

Taxation and Government assistance to families

Introduction

- 2.1 This chapter describes the Australian Government assistance currently provided to families and carers through the taxation and welfare systems. It gives a context to further discussion about what government can do to better support work and family balance, boost national fertility and facilitate workforce participation to increase productivity levels.

Australia and the OECD

- 2.2 Internationally, there is a renewed debate on the family in countries which, like Australia, are dealing with issues of demographic and economic change. The meeting of Social Policy Ministers from all 30 OECD countries that took place in April 2005 resulted in the following communiqué:

Social and family policies must help give children and young people the best possible start to their lives and help them to develop and achieve through their childhood into adulthood. Providing all parents with better choices about how to balance work and family life extends opportunities, especially for women, and creates economic gains. More family-friendly

policies could also help raise birth rates in those countries where they are too low.¹

- 2.3 Australia has a strong tradition of targeted family assistance. Historically, this has taken the form of cash transfers to low income families so that everyone can achieve a basic level of economic survival and opportunity. The welfare system has, and continues to be, an important safety net protecting children from growing up in poverty. Prime Minister John Howard has been supportive of this tradition, often claiming that 'a strong family is the single most important building block of our social stability'.²
- 2.4 The Australian Government spends around 2.9 per cent of GDP on family benefits and services, higher than the OECD average of 1.8 per cent of GDP and the European Union average of 2.2 per cent of GDP.³ Total assistance to families has been estimated at about 12 per cent of the Federal Budget.⁴ A 2004 study from the National Centre for Social and Economic Modelling (NATSEM) found a 'substantial redistribution occurring through the tax and benefit programs considered'.⁵ Whiteford, Stanton and Gray argued in 2001 that:

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- 1 OECD (2005), cited in Whiteford P, Social Policy Division, OECD, 'Reconciling work and family life: A comparative analysis of OECD countries' (2005), paper for the Annual Conference of the Finnish Social Policy Association 27-28 October 2005, viewed on 29 August 2006 at http://www.soc.utu.fi/sospol/sosiaalipolitiikanpaivat/puheet/sospolpaivat_2005_whiteford.pdf.
- 2 Hon J Howard MP, Prime Minister, 'Australian families: Prosperity, choice and fairness', speech to the Menzies Research Centre, 3 May 2005, viewed on 23 February 2006 at <http://www.pm.gov.au/news/speeches/speech1364.html>; see also Hill E, 'Howard's "choice": The ideology and politics of work and family policy 1996-2006', viewed on 8 August 2006 at <http://www.australianreview.net/digest/2006/02/hill.html>.
- 3 OECD, Social expenditure database (2004), cited in Whiteford P, Social Policy Division, OECD, 'Reconciling work and family life: A comparative analysis of OECD countries' (2005), paper for the Annual Conference of the Finnish Social Policy Association 27-28 October 2005, p 29, viewed on 29 August 2006 at http://www.soc.utu.fi/sospol/sosiaalipolitiikanpaivat/puheet/sospolpaivat_2005_whiteford.pdf. Data is from 2001.
- 4 Hill E, 'Howard's "Choice": The ideology and politics of work and family policy 1996-2006', p 2, for the symposium A Decade of Howard Government, viewed on 8 August 2006 at <http://www.australianreview.net/digest/2006/02/hill.html>.
- 5 Harding A, Lloyd R and Warren N, 'The distribution of taxes and government benefits in Australia' (2004), paper presented at the Conference on the Distributional Effects of Government Spending and Taxation, The Levy Economics Institute, 15 October 2004, p 14. This comment refers to redistribution of taxes and benefits throughout the Australian population as a whole, not just families with children, although the paper does find that lower income families with children are on average the largest gainers from the operation of the Australian welfare state, p 25.

Overall, the Australian system has gone further than many other countries in emphasising redistribution to low income families and in particular to mothers within families.⁶

- 2.5 In fact, OECD analyst Peter Whiteford found that disposable incomes for Australian families with children on social assistance are amongst the highest in the OECD.⁷

Government's policy goals

- 2.6 While a concern for social equity in Australia remains strong, family welfare policy is changing its focus. As the Access Economics report commissioned by the committee has highlighted, Australia faces an 'ageing challenge', and welfare policy must now, more than ever, work in conjunction with the tax system to provide incentives for workforce participation. Whereas traditionally, the focus for work programs has been on welfare recipients finding full time work, this is gradually becoming more flexible. The new participation requirements under Welfare to Work, for example, will be for 15 hours a week, in recognition of their continuing caring responsibilities.

- 2.7 The Treasurer's Budget speech for 2004-05 was explicit about the importance of supporting work and family balance and its relationship with workforce participation:

We need to take measures which will help our economy grow to its maximum potential - to help more people into the workforce and make it easier for mothers who are juggling paid work, or part-time work, with the nurture and raising of children.⁸

- 2.8 In addition to the increased imperative for workforce participation, family welfare policy in recent years has reflected increasing

6 Whiteford P, Stanton D and Gray M, 'Families and income security: Changing patterns of social security and related policy issues', *Family Matters* (2001), no 60, Australian Institute of Family Studies, p 24. The redistributive effect of benefits to single parents in Australia is emphasised by an international comparison in Whiteford P, Social Policy Division, OECD, 'The great welfare expenditure debate: Economic myths of the left and right revisited', presentation to the Research School of Social Sciences, Australian National University, 12 July 2005, p 37.

7 Whiteford P, Social Policy Division, OECD, 'The great welfare expenditure debate: Economic myths of the left and right revisited', presentation to the Research School of Social Sciences, Australian National University, 12 July 2005, p 39.

8 Hon P Costello MP, Treasurer, Budget Speech 2004-05, viewed on 23 March 2006 at <http://www.budget.gov.au/2004-05/speech/html/speech.htm>.

awareness about Australia's fertility rate. The Government has introduced, for example, a universal fertility payment in Maternity Payment ('the baby bonus'). Government outlays in child care fee subsidies have also continued to increase, reflecting a still-rising female workforce participation rate and increasing use of formal child care as opposed to that provided by family members and friends. Further, there remains targeted assistance for stay-at-home parents through Family Tax Benefit Part B.

Growth in assistance

- 2.9 In 2006-07, it is estimated that the Government will spend nearly \$27.9 billion on assistance to families with children, out of a total social security and welfare budget of \$91.8 billion.⁹ This includes direct cash benefits and tax rebates to families as well as programs such as Child Abuse Prevention and Family Relationship Services. Over forward estimates, assistance to families with children is expected to grow steadily at 2.6 per cent in real terms.¹⁰
- 2.10 In 2006-07, it is estimated that the Government will spend nearly \$12.8 billion on assistance to people with disabilities, and \$31.7 billion on assistance to the aged.¹¹ Together, these two groups constitute the biggest projected increases in spending over coming years, reflecting the indexation of payments to average weekly earnings, and the increasing number of aged people in our society.¹² These projected increases in assistance to the aged are consistent with recent growth. The Australian Institute of Health and Welfare has found that between 1998-99 and 2003-04, government expenditure on services to the aged had grown by an average 11 per cent each year.¹³

9 *Budget paper no 1, 2004-05 Federal Budget, Statement 6: Expenses and Net Capital Investment, table 9, p 12.*

10 *Budget paper no 1, 2004-05 Federal Budget, Statement 6: Expenses and Net Capital Investment, table 9, p 12.*

11 *Budget paper no 1, 2004-05 Federal Budget, Statement 6: Expenses and Net Capital Investment, table 9, p 12.*

12 *Budget paper no 1, 2004-05 Federal Budget, Statement 6: Expenses and Net Capital Investment, table 9, p 12.*

13 Australian Institute of Health and Welfare, 'Welfare expenditure grows 15% in 2003-04', media release, 7 September 2006, viewed on 11 September 2006 at <http://www.aihw.gov.au/mediacentre/2006/mr20060907.cfm>.

More families are receiving transfer payments

- 2.11 Low income families are benefiting from increased family benefit payments and the relaxation of income thresholds. Economic commentator Ross Gittins has claimed that:
- Family payments to a single-income family with two children, where the breadwinner has average weekly earnings, have gone from the equivalent of less than 2 per cent of average earnings in 1990 to more than 20 per cent in 2003.¹⁴
- 2.12 Low income families received an 18 per cent rise in average income between 1997 and 2004, to which the Australian Institute of Health and Welfare has attributed the increase in family payments.¹⁵ The maximum rate families can receive in assistance per child has almost doubled since 1996.¹⁶
- 2.13 Policies seeking to graduate the impact of so-called high effective marginal tax rates have resulted in more generous taper rates on income tests, pushing income thresholds for assistance higher. It is not only low income families, therefore, that are benefiting. Whiteford, Stanton and Gray claimed in 2001 that, 'By the middle of the 1990s more than 40 per cent of Australian children were living in families receiving income-tested family assistance'.¹⁷
- 2.14 Even when the income tax system is taken into account, many families are still receiving significant assistance. A paper by Kerrie Bremner of the Tax Analysis Division of the Treasury suggested that in 2005-06, 38 per cent of Australian families would receive more money in benefits from the Government than they would pay in income taxes. Amongst sole parents, 82 per cent would receive more cash benefits than they would pay in tax.¹⁸ Bremner suggested that:

14 Gittins R, 'Costello works the women,' *Sydney Morning Herald*, 8 March 2006, p 15.

15 Hill E, 'Howard's "choice": The ideology and politics of work and family policy 1996-2006', p 2, viewed on 8 August 2006 at <http://www.australianreview.net/digest/2006/02/hill.html>.

16 Hon P Costello MP, Treasurer, 'Continuing personal tax reform', Ministerial Statement (2006), Budget 2006-07, viewed on 2 September 2006 at <http://www.budget.gov.au/2006-07/ministerial/html/treasury-04.htm>.

17 Whiteford P, Stanton D and Gray M, 'Families and income security: Changing patterns of social security and related policy issues', *Family Matters* (2001), no 60, Australian Institute of Family Studies, p 34.

18 Bremner K, 'Net tax thresholds for Australian families', *Economic Roundup* (2005), The Treasury, Winter, pp 47-48.

The increase in the proportion of couple families with dependants who are in a positive net tax position is largely the result of increases in family payments.¹⁹

- 2.15 It may also be influenced by changes in the tax system. Reductions in the marginal tax rate; adjustment of income tax rate thresholds; and the introduction of, and increases in, the value of several tax offsets may mean that some families are in a more positive net tax position.²⁰
- 2.16 Generally, between tax and welfare administration, government support for families and carers fall into three categories:
- income support, for those who have no other means of having a minimum standard of living;
 - payments to assist with the general costs of raising children; and
 - payments to assist with specific costs associated with having a family (or caring for another person) such as child care, pharmaceuticals or immunisations.
- 2.17 The major Australian Government payments for families and carers are outlined below, followed by a summary of relevant taxation measures and key points of interaction with family assistance.

Government payments to families

- 2.18 The following payments are coordinated by the Family Assistance Office, which was established in 2000 to provide families with a simplified range of government payments and services. There are approximately 550 Family Assistance Office outlets located in Medicare offices, Centrelink Customer Service Centres and Australian Taxation Office sites across Australia.²¹
- 2.19 Family Tax Benefit Parts A and B are included here under payments rather than in the following chapter on taxation measures. This is because they are included in agency appropriations for the Department of Families, Community Services and Indigenous Affairs,

19 Bremner K, 'Net tax thresholds for Australian families', *Economic Roundup* (2005), The Treasury, Winter, pp 47-48.

20 Bremner K, 'Net tax thresholds for Australian families', *Economic Roundup* (2005), The Treasury, Winter, p 40.

21 Department of Families, Community Services and Indigenous Affairs, *Agency Budget Statements 2006-07* (2006), p 128.

as well as for the Australian Taxation Office. As over 90 per cent of recipients choose to receive Family Tax Benefit through fortnightly payments from Centrelink, it may be considered a cash benefit.²²

- 2.20 All dollar figures were effective on 1 July 2006; however, these payments are indexed regularly and may change. It is also worth noting that all payments are subject to individual assessment by Centrelink and the Australian Taxation Office, and a person or family's entitlement is affected by many complex circumstances.

General payments to families

Family Tax Benefit Part A

- 2.21 Both Family Tax Benefit Parts A and B were introduced by *A New Tax System (Family Assistance) Act 1999*, to provide for a simpler structure and administration of family assistance. From 1 July 2000, Family Tax Benefit Part A replaced the former Family Allowance and Family Tax Initiative Part A payments.²³
- 2.22 Family Tax Benefit Part A is a tax-free payment designed to assist with the costs of raising children. It is paid to families with dependent children under 21, or a qualifying dependent full time student aged 21 to 24. Worth over \$12 billion annually, it represents the biggest single government outlay for family assistance, and was paid to 2.3 million families in 2004-05.²⁴
- 2.23 The amount of Family Tax Benefit Part A paid depends on:
- a family's annual income;
 - how many children they have; and
 - how old their children are.

Maintenance or child support from another parent will also affect assessment of the amount to be paid. Divorced or separated parents

22 Department of Families, Community Services and Indigenous Affairs, *Agency Budget Statements 2006-07* (2006), p 134.

23 Department of Family and Community Services, 'Taxation, social security and family assistance for 2000-01' (2000), research fact sheet no 13, viewed on 8 September 2006 at [http://www.facs.gov.au/internet/facsinternet.nsf/VIA/ResFaCSsheets/\\$File/FacsSheet13.pdf](http://www.facs.gov.au/internet/facsinternet.nsf/VIA/ResFaCSsheets/$File/FacsSheet13.pdf).

24 Department of Family and Community Services, *Annual report 2004-05* (2005), p 88.

who share their children's care are entitled to claim for their proportion of care time.²⁵

- 2.24 Family Tax Benefit Part A is means-tested. Maximum payment rates are paid to families with an annual income of up to \$40,000. Maximum rates are currently between \$1,182.60 and \$5,332.65 per annum for each child, depending on the ages of the dependent children. The highest maximum rate of \$5,332.65 is paid for children aged 13-15, reflecting the higher costs of parenting teenagers.
- 2.25 For families on annual incomes higher than \$40,000, payment rates gradually reduce until the minimum rate of Family Tax Benefit Part A is reached. The income point at which this happens will be different for every family. For a family with two children under the age of 12, for example, the minimum rate will be paid once annual income reaches \$64,893. Minimum rate payments are \$1,828.65 per annum for each child aged under 18, and \$2,237.45 for each child aged 18-24 years.
- 2.26 At a certain point, entitlement to Family Tax Benefit Part A cuts out altogether. Again, this varies depending on family income, the number of children in a family, and the children's ages. For the example used above, of a family with two children under the age of 12, Family Tax Benefit Part A will cease to be paid when the annual family income reaches \$104,317. The upper income limits for different families are reproduced below.

Table 2.1 Family income limit at which Family Tax Benefit Part A stops (\$ per annum)

Number of children 0 - 17 years	Number of children 18 - 24 years			
	Nil	One	Two	Three
Nil		\$96,081	\$107,043	\$118,857
One	\$94,718	\$105,680	\$117,494	\$129,308
Two	\$104,317	\$116,131	\$127,945	\$139,759
Three	\$114,769	\$126,582	\$138,396	\$150,210

Source: Centrelink, *A guide to Australian Government payments 1 July - 19 September (2006)*, p 3.

- 2.27 Family Tax Benefit Part A can be paid either fortnightly or as a lump sum at the end of the financial year. It also includes a supplement which is available only after the end of the financial year, and may be used to offset overpayments.²⁶ Ninety per cent of recipients choose to

25 Family Assistance Office, *The what, why and how of family assistance* (2006), July edition, p 11.

26 Centrelink, *A guide to Australian Government payments 1 July - 19 September (2006)*, p 2.

receive Family Tax Benefit Part A as a fortnightly payment through Centrelink.²⁷

- 2.28 Since its introduction in 2000, adjustment to the income limits and taper rates of Family Tax Benefit Part A have meant that middle income earners are also eligible to receive it. From 1 July 2004, the maximum taper rate on the payment was lowered from 30 per cent to 20 per cent. In the 2006-07 Budget, the income threshold at which a family could receive the maximum payment was increased from \$33,361 to \$40,000. This measure was expected to increase the entitlement of almost half a million families.²⁸
- 2.29 The Department of Families, Community Services and Indigenous Affairs reports that in 2004-05, the average recipient of Family Tax Benefit Part A received \$190 per fortnight, or \$4,960 a year. The average estimated taxable income for couples receiving Family Tax Benefit Part A was \$56,853; and for single parents it was \$41,304.²⁹

Family Tax Benefit Part B

- 2.30 Family Tax Benefit Part B was also introduced in 2000. It replaced the former Family Tax Initiative Part B, Basic Parenting Payment, Guardian Allowance, Sole Parent Rebate and Dependent Spouse Rebate (with children).³⁰
- 2.31 Family Tax Benefit Part B provides extra assistance to sole parent families and to families with one main income, where one parent chooses to stay at home to balance a small amount of paid work with caring for their children.³¹ It is paid to families with children aged

27 Department of Families, Community Services and Indigenous Affairs, *Agency Budget Statements 2006-07* (2006), p 134.

28 Hon P Costello MP, Treasurer, 'Continuing personal tax reform', Ministerial Statement (2006), Budget 2006-07, viewed on 2 September 2006 at <http://www.budget.gov.au/2006-07/ministerial/html/treasury-04.htm>.

29 Department of Family and Community Services, *Annual report 2004-05* (2005), p 88. Figures apply to couples and single parent families not in receipt of any other income support payments, so they do not reflect the 449,000 single parents on Parenting Payment Single.

30 Department of Family and Community Services, 'Taxation, social security and family assistance for 2000-01' (2000), research fact sheet no 13, viewed on 8 September 2006 at [http://www.facs.gov.au/internet/facsinternet.nsf/VIA/ResFaCSsheets/\\$File/FacsSheet13.pdf](http://www.facs.gov.au/internet/facsinternet.nsf/VIA/ResFaCSsheets/$File/FacsSheet13.pdf).

31 Family Assistance Office, 'Family Tax Benefit Part B Fact Sheet', viewed on 28 August 2006 at <http://www.familyassist.gov.au/Internet/FAO/FAO1.nsf/content/publications-factsheets-ftbb.htm>.

under 16 or with children aged 16 to 18 who are studying full time. It is paid to approximately 592,000 sole parents and 364,000 couples, and is tax-free.³²

- 2.32 Family Tax Benefit Part B is only partially means tested. The income of the family's second earner is taken into account, but not the primary earner. Sole parents, therefore, do not have to pass an income test, and receive the maximum rate automatically. In couple families, the primary earner's (most often, the father's) income is not taken into account.
- 2.33 The second earner receives the maximum rate of Family Tax Benefit Part B until their income reaches \$4,234 a year. Maximum payment rates are outlined in table 2.2, below.

Table 2.2 Maximum rates of payment of Family Tax Benefit Part B

Age of youngest child	Per fortnight	Per year
Under 5 years	\$120.96	\$3,153.60
5-15 years (or 16-18 years if a full time student)	\$ 84.28	\$2,197.30

Source: Family Assistance Office, 'Family Tax Benefit Part B Fact Sheet', viewed on 28 August 2006 at <http://www.familyassist.gov.au/Internet/FAO/FAO1.nsf/content/publications-factsheets-ftbb.htm>.

- 2.34 Once the secondary earner's annual income surpasses \$4,234, payments are reduced by 20 cents for every extra dollar of income. Family Tax Benefit Part B cuts out altogether when the recipient's income reaches \$21,572 (if the youngest child is under five years of age), or \$16,790 (if the youngest child is between five and 18 years of age).³³
- 2.35 Family Tax Benefit Part B can be paid either fortnightly, as an annual lump sum, or as a reduction in tax. Like Family Tax Benefit Part A, it includes a supplement, which is available after the end of the financial year when family assistance payments are reconciled.³⁴ In 2004-05,

32 Department of Families, Community Services and Indigenous Affairs, *Agency Budget Statements 2006-07* (2006), p 135.

33 Family Assistance Office, 'Family Tax Benefit Part B Fact Sheet', viewed on 28 August 2006 at <http://www.familyassist.gov.au/Internet/FAO/FAO1.nsf/content/publications-factsheets-ftbb.htm>.

34 Department of Families, Community Services and Indigenous Affairs, *Agency Budget Statements 2006-07* (2006), p 130.

Family Tax Benefit Part B recipients received an average of \$81 a fortnight, or \$2,105 a year.³⁵

Parenting Payment

2.36 Parenting Payment is a means-tested payment designed to assist low income families with the costs of raising children. It is paid to:

- eligible single parents with a child aged eight years and under; and
- partnered parents who have primary care of a child six years and under.³⁶

For parents who are separated or divorced, the amount they receive will be subject to their income, maintenance received from their former partner, and their new partner's income, if applicable.³⁷

2.37 The maximum rate of Parenting Payment for a partnered parent is \$370.50 per fortnight, or \$9,633 a year.

2.38 For a single parent, the maximum rate is \$499.70 per fortnight, or \$12,992.20 a year.³⁸

2.39 Parenting Payment is subject to both an income and an assets test. These are different for single and partnered parents.

2.40 For maximum payment to a partnered parent, where his or her partner does not get a pension, the recipient's income must be no more than \$62 per fortnight, and their partner's income must be no more than \$711 per fortnight. The recipient's income reduces the payment by 50 cents for each dollar between \$62 and \$250, and by 60 cents for each dollar above \$250 per fortnight. The partner's income up to \$711 per fortnight has no effect. Income over this limit reduces the rate by 60 cents for each extra dollar. Partnered parents must also pass an assets test.

2.41 The income and assets tests for single parents are the same as for some other income support payments, including Age Pension and Carer Payment. They are detailed below in tables 2.3 to 2.5.

35 Department of Family and Community Services, *Annual report 2004-05* (2005), p 88.

36 Centrelink website, viewed on 31 August 2006 at http://www.centrelink.gov.au/internet/internet.nsf/payments/qual_how_pp.htm.

37 Centrelink and the Family Assistance Office, *Are you separated or divorced? A guide to your options and our services* (2006), p 15.

38 Centrelink website, viewed on 15 September 2006 at http://www.centrelink.gov.au/internet/internet.nsf/payments/pay_how_pp.htm.

Table 2.3 Income test for Parenting Payment

Family situation	For full payment (per fortnight)	For part payment (per fortnight)
Single	Up to \$128 (or \$3328 per year)	Less than \$1,392 (or \$36,185 per year)
Single + one child	Up to \$152.60 (or \$3968 per year)	Less than \$1,416 (or \$36,825 per year)
Partnered (combined)	Up to \$228 (or \$5928 per year)	Less than \$2,328 (or \$60,541 per year)
Additional children	Add \$25 per child (or \$640 per year)	

Source: Centrelink, 'Disability and Carer Payment Rates 1 July – 19 September 2006' (2006), Fact Sheet, viewed 8 September 2006 at [http://www.centrelink.gov.au/internet/internet.nsf/filestores/co031_0607/\\$file/co031_0607en.pdf](http://www.centrelink.gov.au/internet/internet.nsf/filestores/co031_0607/$file/co031_0607en.pdf). Thresholds have been rounded to the nearest dollar.

Table 2.4 Assets test for homeowners claiming Parenting Payment

Family situation	For full payment	For part payment
Single	Up to \$161,500	Less than \$330,000
Partnered (combined)	Up to \$229,000	Less than \$509,500
One partner eligible (combined)	Up to \$229,000	Less than \$509,500

Source: Centrelink, 'Disability and Carer Payment Rates 1 July – 19 September 2006' (2006), Fact Sheet, viewed 8 September 2006 at [http://www.centrelink.gov.au/internet/internet.nsf/filestores/co031_0607/\\$file/co031_0607en.pdf](http://www.centrelink.gov.au/internet/internet.nsf/filestores/co031_0607/$file/co031_0607en.pdf).

Table 2.5 Assets test for non-homeowners claiming Parenting Payment

Family situation	For full payment	For part payment
Single	Up to \$278,500	Less than \$447,000
Partnered (combined)	Up to \$346,000	Less than \$626,500
One partner eligible (combined)	Up to \$346,000	Less than \$626,500

Source: Centrelink, 'Disability and Carer Payment Rates 1 July – 19 September 2006' (2006), Fact Sheet, viewed 8 September 2006 at [http://www.centrelink.gov.au/internet/internet.nsf/filestores/co031_0607/\\$file/co031_0607en.pdf](http://www.centrelink.gov.au/internet/internet.nsf/filestores/co031_0607/$file/co031_0607en.pdf).

2.42 In 2004–05, Parenting Payment became an administrative responsibility of the Department of Employment and Workplace Relations, following the transfer of responsibility for working age income support payments from the Department of Family and Community Services.³⁹

³⁹ Department of Employment and Workplace Relations, *Annual report 2004-05* (2005), p 183.

Payments for specific circumstances

Maternity Payment

- 2.43 Maternity Payment, or the 'baby bonus' as it is commonly referred to, was introduced as part of the *More Help for Families* package announced in the 2004–05 Budget. From 1 July 2004, it replaced the Maternity Allowance and the first incarnation of the Baby Bonus tax offset, which effectively allowed stay at home mothers to claim back the tax paid on their income in the year prior to birth.⁴⁰
- 2.44 Maternity Payment is a universal lump sum payment of \$4,000 that recognises the relationship between a mother and her newborn baby and the extra costs associated with the birth or adoption of a baby.⁴¹ It is due to rise to \$5,000 by July 2008, and is indexed each year in line with the Consumer Price Index (CPI). It is paid regardless of the labour market decisions of the mother. Unlike the original Baby Bonus tax offset, stay at home and working mothers receive the same payment.
- 2.45 In 2004-05, the first year the Maternity Payment was available, there were 235,371 recipients.⁴² In 2005-06 this number jumped to 268,667, reflecting an increasing birth rate and the fact some parents may have failed to claim the bonus in the previous year.⁴³
- 2.46 There are fears that the bonus encourages teenagers to have children. In 2005-06, only 4,800 teenagers or 1.8 per cent of recipients were teenage mothers.⁴⁴ It was recently announced that recipients of Maternity Payment under the age of 18 will receive their payment in fortnightly installments to address community concerns about the vulnerability of younger mothers.⁴⁵

40 Hodgson H, 'A Historical analysis of family payments in Australia: Are they fair or simple?' *Journal of the Australasian Tax Teachers Association* (2005), no 5, p 333.

41 Department of Families, Community Services and Indigenous Affairs, *Agency Budget Statements 2006-07* (2006), p 130.

42 Department of Family and Community Services, *Annual report 2004-05* (2005), p 91.

43 McKinnon M and Pirani C, 'Baby bonus boosts birth rate in a year', *The Weekend Australian*, 16 September 2006, p 2.

44 McKinnon M and Pirani C, 'Baby bonus boosts birthrate in a year', *The Weekend Australian*, 16 September 2006, p 2.

45 Hon M Brough MP, Minister for Families, Community Services and Indigenous Affairs, 'Changes to Baby Bonus for under 18 year olds', media release, 12 November 2006.

Multiple Birth Allowance

- 2.47 Multiple Birth Allowance is a payment to assist parents who have three or more children in the same birth. It is added to Family Tax Benefit payments until the children reach the age of six.
- 2.48 The payment is \$3,076.95 per year for triplets, and \$4,102.60 per year for quadruplets or more.⁴⁶

Maternity Immunisation Allowance

- 2.49 Maternity Immunisation Allowance is a one-off lump sum payment of \$222.30. It is paid to parents of all children aged 18-24 months who have been fully immunised. In 2004-05, it was paid to 200,343 recipients.⁴⁷ In accordance with this committee's recommendation, this allowance is now also paid to parents of children adopted from overseas.⁴⁸

Large Family Supplement

- 2.50 The Large Family Supplement is paid to all families with three children or more for whom Family Tax Benefit is paid. Historically, it has been paid to families with four children or more, but in the 2006-07 Budget the threshold was reduced to three children. These changes reflect the shrinking size of the average Australian family.
- 2.51 The payment is worth \$9.80 per fortnight, or \$255.50 per year, for each child after the second. It is paid as a supplement to Family Tax Benefit Part A and is tax-free.

Employment entry payment

- 2.52 While not specifically a family or carer payment, Employment Entry Payment is a lump sum paid to eligible people designed to help cover the associated costs of returning to work. It may be applicable to

46 Family Assistance Office website, viewed on 29 August 2006 at http://www.familyassist.gov.au/Internet/FAO/fao1.nsf/content/payments-multiple_birth.

47 Department of Family and Community Services, *Annual report 2004-05* (2005), p 91.

48 House of Representatives Standing Committee on Family and Human Services, *Inquiry into overseas adoption in Australia* (2005), p xix.

parents and others affected by policy initiatives to help people move from welfare to work.⁴⁹

- 2.53 To be eligible, claimants must receive, or have been in receipt of, a qualifying payment including Disability Support Pension, Carer Payment, Newstart Allowance, or Parenting Payment.⁵⁰
- 2.54 Those who have been in receipt of Disability Support Pension receive a one-off payment of \$312. Those who have been in receipt of Carer Payment, Parenting Payment or Newstart Allowance (as a principal carer of dependent children) receive a one-off payment of \$104.⁵¹
- 2.55 In 2004-05, 119,171 occurrences of Employment Entry Payment were paid.⁵²

Payments to help with the cost of child care

- 2.56 The *Child Care Act 1972* marked the beginning of the government's financial involvement in child care.⁵³ It was designed to reflect 'the government's recognition of the rapidly increasing proportion of married women in the labour force and the consequences of this phenomenon for the care of their children'.⁵⁴ The Act provided funding in the form of capital and recurrent grants to non-profit organisations operating centre-based day care facilities.
- 2.57 Over the last three decades, the focus of government child care assistance has shifted from capital grants and operational subsidies to fee relief paid directly to parents.⁵⁵ In 1984, child care fee relief was introduced for parents using not-for-profit day care centres, and this was extended in 1990 to include commercial centres. In 1994, this was replaced by the Child Care Cash Rebate, a direct payment designed to

49 Australian Government, *Moving into Work* website, viewed 5 September 2006 at <http://www.movingintowork.gov.au/movingintowork/Support/ParentingPayment.htm>.

50 Centrelink website, viewed 5 September 2006 at http://www.centrelink.gov.au/internet/internet.nsf/payments/qual_how_eep.htm.

51 Centrelink website, viewed 5 September 2006 at http://www.centrelink.gov.au/internet/internet.nsf/payments/pay_how_eep.htm.

52 Department of Employment and Workplace Relations, correspondence, 22 September 2006.

53 Parliamentary Library E-Brief, 'Commonwealth support for child care' (2002), p 1.

54 Senate *Hansard*, 25 October 1972, pp 1908-09; cited in Senate Community Affairs Reference Committee, *Report on child care funding* (1998), p 9.

55 Senate Community Affairs Reference Committee, *Report on child care funding* (1998), pp 15, 18.

help parents with fees for work-related child care.⁵⁶ The rebate was not means-tested, because, as the then Minister for Family Services stated, child care was:

...no longer a welfare issue. It is an economic issue and is now an integral part of the government's approach to building a highly skilled and adaptable workforce.⁵⁷

- 2.58 The Child Care Cash Rebate was the first time that higher income earners were recognised as having legitimate and equal entitlement to child care assistance, as they were paying more tax dollars and were amongst those 'highly skilled and adaptable' workers so valuable to government.⁵⁸
- 2.59 Today, there are two main payments to assist families with the cost of child care, acknowledging both a need for equity of access to child care for low income earners, and a need to acknowledge other working families paying child care in order to participate in paid work. The Child Care Benefit was introduced in 2000. The Child Care Tax Rebate was introduced in 2004 to provide further assistance to parents dealing with rising child care costs, and to parents who qualify for only a very small amount of Child Care Benefit.
- 2.60 The Australian Government report on the Child Care Workforce Think Tank (2003) said that:
- Child care has emerged as an important platform in policy agendas and frameworks. Increasingly, quality child care is identified as an important element of welfare reform, of work and family policies, of family support, and of early intervention strategies.⁵⁹
- 2.61 As a result, government expenditure on child care support has been rising steadily. In 1992-93, for example, a total of \$546 million was spent by the Australian Government on child care.⁶⁰ In 2004-05, it

56 Hodgson H, 'A historical analysis of family payments in Australia: Are they fair or simple?' *Journal of the Australasian Tax Teachers Association* (2005), no 5, p 332.

57 Sen the Hon Crowley, Minister for Family Services and Minister Assisting the Prime Minister for the Status of Women, Senate *Hansard*, second reading speech on the Child Care Rebate Bill 1993, 26 October 1993, p 2513.

58 Sen the Hon Crowley, Minister for Family Services and Minister Assisting the Prime Minister for the Status of Women, Senate *Hansard*, second reading speech on the Child Care Rebate Bill 1993, 26 October 1993, p 2513.

59 Department of Family and Community Services, *Australian Government report on the April 2003 Child Care Workforce Think Tank* (2003), p 3.

60 Parliamentary Library E-Brief, 'Commonwealth support for child care' (2002), p 7.

spent \$1.89 billion on children's services, including \$1.47 billion, or 77.8 per cent, on financial support to families through fee assistance.⁶¹

- 2.62 In addition to expenditure by the Commonwealth, state, territory and local governments also expend substantial sums for preschool services, operational subsidies for community-based care, and child care licensing. In 2004-05, state and territory government expenditure on children's services was approximately \$600.3 million. Around 83.8 per cent, or \$503.2 million, accounted for the provision of preschool services.⁶²

Child Care Benefit

- 2.63 The Child Care Benefit is a means-tested payment that helps families to balance their work and parenting roles by assisting with the cost of child care.⁶³
- 2.64 Child Care Benefit is a payment of between \$0.497 and \$2.96 per child per hour, depending on the parents' income, the type of care used, and the ages of the children. The rates paid for school-aged children are 85 per cent of those paid for non school-aged children.
- 2.65 Child Care Benefit can be paid in three ways:
- directly to child care centres, and passed on to parents through fee reductions; or
 - as a lump sum to parents at the end of the financial year; or
 - as a payment at the minimum rate, with any remaining entitlement assessed at the end of the financial year.⁶⁴
- 2.66 Child Care Benefit is paid for approved or registered child care, although the assistance is more generous for approved care.
- 2.67 Child Care Benefit for approved care is paid to parents who are not working up to a limit of 24 hours per week. In order for parents to

61 Productivity Commission, *Report on government services* (2006), vol II: Health, Community Services and Housing, p 14.7.

62 Productivity Commission, *Report on government services* (2006), vol II: Health, Community Services and Housing, pp 14.7-14.8.

63 Department of Families, Community Services and Indigenous Affairs, *Agency Budget Statements 2006-07* (2006), p 122.

64 Family Assistance Office, 'Child Care Benefit Fact Sheet', viewed on 28 August 2007 at <http://www.familyassist.gov.au/internet/fao/fao1.nsf/content/publications-factsheets-ccb.htm>.

claim over 24 child care hours, up to limit of 50 hours, they must be in work, study or training for at least 15 hours per week.

- 2.68 Child Care Benefit for registered care is only available for work-related care.⁶⁵
- 2.69 In 2004-05, 561,000 families received Child Care Benefit. Of those, an overwhelming majority (542,000) were using approved child care and receiving Child Care Benefit as a reduction in fees from their child care centre or family day care.⁶⁶

Child Care Benefit for approved care

- 2.70 Approved child care is care offered by a service provider that participates satisfactorily in the Australian Government funded quality assurance system, and has been approved to receive Child Care Benefit payments on behalf of eligible families. Approved child care providers include:
- long day care centres;
 - some family day care schemes (in which a small group of children are cared for in the home of the carer);
 - some before and after school care;
 - some vacation care;
 - some occasional care; and
 - in-home care provided under the Australian Government's In-Home Care program for families in special circumstances.⁶⁷
- 2.71 Excepting the recently introduced In-Home Care program, and to a lesser extent, family day care schemes, approved care is group care for children in centre-based settings.
- 2.72 The obligations of approved child care services are set out in section 219A of *A New Tax System (Family Assistance) (Administration) Act 1999* (the Family Assistance Administration Act).⁶⁸

65 Centrelink, *A guide to Australian Government payments 1 July - 19 September* (2006), p 5.

66 Department of Family and Community Services, *Annual report 2004-05* (2005), p 117.

67 Family Assistance Office, 'Child Care Benefit Fact Sheet', viewed on 15 November 2006 at <http://www.familyassist.gov.au/internet/fao/fao1.nsf/content/publications-factsheets-ccb.htm>. Further information on the In-Home Care program is provided in chapter six.

68 Centrelink website, viewed on 11 May 2006 at http://www.centrelink.gov.au/internet/internet.nsf/payments/qual_how_ccb.htm.

- 2.73 Families with annual incomes of \$34,310 or less, using approved child care, receive the maximum rate of \$2.96 per hour per child, or \$148.00 for a 50 hour week.⁶⁹ The Department of Families, Community Services and Indigenous Affairs estimates that 35 per cent of Child Care Benefit recipients, or around 200,935 families, receive the maximum rate of payment.⁷⁰
- 2.74 The rate of Child Care Benefit reduces until the annual family income reaches the thresholds in table 2.6. Thereafter, families receive the minimum rate of \$0.497 per hour for each child, or \$24.85 for a 50 hour week.⁷¹

Table 2.6 Income limit beyond which only the minimum rate of Child Care Benefit is paid, for families using approved child care

Number of children in care	Annual family income
1	\$98,348
2	\$106,629
3	\$121,130 plus \$20,221 for each extra child in care

Source: Family Assistance Office, *Child Care Benefit Fact Sheet*, viewed on 28 August 2007 at <http://www.familyassist.gov.au/internet/fao/fao1.nsf/content/publications-factsheets-ccb.htm>.

- 2.75 Grandparents may be eligible to access up to 50 hours per week of Child Care Benefit for each child in approved child care. The Child Care Benefit work, training and study test is waived for eligible grandparents who have primary care of their grandchildren.
- 2.76 Eligible grandparents who have primary care of their grandchildren and are in receipt of an income support payment, such as a pension from Centrelink, may receive Grandparent Child Care Benefit. Grandparent Child Care Benefit will cover the full cost of child care for up to 50 hours per child, per week.⁷²

69 Centrelink, *A guide to Australian Government payments 1 July - 19 September (2006)*, p 5.

70 Department of Families, Community Services and Indigenous Affairs, *Agency Budget Statements 2006-07 (2006)*, p 140.

71 Family Assistance Office, 'Child Care Benefit Fact Sheet', viewed on 28 August 2007 at <http://www.familyassist.gov.au/internet/fao/fao1.nsf/content/publications-factsheets-ccb.htm>.

72 Centrelink website, viewed on 30 October 2006, at http://www.centrelink.gov.au/internet/internet.nsf/individuals/pg_grandparents_faqs.htm.

Child Care Benefit for registered care

2.77 Individual care that takes place in the child's own home or the carer's home is generally classified as registered care. Registered care includes:

- some family day care schemes;
- some private preschools and kindergartens;
- some outside school hours care services;
- some vacation care; and
- some occasional care centres,

where these providers do not do not participate in the Australian Government's quality assurance program.⁷³

Registered care also includes care provided by grandparents, relatives, friends or in-home carers (nannies) that are registered with the Family Assistance Office.

2.78 Registered care is not means-tested, because families using registered care are entitled only to a flat minimum rate of Child Care Benefit. This is currently \$0.497 per hour per child, or \$24.85 for a 50 hour week.⁷⁴ This is the equivalent of a postage stamp for each hour of care.

Jobs Education and Training (JET) Child Care Fee Assistance

2.79 The JET Child Care Fee Assistance program has existed in different guises since 1989. It provides eligible parents with extra help with the cost of approved child care while they are undertaking activities such as job search, work, study or rehabilitation to help them enter or re-enter the workforce.⁷⁵

2.80 To be eligible for Jet Child Care Fee Assistance, parents must be already receiving one of the following Centrelink payments:

73 Family Assistance Office, 'Child Care Benefit Fact Sheet', viewed on 15 November 2006 at <http://www.familyassist.gov.au/internet/fao/fao1.nsf/content/publications-factsheets-ccb.htm>.

74 Centrelink website, viewed on 11 May 2006 at http://www.centrelink.gov.au/internet/internet.nsf/payments/qual_how_ccb.htm.

75 Department of Families, Community Services and Indigenous Affairs, *Agency Budget Statements 2006-07* (2006), p 132.

- Newstart Allowance;
 - Parenting Payment;
 - Widow Allowance;
 - Partner Allowance;
 - CDEP Participant Supplement;
 - Youth Allowance (for jobseekers);
 - Widow B Pension;
 - Carer Payment;
 - Means tested ABSTUDY payment; or
 - Special Benefit (in certain circumstances).⁷⁶
- 2.81 Parents must also be receiving Child Care Benefit at the maximum rate. That is, they must have an annual family income of \$34,310 or less, and use approved child care.
- 2.82 For child care provided while parents undertake jobs, education and training activities, the combination of Child Care Benefit and JET fee assistance reduces their fee to 10 cents per hour per child, up to their weekly limit of eligible hours.
- 2.83 In the year 2005-06, the JET Child Care Fee Assistance program assisted over 18,000 parents and nearly 29,000 children.⁷⁷ The 2006-07 Budget included additional funding, anticipating an increase in claims from parents subject to new participation requirements under Welfare to Work. The Department of Families, Community Services and Indigenous Affairs estimates that around 33,700 parents will be assisted by the JET Child Care Fee Assistance program in 2006-07.⁷⁸
- 2.84 JET Child Care Fee Assistance is available for a limited amount of time depending of what type of activity the parent is doing, as outlined below in table 2.7:

76 Family Assistance Office website, viewed on 29 August 2006 at http://www.familyassist.gov.au/internet/fao/fao1.nsf/content/payments-jobs_education_and_training_child_care-jet_child_care.htm. Some of these payments, such as the Widow B pension, were discontinued some time ago and are not available for new claimants.

77 Department of Families, Community Services and Indigenous Affairs, correspondence, 9 August 2006.

78 Department of Families, Community Services and Indigenous Affairs, correspondence, 9 August 2006.

Table 2.7 Activities and time limits for which JET Child Care Fee Assistance will be paid

Activity	Time limit
Job search	20 days in 20 week
Paid and unpaid work	The initial 26 weeks of a job
Study or training	Courses of up to 12 months full time duration, or the equivalent part time duration.
Participation in a labour market program	Up to 12 months, but may be extended
Participation in the Personal Support Program	Up to 12 months, but may be extended
Participation in a government-funded rehabilitation program	Up to 12 months, but may be extended

Source: Family Assistance Office website, viewed on 29 August 2006 at http://www.familyassist.gov.au/internet/fao/fao1.nsf/content/payments-jobs_education_and_training_child_care-jet_child_care.htm.

2.85 These time limits were introduced as of 1 July 2006. Previously, there was no restriction on the duration of the course for those participants undertaking study or training, other than that it had to be completed within eight years.⁷⁹

Payments for carers and those who need care

Carer Payment

2.86 Carer Payment is an income support payment for people who cannot support themselves by working, because they are caring for a child or adult with a physical, intellectual or psychiatric disability. The carer need not be living with the person they care for, but they must be providing constant care.

2.87 Carer Payment cannot be claimed by someone who is already receiving another income support payment, such as the Age Pension, Newstart Allowance or Parenting Payment.

2.88 The maximum rate of Carer Payment for a single person is \$499.70 per fortnight, or \$12,992.20 per year. For a partnered person, the maximum rate is \$417.20 per fortnight, or \$10,847.20 per year.⁸⁰ Carer Payment is adjusted twice a year in line with CPI.

⁷⁹ Department of Families, Community Services and Indigenous Affairs, correspondence, 9 August 2006.

⁸⁰ Centrelink, 'Disability and Carer Payment Rates 1 July - 19 September 2006' (2006), fact sheet, viewed on 8 September 2006 at

- 2.89 Payment is, however, means-tested, both for the carer *and* the person being cared for. Generally, the person being cared for must receive a social security income support or a service pension.⁸¹ Carers are assessed under both an income and assets test, and the test that results in the lower rate (or nil rate) will apply. The income and asset tests are the same as those for the Parenting Payment, which are detailed in tables 2.3 - 2.5.
- 2.90 In 2004-05, there were 95,446 recipients of Carer Payment. Only 13 per cent of these reported private income from employment. Amongst those who did, their average amount of income before the Carer Payment was \$448 per fortnight.⁸²
- 2.91 The number of recipients for Carer Payment has been increasing, by 11 per cent in 2003-04 and 14 per cent in 2004-05. The Department of Families, Community Services and Indigenous Affairs attributes this to:
- an ageing population;
 - the increase in the number of people with disabilities being cared for at home; and
 - better public awareness of the payment.⁸³
- 2.92 In the 2006-07 Federal Budget, the Australian Government announced a one-off lump sum Carer Bonus. Carers in receipt of Carer Payment received a payment of \$1,000.⁸⁴

Carer Allowance

- 2.93 Carer Allowance is a supplementary payment for parents or carers who provide daily care and attention to a child or adult with a disability or severe medical condition, or for an adult who is frail aged. Carer Allowance (child or adult) may be paid on top of Carer

[http://www.centrelink.gov.au/internet/internet.nsf/filestores/co031_0607/\\$file/co031_0607en.pdf](http://www.centrelink.gov.au/internet/internet.nsf/filestores/co031_0607/$file/co031_0607en.pdf).

81 Centrelink, 'Disability and Carer Payment Rates 1 July - 19 September 2006' (2006), fact sheet, viewed on 8 September 2006 at [http://www.centrelink.gov.au/internet/internet.nsf/filestores/co031_0607/\\$file/co031_0607en.pdf](http://www.centrelink.gov.au/internet/internet.nsf/filestores/co031_0607/$file/co031_0607en.pdf).

82 Department of Family and Community Services, *Annual report 2004-05* (2005), p 212.

83 Department of Family and Community Services, *Annual report 2004-05* (2005), p 212.

84 Hon M Brough MP, Minister for Families, Community Services and Indigenous Affairs, 'Massive boost to support for Australian families', media release, 9 May 2006.

Payment or other payments, such as Age Pension. Carers must live in the same home as the child or adult they are caring for.

- 2.94 Carer Allowance is not means tested. It is currently paid at \$94.70 per fortnight, the equivalent of \$2,462 per year, and is indexed annually.
- 2.95 In 2004-05, there were 233,332 recipients of Carer Allowance (adult), and 102,535 recipients of Carer Allowance (child).⁸⁵
- 2.96 In the 2006-07 Federal Budget, the Australian Government announced a one-off lump sum Carer Bonus. Carers in receipt of Carer Allowance received a payment of \$600 for each eligible care receiver.⁸⁶

Disability Support Pension

- 2.97 The Disability Support Pension is a payment for people whose physical, intellectual or psychiatric impairment prevents them from working, or for people who are permanently blind. Recipients must be aged 16 or over, but under Age Pension age. They must be assessed as being unable to work for at least the next two years as a result of their impairment.
- 2.98 Disability Support Pension is subject to an income and assets test, except for recipients who are permanently blind.⁸⁷ The income and asset thresholds, as well as the maximum rates of Disability Support Pension are the same as for Carer Payment, above.
- 2.99 A single person on the maximum rate of Disability Support Pension receives \$499.70 per fortnight, or \$12,992.20 per year.
- 2.100 For a partnered person, the maximum rate is \$417.20 per fortnight, or \$10,847.20 per year.⁸⁸
- 2.101 Payment is reduced for people under the age of 21 with no dependent children, and may be affected by whether or not a person is living at home.

85 Department of Family and Community Services, *Annual report 2004-05* (2005), p 211.

86 Hon M Brough MP, Minister for Families, Community Services and Indigenous Affairs, 'Massive boost to support for Australian families', media release, 9 May 2006.

87 Centrelink, 'Disability and Carer Payment Rates 1 July - 19 September 2006' (2006), fact sheet, viewed on 8 September 2006 at [http://www.centrelink.gov.au/internet/internet.nsf/filestores/co031_0607/\\$file/co031_0607en.pdf](http://www.centrelink.gov.au/internet/internet.nsf/filestores/co031_0607/$file/co031_0607en.pdf).

88 Centrelink, 'Disability and Carer Payment Rates 1 July - 19 September 2006' (2006), fact sheet, viewed on 8 September 2006 at [http://www.centrelink.gov.au/internet/internet.nsf/filestores/co031_0607/\\$file/co031_0607en.pdf](http://www.centrelink.gov.au/internet/internet.nsf/filestores/co031_0607/$file/co031_0607en.pdf).

- 2.102 In 2005-06 there were 712,163 recipients of Disability Support Pension, and 58.4 per cent were male.⁸⁹ The number of beneficiaries on Disability Support Pension has been steadily increasing since the mid-1980s, although the rate of increase is now slowing. The three largest categories of disability for recipients are muscular-skeletal and connective tissue conditions, psychological and psychiatric conditions, and intellectual and learning conditions.⁹⁰

Payments for the elderly

Age Pension

- 2.103 Australia introduced the age pension in 1908, and while the terms of the means test have changed over the years, it remains essentially intact. It has, as the Parliamentary Library describes, 'retained its character as a modest benefit provided on the basis of need', despite the changing retirement landscape brought about by compulsory superannuation contributions.⁹¹
- 2.104 Age Pension is paid to ensure relief from poverty from those of pensionable age. It is paid subject to an income and assets test. Men qualify for Age Pension at 65 years of age. Depending on their date of birth, women qualify for Age Pension at different ages. By 2014, the minimum qualifying age for women will be 65 years, making it the same for everyone.⁹²
- 2.105 The income and asset thresholds, as well as the maximum rates of Age Pension, are the same as for Carer Payment and Disability Support Pension (see tables 2.3 - 2.5 above).
- 2.106 A single person receives \$499.70 per fortnight, or \$12,992.20 per year. For a partnered person, the basic rate is \$417.20 per fortnight, or \$10,847.20 per year.⁹³

89 Department of Employment and Workplace Relations, *Annual report 2005-06* (2006), p 31.

90 Department of Employment and Workplace Relations, *Annual report 2005-06* (2006), pp 27, 31.

91 The Treasury, 'Towards higher retirement incomes for Australians: A history of the Australian retirement income system since Federation', *Economic roundup* (2001), Centenary edition, pp 65-92.

92 Centrelink website, viewed on 5 September 2006 at http://www.centrelink.gov.au/internet/internet.nsf/payments/qual_how_agepens.htm.

93 Centrelink website, viewed on 5 September 2006 at http://www.centrelink.gov.au/internet/internet.nsf/payments/pay_how_agepens.htm.

- 2.107 The pension still represents a large proportion of retirement income in Australia, although the number of people who rely on Age Pension as their primary source of retirement income is declining, due to increased superannuation and investment income. Between 1997-98 and 2002-03, the proportion of retirees who depended principally on the pension for income fell from 73.4 per cent to 69.1 per cent.⁹⁴
- 2.108 In June 2005, around 66 per cent of the pension-aged population, or 1.9 million people, were receiving Age Pension.⁹⁵ Of the recipients, 59.1 per cent were women, reflecting women's lower accumulated superannuation and investment incomes and the fact that they live longer than men.⁹⁶

Home and Community Care

- 2.109 The Government provides funding for organisations to provide a range of services to help frail aged people and people with a disability to live independently in their own homes for as long as possible. Some of this funding is also available to support carers, for example, in the provision of respite care.
- 2.110 The largest community care program is the Home and Community Care (HACC) program which is a joint Australian Government and State and Territory program.⁹⁷ The Commonwealth funds 60 per cent of program costs.⁹⁸ In Victoria, there is a financial contribution by local government as well.
- 2.111 The type of services funded through the Home and Community Care Program include, but are not limited to:
- nursing care;
 - allied health care;
 - meals and other food services;
 - domestic assistance;

94 Department of Families, Community Services and Indigenous Affairs, *Annual report 2004-05* (2005), p 223.

95 Department of Families, Community Services and Indigenous Affairs, *Annual report 2004-05* (2005), p 225.

96 Department of Families, Community Services and Indigenous Affairs, *Annual report 2004-05* (2005), p 226.

97 Department of Health and Ageing, *Portfolio Budget Statements 2006-07*, p 88.

98 Department of Health and Ageing website, 'Home and Community Care Program: Overview', viewed on 11 November 2006 at <http://www.health.gov.au/internet/wcms/publishing.nsf/Content/hacc-index.htm>.

- personal care;
- home modification and maintenance;
- transport;
- respite care;
- counselling, support, information and advocacy; and
- assessment.⁹⁹

2.112 In 2003-04, there were over 700,000 care recipients of Home and Community Care services. Available data for the first three quarters of 2004-05 indicate a growth in the number of clients of 6 per cent for the full year.¹⁰⁰

Other payments for families and carers

- 2.113 Families and carers may be eligible for other forms of assistance, depending on their circumstances. For example:
- Rent Assistance assists with paying rent in private housing;
 - Telephone Allowance assists with the cost of renting a domestic telephone line or a mobile phone; and
 - Pharmaceutical Allowance provides extra assistance with the cost of prescription medicines.
- 2.114 Health Care cards entitle the holder to a concessional rate for medicines covered by the Pharmaceutical Benefits Scheme as well as health, household, transport, education and recreation concessions. They are automatically issued to families who receive the maximum rate of Family Tax Benefit Part A.¹⁰¹

99 Department of Health and Ageing website, viewed on 21 September 2006 at <http://www.health.gov.au/internet/wcms/publishing.nsf/Content/hacc-index.htm-copy5>.

100 Department of Health and Ageing, *Annual report 2004-05* (2005), p 112.

101 Families must also be receiving Family Tax Benefit Part A via fortnightly payments. Family Assistance Office website, viewed on 29 August 2006 at <http://www.familyassist.gov.au/Internet/FAO/fao1.nsf/content/payments-hcc>.

Table 2.8 Summary of major Australian Government payments to families and carers (where relevant, families assumed to have two children under the age of five)

Payment, benefit or rebate	Maximum annual amount	Tax status	Means tested	Asset tested
Age Pension	\$9,633, or \$12,992 for single retirees	Taxable payment	Yes	Yes
Family Tax Benefit A	\$8,636	Exempt payment	Yes	No
Disability support pension	\$10,847	Exempt payment	Yes	Yes
Parenting payment single	\$12,992	Taxable payment	Yes	Yes
Family Tax Benefit B	\$6,935	Exempt payment	Not for single parents, but for second earner in couple family	No
Child care benefit	\$15,392	Exempt payment	Yes	No
Carer payment	\$10,847	Exempt payment	Yes	Yes
Partnered parenting payment	\$9,633	Taxable payment	Yes	Yes
Maternity payment	\$4,000	Exempt payment	No	No
Carer allowance (adult)	\$2,462	Exempt payment	No	No
Carer allowance (child)	\$2,462	Exempt payment	No	No
Child care tax rebate	\$8,000	Tax rebate	No	No
JET Child Care Fee Assistance	Approved child care fees reduced so that customer pays only 10 cents per hour	Exempt payment	Yes	Yes
Employment Entry Payment	\$104	Exempt payment	Yes	Yes

Table 2.8 (cont'd)

Who receives it	When received	Number of recipients	Budget 2006-07 (\$ million)
Men aged 65 years and over; or women of various qualifying ages, who have retired	Fortnightly payment	1,915,000	22,095
Families with dependent children	Fortnightly or lump sum	2,312,500	12,347
People who have an illness, injury or disability, and have been assessed as being unable to work	Fortnightly payment	712,163	8,705
Parents who are single and are responsible for the care of a child under eight years	Fortnightly payment	449,000	4,880
Single parent families, and couple families with one main income earner	Fortnightly or lump sum	592,000 sole parents and 364,000 couples	4,127
Families who use approved or registered child care	Fortnightly, lump sum, or as reduction in child care fees	561,000	1,621
People who cannot support themselves while caring for a child or adult with a profound disability, a severe medical condition, or an adult who is frail aged	Fortnightly payment	95,500	1,311
Parents who are partnered and are responsible for the care of a child under six years	Fortnightly payment	167,000	1,294
Families with a newborn baby or a newly adopted child under the age of two	Once-off lump sum at the birth of a child	235,500	1,027
People caring for an adult with a disability or severe medical condition, or an adult who is frail aged at home	Fortnightly payment	233,500	708
People caring for a child with a disability or severe medical condition in their own home	Fortnightly payment	102,500	346
Families who use approved child care	Through tax return at end of financial year	Not available	280
Eligible parents who need extra help with the cost of approved child care while they are undertaking activities such as job search, work, study or rehabilitation to help them to enter or re-enter the workforce	As a reduction in child care fees paid to approved care provider	15,000	27
People starting employment who were previously on an income support payment	Once-off lump sum	81,500	Not available

Source: See Appendix F.

Conclusion

- 2.115 Australia has a strong system of assistance for families, carers, and the aged, drawn together by payments and offsets provided through the tax and welfare systems.
- 2.116 In general, the committee supports the level of government assistance to families in Australia, and believes it contributes to an environment in which families are valued. Increased family payments have helped families.
- 2.117 The Access Economics report commissioned by the committee has highlighted that the policy focus on encouraging workforce participation is a necessary one, given the challenges of our ageing population.¹⁰² Impending skills and labour challenges already being felt in the Australian economy, and there are looming expenditure increases in services to the aged and those with disabilities.
- 2.118 The committee also supports the introduction of Maternity Payment, or the 'baby bonus', in recognition that all women suffer a drop in income in pregnancy, birth and recovery. The early signs are that this payment has contributed to the first rise in fertility in several decades, as discussed further in chapter four.

102 Access Economics, Appendix D.