continue to receive it.[8] They did not give information about couple families.

3.2.2 The effect of the changes in the Bill

The Bill abolishes the large family supplement from 1 July 2016.

Assuming the number of single parent families with four or more children is approximately the same as in June 2014, this would impact about 36,000 single parent families. It will also impact on the level of family payments to couple families with four or more children.

To justify the measure the Bill's explanatory memorandum says:

This measure will simplify payments by removing a non-essential component of Family Tax Benefit. Cessation of the supplement is consistent with reports by the National Centre for Social and Economic Modelling in 2002, 2007 and 2013, finding that larger families do not face higher per-child costs compared to other families, and with recommendations of both the Henry Tax Review in 2010 and the Commission of Audit in 2014 to abolish the supplement. Families will continue to receive adequate assistance through the per-child rate of Family Tax Benefit Part A for each eligible child.[9]

3.2.3 NWRN response

The NWRN opposes this measure. It reduces the adequacy of family payments and level of support to low income families. In the context of recent, and further proposed, cuts to family payments this measure should not be passed.

We acknowledge that the policy behind the large family supplement has been questioned by analysis indicating that per child costs do not increase for larger families and by reviews such as the Henry Tax Review.

However, as the submission of the WA Commissioner for Children and Young People to this Committee points out,[10] the NCSEM modelling on which the government relies also pointed out that low income large families spend a significantly greater proportion of their income on children than high income large families. The Commissioner also expressed concern that Indigenous Australians will be more heavily impacted by this measure due to generally larger family sizes, including for single parent families.

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[6] https://www.comlaw.gov.au/Details/C2014A00122.
[7] *Families, Community Services and Indigenous Affairs and Other Legislation (2006 Budget and Other Measures) Act 2006* (https://www.comlaw.gov.au/Details/C2006A00082).
[8] Hansard transcript, Community Affairs Committee, 4 June, at http://www.aph.gov.au/Parliamentary_Business/Senate_Estimates/clacctte/estimates/bud1415/index (p 74).
[9] See Explanatory Memorandum Outline section
[10] At http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Community_Affairs/Family_Measures/Submissions.

This is another measure seeking savings from the family payments system which will impact disproportionately on low income and vulnerable families. It comes on top of a series of measures which have steadily eroded the adequacy of family payments, including critically the indexation of Family Tax Benefit to prices not wages in 2009. Further changes that would reduce the level of support to low income families are currently before Parliament, including cessation of the end of year supplements.

Both major parties have continued to foster a sense of crisis in relation to the cost of the family payments system which does not reflect the reality. Increases to family payments and more generous income testing introduced by the Howard government in 2000, plus the baby bonus, did see the cost of family payments as a proportion of GDP rise to a significant level.

But as a result of significant tightening of means testing and changes to indexation this is simply no longer the case. We now have a very tightly targeted system which is very effective at reducing child poverty. For example, OECD data shows that spending on family payments as a percentage of GDP rose significantly from the 1990s to the early 2000s, but has now fallen back to 1.9% of GDP.[11] The Treasury's Intergenerational Report in 2015 projected that spending on families would fall from 1.8 perent of GDP to 0.9 percent by 2054-55, even if none of the government's proposed measures in the 2014-2015 budget were passed.[12]

The government simply has not made the case for the need to make further savings from the family payments system at the expense of low income and vulnerable families and their children.

We recommend that the Bill be withdrawn.

[11] Organisation for Economic Co-operation and Development OECD.*Stat Social Expenditure Aggregated Data accessed at* https://stats.oecd.org/Index.aspx?DataSetCode=SOCX_AGG. See also Whiteford, Peter *Can we afford the welfare system?"* at https://crawford.anu.edu.au/news-events/news/6760/can-we-afford-welfare-system.
[12] 2015 Intergenerational Report, March 2015 p75 Accessed at http://www.treasury.gov.au/PublicationsAndMedia/Publications/2015/2015-Intergenerational-Report