

Dissenting Report by the Australian Greens

1.1 The Australian Greens oppose the measures contained in Social Services Legislation Amendment (Maintaining Income Thresholds) Bill 2018 (Bill).

1.2 The Bill gives effect to measures announced in the 2017–18 MYEFO. Specifically, the Bill:

- extends the indexation pause of the
 - Family Tax Benefit (FTB) Part A higher income free area at \$94 316
 - FTB Part B primary earner income limit at \$100 000
 - Parental Leave Pay and Dad and Partner Pay income limits at \$150 000 for an additional year, specifically 2020–21, and
- pauses the indexation of the FTB Part A and FTB Part B end-of-year supplements for 2018–19, 2019–20 and 2020–2021.

1.3 These measures will provide the Government with savings of \$321.9 million over four years. The vast majority of the savings (\$312.6 million) are achieved through the FTB measures.¹

1.4 There were five submissions to the inquiry. Only one of these submissions – from the relevant Government Department – supported the Bill.

1.5 The National Council for Single Mothers and their Children Inc. (NCSMC) says in its submission:

Family tax benefits are crucial support and not a savings measure.²

1.6 The National Social Security Rights Network (NSSRN) says in its submission:

Freezing indexation for these family assistance payments means that some families who gradually earn more income (in line in CPI increases) will move above the higher income thresholds and lose their entitlement, or move into a higher income bracket and receive a reduced rate of payment. Although these families may earn more income, the value of their income will not necessarily increase in real terms.³

1.7 They go on to say that:

The effect of this Bill is that many families will end up with less due to loss of or reduced entitlement to these family payments. These families will be

1 Senate Community Affairs Legislation Committee, Answers to Questions on Notice, Social Services Portfolio, Additional Estimates 2017-18, *Question SQ18-000035*.

2 National Council for Single Mothers and their Children Inc., *Submission 2*, p. 1.

3 National Social Security Rights Network, *Submission 1*, p. 1.

required to meet higher living costs on reduced finances, leading to increased financial pressures.⁴

1.8 The NCSMC says:

Australia has the most tightly targeted family support systems in the OECD and therefore any cuts directly impact upon struggling families.⁵

1.9 The Australian Greens do not want to see families facing additional financial challenges and want to see the Government's efforts focused on measures that will effectively reduce financial disadvantage and poverty.

1.10 The NCSMC is concerned that:

...cuts will be sharply felt in remote, rural and regional areas. Areas where employment options are limited, and the cost of essential services are high. We are fearful that it will compound disadvantage.⁶

1.11 The Australian Greens are of the view that the proposed changes are more egregious when considered in the context of the ever-increasing targeting of our social safety net. The Government needs to stop going after those accessing our social safety net and provide them with adequate support. It especially needs to halt its continued attempts at eroding access to family assistance payments, particularly when the research shows they "are an effective method of reducing child poverty."⁷

1.12 As the NCSMC says:

Overall, due to lower government benefits and lower payment indexation many single parent families are considerably worse off as a direct result of policy change enacted by various governments since 2005.⁸

1.13 The NSSRN says:

...these measures will gradually result in the elimination of these payments from our social security and welfare system, including for those on lower incomes and most in need. We have an international and social responsibility to ensure that all families and children have access to adequate financial support.⁹

1.14 In the Statement of Compatibility with Human Rights within the Explanatory Memorandum for the Bill, it says:

Maintaining the higher income limits and supplement rates at their current levels until 30 June 2021 will ensure that Government assistance is targeted

4 National Social Security Rights Network, *Submission 1*, p. 1.

5 National Council for Single Mothers and their Children Inc., *Submission 2*, p. 1.

6 National Council for Single Mothers and their Children Inc., *Submission 2*, p. 2.

7 National Social Security Rights Network, *Submission 1*, p. 2.

8 National Council for Single Mothers and their Children Inc., *Submission 2*, p. 1.

9 National Social Security Rights Network, *Submission 1*, p. 3.

to low and middle-income families. This measure will result in savings and ensure that family and parental payments are sustainable into the future.¹⁰

1.15 However, there is no measure in the Bill that will see the purported savings flow to these low and middle-income families; they will receive no extra benefit.

1.16 The NSSRN says:

The argument that indexation freezes will ensure sustainability of family assistance payments into the future is not credible given that government policy over the last decade has seen annual cuts to social security payments for families.¹¹

1.17 A good example of this is the pausing of indexation for the FTB Part A higher income free area and FTB Part B primary earner income limit. The indexation of these higher income limits is already paused until 30 June 2020 due to previous legislation of this Government, specifically the Budget Savings (Omnibus) Act 2016. In the Statement of Compatibility with Human Rights in the Revised Explanatory Memorandum for Chapter 17 of the Budget Savings (Omnibus) Bill 2016, it says:

This reform will help ensure the sustainability of the family payments system.¹²

1.18 Yet, here we are again.

1.19 It is worth noting here that the FTB Part A higher income free area has not been indexed since 1 July 2008 and the FTB Part B primary earner income limit, which was introduced from July 2008, has yet to be indexed. It has, however, been reduced from \$150 000 to \$100 000 and has remained at \$100 000 since 1 July 2015.

Freezing of higher income limits

1.20 The Australian Council of Social Service (ACOSS) says in its submission:

Freezing the indexation of the upper-income thresholds for FTB, Paid Parental Leave (PPL) and Dad and Partner Pay (DaPP) is lazy policy. It weakens the original intent of FTB, which was to ensure that the additional cost of children was recognised in our tax and transfer system. This policy also runs counter to other measures taken by government, including tax cuts; families in these income brackets would likely lose any benefit from tax cuts they may receive via loss of FTB.¹³

1.21 Further, they say:

...the value of the thresholds has diminished over time, which has the effect of further targeting payments. These payments are already means-tested to ensure they are appropriately targeted. Freezing upper thresholds, however,

10 Statement of Compatibility with Human Rights, *Explanatory Memorandum*, p. 1.

11 National Social Security Rights Network, *Submission 1*, p. 2.

12 Statement of Compatibility with Human Rights, *Revised Explanatory Memorandum—Budget Savings (Omnibus) Bill 2016*, p. 199.

13 Australian Council of Social Service, *Submission 4*, p. 1.

effectively tightens this means test in a manner that lacks transparency and appropriate public debate.¹⁴

Freezing of FTB end-of-year supplements

1.22 In its submission, ACOSS calls for the FTB supplements to be indexed and says:

These supplements were not indexed in line with inflation for six years between 2010 and 2016, and substantially lost their value as a result. The FTB Part A supplement has dropped in value by an estimates \$85 over that time, while Part B has been eroded by an estimated \$40. For parents on very low incomes, especially single parents, this is a large chunk of money taken out of their already stretched budgets, particularly when things like car registration or electricity bills need to be paid.¹⁵

1.23 While these supplements were indexed on 1 July 2017 and 1 July 2018 (due to the Bill not receiving Royal Assent prior to this date) the point made above regarding the reduction in each supplement's value still remains. Indexing the supplements twice does not make up for the six years they were frozen.

1.24 ACOSS goes on to say:

Such payments go to people on the lowest incomes and should always be indexed to ensure they maintain pace with living costs. In addition, family payments should be benchmarked to wage growth to ensure they maintain pace with community living standards. Child poverty has increased in recent years, and unless payments going to parents and children on the lowest incomes are increased and indexed, we will see this trend continue.¹⁶

Recommendation 1

The Australian Greens recommend that the Bill be opposed.

Senator Rachel Siewert

14 Australian Council of Social Service, *Submission 4*, pp. 1–2.

15 Australian Council of Social Service, *Submission 4*, p. 1.

16 Australian Council of Social Service, *Submission 4*, p. 1.