

Submission to the Senate Inquiry into the Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill (No 2) 2015

The Centre for Excellence in Child and Family Welfare (the Centre) is the peak body for child and family welfare in Victoria. We provide independent analysis, dialogue and cross-sectoral engagement to address factors that perpetuate disadvantage and vulnerability. The Centre and its more than 100 members represent a range of early childhood, child, youth and family support services, and out-of-home care services, including kinship, foster and residential care. Our member organisations see firsthand the impact of government policies on low income families struggling to meet the economic, social and wellbeing needs of their children.

The Centre welcomes the Senate Committee's invitation to provide a submission to the Inquiry regarding the Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill (No 2) 2015 (the Bill). As indicated in our submission to the earlier Senate inquiry into the Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2015, we do not support the proposed changes to family payments. We believe the changes will have significant adverse consequences for low income families, particularly sole parents. Our position on these issues is reiterated below.

The Commonwealth Government expects to save nearly \$5 billion from the cuts to family payments but the Centre questions whether low income families will be better off as a result of these savings. It also questions the principle of using family payments—which were intended to give parents an adequate income to care for their children—as a source of revenue to fund other initiatives. The families most affected by the amendments are those who can least afford a reduced income.

The Australian Council of Social Services (ACOSS) reports that around 603,000 Australian children live in poverty. It also reports that 61 per cent of people living below the poverty line rely on social security as their main income. While the Explanatory Memorandum to the Bill outlines the financial impact over the forward estimates, the Centre has found no equivalent estimate of the financial impact on different types of disadvantaged families. For example, what will be the financial impact on families living on less than \$50 000 a year? Will the proposed changes increase the number of children living below the poverty line?

Many organisations, including ACOSS, Uniting Care Australia, National Council of Single Mothers and their Children, Australian Youth Affairs Coalition, National Foundation for Australian Women, Australian Catholic Council for Employment Relations, National Welfare Rights Network and Down

Syndrome Australia—organisations that advocate on behalf of marginalised or disadvantaged Australians—have raised their concerns about the proposed reforms. The Centre shares their concerns. In particular, the Centre is concerned about the lack of evidence to demonstrate how the proposed changes will improve the circumstances of families experiencing hardship. The Explanatory Memorandum states that the amendments *are reasonable and proportionate*. Without economic modelling to estimate the impact on low income families, or details about how these families will be protected from poverty under the legislation, it is not clear how the amendments are either ‘reasonable’ or ‘proportionate’.

Carer families as a group are particularly vulnerable to family payment changes. State-based care allowances are minimal. At a time when foster carer rates are declining, particularly in Victoria, and the numbers of children in need of care are increasing, it is important not to reduce family payments for carers which could act as an additional disincentive.

The Centre also raises the following concerns regarding outcomes for families:

- Under the proposed changes to Family Tax Benefits – Part B, families whose children turn 13 will have their payments reduced. Yet the costs of caring for children rise as children grow older. Reducing the income available for families who are already struggling financially at a time when expenses are increasing will exacerbate the challenges for these families and is likely to increase child poverty. Estimates show that sole parents with one child will lose around \$2500 a year; those with two children will lose around \$3,000 per year; and low-income couples will lose between \$3,500 and \$4,000 per year.¹ This is a significant amount for families who rely on the family payment to enable them to get by each week.
- The Government has indicated that money saved from reducing family payments will be used to support its proposed childcare scheme; however given that families hit hardest will be those with teenagers, they are unlikely to benefit from a childcare package. It seems that one cohort of parents—those in need of childcare support—will benefit at the expense of another cohort—single parents and/or families with older children who may not be in a position to participate in paid work. There is also discrimination in the way the Bill provides payments to sole parents and grandparents.
- The amendments to the Bill are intended to encourage parents of older children to participate in the workforce when care requirements are reduced. As intended by the

¹ See <https://theconversation.com/family-tax-benefit-savings-trimmed-but-families-with-teenagers-hit-hardest-49496>

government, the amendments will place pressure on sole parents/grandparents and single-income families to enter the paid workforce or increase the number of hours worked to make up for the loss of income. However the amendments do not recognise circumstances that prevent people from moving into the workforce or that people who may already be working earn such low incomes that the family payments are needed to survive day-to-day.

- This amendment will also pressure single grandparent carers to enter the workforce, but as one 78 year old grandmother carer has stated, *how could anyone possibly think an employer would take me on?*² Many of these lower income families will need additional support, such as training and access to before or after school care, to gain the kind of employment that will enable them to adequately meet the needs of their children. The short phase-out time—by July 2018—is also a concern, leaving little time to adjust to the new economic circumstances.
- These amendments cannot be considered in isolation from other changes that have affected low income families, including moving from the Parenting Payment to the lower paying Newstart and loss of the Schoolkids Bonus, which will be phased out by the end of 2016. The Senate Committee needs to take into account the cumulative harm caused by successive budgetary measures when considering the impact of the proposed changes to family payments on low income families.

In conclusion we ask the Government to undertake, and release publicly, economic modelling to show which types of families will be better off and which will be worse off under the proposed changes. For those who will be worse off we ask the Government to show how it will offset the disadvantages to the worst affected families. We do not believe the case for the proposed changes to family payments has been adequately made and are concerned about the impact of reduced income support on those who are already living on or below the poverty line.

If you would like to discuss any of these issues further, please contact Deb Tsorbaris, Chief Executive Officer, on (03) 9094 3515 or at deb.tsorbaris@cfecfw.asn.au

² Quoted in a statement by the Hon Jenny Macklin MP in parliament on November 11, 2015, from correspondence she had received regarding the family payment changes. Accessed at: <http://www.theguardian.com/australia-news/live/2015/nov/11/republican-malcolm-turnbull-to-meet-prince-charles-on-dismissal-anniversary-politics-live>