

## APPENDIX 5

### COMMONWEALTH FINANCIAL ASSISTANCE AVAILABLE TO FAMILIES WITH DEPENDENT CHILDREN

The Commonwealth Government provides direct financial assistance to families with dependent children through the following benefits, allowances and pensions; the Family Allowance, the Supporting Parent's Benefit, the Family Income Supplement, the Handicapped Child's Allowance, and the Mobility Allowance. Details of these forms of assistance are provided below.

#### Family Allowance

Family Allowances are payable to all people who have the custody, care and control of one or more children under 16 years of age, or one or more full-time students aged 16 to 24 years who are wholly or substantially dependent on them.<sup>1</sup> They are paid on a universal basis in recognition of the greater need for income or lower capacity to pay tax of all families with dependent children vis-a-vis those without children. A secondary objective is to reduce financial hardship particularly among large families. Unlike pensions and benefits which are designed to provide minimum income support, this program's primary objective is to promote horizontal equity between those with children and those without.

The present system of Family Allowances commenced operation in June 1976.<sup>2</sup> It superseded the earlier system of Child Endowment which was introduced by the Commonwealth Government in 1941. This system was a national scheme that replaced a similar scheme that had operated in New South Wales since 1927.<sup>3</sup> When introduced, child endowment was paid at the standard rate of five shillings a week for each child in respect of all children under 16 years of age other than the first. The Allowance was also paid for children being cared for in approved non-government institutions; however, it was not paid for those maintained in government institutions.

Today, the rate of the Allowance varies according to the number of children in a family. As at May 1985 monthly rates were as follows: \$22.80 for the first child, \$32.55 for the second child, \$39.00 for the third and fourth child and \$45.55 for each additional child. There are no specific provisions for the automatic adjustment of the rate of the Allowance. The Allowance is paid free of any income test and is not subject to personal income taxation. It is normally paid directly to the mother. At 30 June 1984 there were 2 179 152 families receiving the Family Allowance for 4 315 320 children and students.<sup>4</sup> For a description of the Allowance's applicability to those other than a child's natural parents, see Appendix 6.

#### Supporting Parent's Benefit

The Supporting Parent's Benefit is available to all sole parents who have the custody, care and control of a child aged under 16 years or a dependent full-time student aged 16 to 24 years inclusive, providing they do not receive any other pension or benefit. A qualifying child may be: a natural child of the claimant; or, in respect of a person who is separated from his/her spouse, may also include a child who, on the date on which the separation took place, was: an adopted child of the claimant; or a child in the claimant's custody, care and control. A person eligible for the Supporting Parent's Benefit includes: a widower, or a man whose de facto wife has died; a male divorcee; a separated husband or wife, or a separated de facto husband or wife; an unmarried parent; and a parent whose spouse or de facto spouse has been convicted of an offence, and has been imprisoned for 14 days or longer. The Benefit is payable at the same rate as a Class A Widow's Pension and is subject to the same income test, income taxation provisions and other conditions.<sup>5</sup> The benefit is adjusted twice yearly in accordance with increases in the Consumer Price Index. Beneficiaries are also eligible for Supplementary Assistance, Additional Payment for Children and Mother's/Guardian's Allowance and Commonwealth pensioner concessions or fringe benefits.

The Supporting Parent's Benefit is intended to provide minimum income support to single people who have the custody, care and control of a child or dependent full-time student, who have limited income, and who do not receive any other pension or benefit. A secondary objective of the program is to provide encouragement for self-help through, for example, part-time work. When the Benefit

was first introduced in July 1973 it was known as the Supporting Mother's Benefit and was only payable to unmarried mothers, deserted de facto wives, women whose de facto husbands were in prison and other separated wives not eligible for the Widow's Pension.<sup>6</sup> Previously, such persons received assistance to varying degrees mainly from State Governments. Under the *States Grants (Deserted Wives) Act* 1968, however, State Governments were generally reimbursed half of their expenditure on assistance to such mothers by the Commonwealth. Initially, the Benefit was not payable until six months after the date of the event which gave rise to eligibility. In the meantime, assistance was provided by the States with the Commonwealth generally meeting half the cost under the *States Grants (Deserted Wives) Act*.<sup>7</sup>

In 1977 the Supporting Mother's Benefit was replaced by the Supporting Parent's Benefit.<sup>8</sup> The new benefit extended to males with the sole custody, care and control of one or more children.<sup>9</sup> In 1980 the six month waiting period was removed and the Commonwealth took over full responsibility for sole parents from the first day of sole parenthood. At 30 June 1984 there were 153 589 supporting parent beneficiaries (comprising 144 680 women and 8909 men), an increase of 13 361 or 9.5 per cent over the twelve months previously. This increase is less in both absolute and proportionate terms than that recorded during 1982-83. There were 77 193 new grants of Supporting Parent's Benefit to women and 5879 new grants to men during 1983-84, as compared to 73 138 and 5401 respectively during 1982-83.<sup>10</sup>

### **Family Income Supplement**

In May 1983, a Family Income Supplement in the form of a tax free allowance was introduced to assist low-income families who are not in receipt of a social security pension or benefit or similar assistance. The Scheme provides assistance of up to \$14 a week for each child and is payable to the main breadwinner in the family if the income of the applicant (and his/her spouse) does not exceed a prescribed limit (currently \$223 per week). The total maximum rate is reduced by one half of the amount by which income exceeds this limit. The point at which entitlement to the supplement ceases altogether is also the point at which entitlement to a Health Care Card on the basis of low income ceases for a married couple with children.

Eligibility for the supplement is established on the basis of the parental income over the four-weekly period ending on the date of the claim and is reviewed every six months. Entitlement is affected within the six-month period in respect of increased income only if the parental income during the period reaches 125 per cent of the prescribed limit of the family's income as previously assessed, whichever is the higher. A person may, however, apply for an increase in the rate of the Supplement if the family's income falls at any time during the six-month period. The main breadwinner in the family may qualify, subject to residence requirements, for the allowance provided that: the person or his/her spouse has a child qualified to receive Family Allowance; the person or his/her spouse is not in receipt of other forms of income support that provide for additional payments in respect of children; and the child does not receive or attract payment of a Commonwealth income-tested pension, benefit or allowance. At 30 June 1984, there were 26 531 families receiving payments of Family Income Supplement in respect of 74 036 children. Outlays totalled \$36.1 million in 1983-84.<sup>11</sup>

### **Handicapped Child's Allowance**

The Handicapped Child's Allowance is payable to a parent or guardian of a handicapped child or of a substantially handicapped child, living at home and requiring constant or, in the case of a severely handicapped child, almost constant, care and attention. The child must be less than 16 years of age or between 16 and 24 years if a full-time dependent student, not in receipt of an Invalid Pension. There is no income test for the allowance paid in respect of severely handicapped children although in the case of substantially handicapped children the rate payable is at the discretion of the Director-General and an income test is applied. A claimant for Handicapped Child's Allowance is usually in receipt of a Family Allowance for the relevant child. The Handicapped Child's Allowance is paid monthly in conjunction with the Family Allowance at the rate of \$85 for severely handicapped children and up to that amount for substantially handicapped children.<sup>12</sup> Although there are no specific provisions for adjusting the maximum rate of Handicapped Child's Allowance, it is reviewed annually in the Budget context. The Allowance is not taxable.

The Handicapped Child's Allowance was introduced to provide special cash payments to families for the purpose of assisting them with the cost of caring for a severely handicapped child at home and thus, where possible, avoid the necessity of placing the child in an institution. Eligibility for the Allowance has been extended several times since then. In 1977 it was made available to the parents or guardians of 'substantially' as well as 'severely' handicapped children subject to a financial test of need. In November 1978 eligibility was extended to full-time students aged 16 to 24 years provided the student was not an invalid pensioner. At June 1984 there were 27 192 recipients of the Allowance in respect of 28 502 handicapped children at a cost of \$27.7 million.

### **Mobility Allowance**

In April 1983 a Mobility Allowance of \$10 a week was introduced for disabled persons aged 16 and over who are in gainful employment or undertaking vocational training and who, because of this disability, are unable to use public transport. The allowance is paid free of any income test and is not subject to income tax. At 30 June 1984, there were 9480 people in receipt of Mobility Allowance. Outlays on Mobility Allowance totalled \$4.5 million.<sup>13</sup>

### **Additional payments for beneficiaries with children**

Recipients of other pensions, allowances and benefits may also receive additional payments for their dependent children. For example, beneficiaries of the Age Pension, the Invalid Pension, Wife's Pension, Widow's Pension, Sheltered Employment Allowance, Rehabilitation Allowance, and Supporting Parent's Benefit are eligible to receive up to an additional \$14 a week in respect of each child under 16 years of age and each dependent full-time student aged 16 to 24 years inclusive. In the case of a couple who both receive pensions, the additional payment is made to only one of the couple. Except for the first child of a blind, aged or invalid pensioner or recipient of sheltered employment or rehabilitation allowance, the payment is subject to the pension income test: it is not subject to income tax. At 30 June 1984 there were 279 827 pensioners receiving additional pensions for 494 507 dependent children. Outlays on additional pensions for children were estimated to have totalled \$289 million during 1983-84.<sup>14</sup>

These beneficiaries are also entitled to a Mother's/Guardian's Allowance if they are single and have dependent children. This Allowance is paid at the rate of up to \$10 a week and is subject to the pension income test but not to income tax. At 30 June 1984 there were 241 563 pensioners receiving the Mother's/Guardian's Allowance. Outlays on these Allowances were estimated to have totalled \$87 million during 1983-84.<sup>15</sup>

People receiving Unemployment, Sickness or Special Benefit are also entitled to an additional benefit of up to \$14 a week for each child under 16 years of age and for each full-time dependent student aged 16 to 24 years inclusive. This additional payment, however, is subject to the benefit income test but, since 1 March 1984, has been tax free. At 30 June 1984 an estimated 125 800 beneficiaries were receiving additional benefits for some 274 900 children. Outlays on these additional benefits for children were estimated to have totalled \$172 million during 1983-84.<sup>16</sup>

### **Housing assistance available for families**

The Commonwealth Government finances a wide range of programs to assist in meeting the housing needs of families. The bulk of these funds is allocated to the provision of financial assistance for welfare housing purposes where emphasis is placed on providing housing and rental assistance for disadvantaged families especially families with dependent children. Programs of this nature include those administered through the present Commonwealth/State Housing Agreement which provides funds to each State and the Northern Territory under the *Housing Assistance Act* 1981 to assist low to moderate income earners obtain housing at an affordable price.<sup>17</sup> Direct Commonwealth funding under this Program totalled \$500 million in 1983-84.<sup>18</sup> Commonwealth grants are also payable under the First Home Owners Scheme which was introduced in October 1983. This Scheme replaced the Home Deposit Assistance Scheme. The Scheme provides non-repayable tax-free grants of up to \$6000 to eligible first home buyers, and is designed especially to provide assistance to low to moderate income earners. The amount of benefit is determined by the applicant's income and the number of dependent children. Expenditure on the Program in 1983-84 totalled \$141 million and

55 000 applications were approved.<sup>19</sup> Other similar programs include the Crisis Accommodation Program, the Mortgage and Rent Relief Scheme, and the Supported Accommodation Assistance Program.

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ENDNOTES

1. The Family Allowance is not paid in respect of students who are in receipt of an Invalid Pension or Supporting Parent's Benefit. Students who are being assisted under certain prescribed educational schemes, the principal one being the Tertiary Education Assistance Scheme, also do not attract the Family Allowance. From November 1985, Family Allowances will not be paid for dependent students aged 18 years and over except in cases of specific need.
2. The term 'child endowment' was not formally replaced in the main Act by 'family allowance' until 1982 through the *Social Services Legislation Amendment Act 1982*.
3. Another similar scheme had operated prior to 1941 for Commonwealth public servants.
4. Department of Social Security, *Annual Report 1983-84*, AGPS, Canberra, 1984, p. 50.
5. As at May 1985, the maximum rate of Class A Widow's Pension was \$94.30 per week. This pension is subject to the same income test as the Age Pension for single pensioners aged under 70 years.
6. *Social Services Act* (No. 3) 1973.
7. Only South Australia and Western Australia provided any assistance to sole fathers: they were, however, eligible to claim Special Benefit.
8. *Social Services Amendment Act 1977*.
9. From November 1982, a person in receipt of a Supporting Parent's Benefit has not been taken into account as a dependent in determining the entitlement or additional entitlement of another person for pension, benefit or family allowance. This change aimed to eliminate unintended dual payments according to the principle that if a person receives full income maintenance in his or her own right, that person cannot properly be regarded as the dependent of another person for the purpose of determining that other person's eligibility for a pension, benefit or allowance.
10. Department of Social Security, *op. cit.*, p. 41.
11. *ibid.*, pp. 53-4.
12. *ibid.*, pp. 50-2.
13. *ibid.*, p. 54.
14. *ibid.*, p. 42.
15. *ibid.*, p. 43.
16. *ibid.*, p. 49.
17. The first Commonwealth/State Housing Agreement was arrived at in 1945 and was initiated largely as the result of a report from the Commonwealth Housing Commission in 1944. At the conclusion of each Agreement there has been a review and evaluation of the assistance provided. The assistance has also been evaluated in the context of other reviews of Commonwealth housing policy (e.g. the Priorities Review Staff report on housing in 1975). The present Agreement commenced on 1 July 1984.
18. *ibid.*, p. 12.
19. *ibid.*, p. 12. From 17 April 1985 the maximum grant payable under the Scheme was reduced from \$7000 to \$6000.