22 September 2016

Committee Secretary
Senate Education and Employment Committees
PO Box 6100
Parliament House
Canberra ACT 2600
By email: eec.sen@aph.gov.au

Dear Committee Secretary

Inquiry into the Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2016 and the Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2016

Thank you for the opportunity to make a submission to this inquiry.

The National Welfare Rights Network (NWRN) is the peak community organisation in the area of social security and family assistance law, policy and administration. Our members and associate members are community legal centres and legal services across the country which provide free and independent legal assistance directly to current and former social security and family assistance recipients. The NWRN draws on the experience and expertise of its members in developing its submissions and policy positions.

Part 1 – the Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2016

The Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2016 (Child Care Package Bill) contains the main legislative changes to support the Government’s Jobs for Families child care reform package.

The Child Care Package Bill:

- replaces Child Care Benefit (CCB) and Child Care Rebate (CCR) with a new child care fee assistance payment, the Child Care Subsidy (CCS), and
- replaces a number of payments which provide additional support to help poor or vulnerable families access child care, such as Special Child Care Benefit (SCCB), with a new supplementary payment, the Additional Child Care Subsidy (ACCS).

In this submission we address two key concerns we have with these reforms and their impact on poor or vulnerable families.
Our recommendations are:

- Families have access to a minimum of 24 hours per week of subsidised care without activity requirements
- Additional Child Care Subsidy for children at risk of abuse or neglect be available for an initial period of 13 weeks, and
- Proposed section 85CE be amended so as to remove the provision deeming refusal of an application for Additional Child Care Subsidy if it is not determined within 28 days.

1 The proposed activity test

Generally, access to a subsidy via the CCS is to be determined by an activity test. There are three applicable thresholds:

- Participation in 8 to 16 hours of approved activities per fortnight allows families to access up to 36 hours of CCS
- Participation in 17 to 48 hours of approved activities per fortnight allows families to access up to 72 hours of CCS, and
- Participation in 49 or more hours of approved activities per fortnight allows families to access up to 100 hours of CCS.\(^1\)

Approved activities include work, training or study.

Families who do not meet the activity test minimum of 8 hours per fortnight can access up to 24 hours of CCS per fortnight under the separate Child Care Safety Net program (which also includes the new ACCS payment), if their income is under $65,000.

In comparison, CCB is currently available for up to 50 hours care per week for each child. Families can access up to 24 hours of CCB per week for each child attending an approved care service without having to meet an activity test. To access more than 24 hours per week, each parent must meet the work, study or training test for at least 15 hours per week (or be exempt). Activities which count towards the test include work, study, training or volunteering.\(^2\)

In effect, the proposed activity test for CCS halves the amount of subsidised care for low income families who do not participate in recognised activities compared to the current rules – from 24 hours per week to 24 hours per fortnight. There are differing estimates of how many families will be worse off as a result of this change, with independent modelling arriving at a much higher number of families made worse off by the new activity test.\(^3\)

The NWRN echoes the concerns of a wide range of stakeholders and experts who made submissions in relation to the original bill about the new activity test and its potential to reduce access to child care

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1 For couples this is based on the participation of the person with the lower number of hours.
2 There are different rules for CCB for registered care. For registered care, parents must meet the work, training or study test during each week but there is no minimum activity requirement.
for children from poor or vulnerable families. We support the recommendation of a range of stakeholders that the activity test for CCS be amended so as to allow for up to 24 hours of subsidised care per week without activity requirements. There is a sound evidence base to support the developmental benefits of early childhood education, especially for children from disadvantaged backgrounds, and the concern to ensure widespread access to these benefits should take precedence over the Government’s attempt to use child care subsidies as a policy tool to promote workforce participation. This is especially so where modelling suggests the workforce participation impact will be relatively minor in any case.

2 New administrative arrangements for children at risk
Currently, SCCB provides additional help with the cost of child care for families in two situations:

- Where a child is at risk of abuse or neglect, and
- Where the family is in temporary financial hardship.

Although SCCB is not a set amount, it usually covers the whole cost of the child care (or additional hours of child care).

In situations where a child care service believes a child is at risk of abuse or neglect, it may approve SCCB if the parent is ineligible. This can be for an initial period of up to 13 weeks in a financial year. Approval from the Department of Education and Training is required for additional periods. There is an additional limit to approval of SCCB, which is a cap on the proportion that SCCB payments may make up out of total CCB and SCCB amounts a child care service receives.

For the new ACCS payment, the rules around services approving it for at risk children are more restrictive. These restrictions include:

- services can now approve the payment for an initial period of 6 weeks only in any 12 month period, rather than 13 weeks\(^4\)
- the limit on SCCB amounts as a proportion of total subsidies received by the service has been replaced with a limit expressed as a proportion of the children in care on any particular day, and
- where a service applies for a further period of ACCS, the application must be determined within 28 days but if this does not occur within the timeframe, the application is deemed to have been refused and notice of the deemed refusal decision need not be given.\(^5\)

These more restrictive rules are apparently motivated by concerns around compliance and integrity in the SCCB program.

Stakeholders have expressed concern about this more restrictive approach to cases involving at risk children, including the impact it may have on whether at risk children access child care. Facilitating access to care for at risk children should be the primary aim of the rules around this payment.

Our experience with the SCCB program leads us to support these concerns about the new rules for ACCS for at risk children.

\(^4\) Proposed section 85CB.
\(^5\) Proposed section 85CE(4).
In our experience, even with the help of our members, it can take many weeks to collect evidence to substantiate the risk to children in certain cases. This often reflects the vulnerability of the families involved, for instance, the fear that a parent caught in a violent and abusive relationship may have in reporting abuse and accessing services.

It is also our experience that where there is difficulty in substantiating risk, this can place the service in a difficult position when deciding to continue care when there is uncertainty about whether a subsidy will be approved. This can create pressure to interrupt or cease providing care to a child at risk and it may not be possible to re-establish a relationship with the family after that.

In light of these concerns we support Goodstart Early Learning’s recommendation that the ability to approve an initial period of care of up to 13 weeks be retained as this allows more time to assess a child’s circumstances and consider the need for further periods of subsidy.6

We also agree with their recommendation that the deemed refusal provision be removed.7 The effect of this provision would be to terminate a subsidy in circumstances where an application for ACCS has not been approved within 28 days. This may interrupt or lead to the withdrawal of a child from care. The consequences of delay in processing an ACCS (at risk) should not fall on the child in these cases.

Part 2 – the Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2016

The Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2016 (Family Payments Structural Reform Bill) reintroduces measures previously contained in the Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) (No 2) Bill 2015. They were in turn originally included in the Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2015, but were removed to ensure passage of a single measure discontinuing Family Tax Benefit for couples when their youngest child turns 13 (except for grandparent and great-grandparent couples).

The measures are:

- An increase of $10.08 in the fortnightly per child rate of Family Tax Benefit (FTB) Part A, with an equivalent increase in the rates of Youth Allowance and Disability Support Pension for young people under 18, at home (from 1 July 2018)

- An increase in the standard rate of FTB Part B of $1000.10 for families with a youngest child aged under 1 (from 1 July 2017)

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Reduce the standard rate of FTB Part B for single parents with children aged 13 to 16 to $1000.10 and cease eligibility at the start of the calendar year their youngest child turns 17 (excepting single parents aged 60 and over, grandparents and great-grandparent carers) (from 1 July 2017), and

Discontinue the FTB Part A and Part B supplements by 1 July 2018.

The NWRN continues to oppose these measures. Even with the modest increase for FTB Part A, they represent a significant cut in the disposable incomes of low income households, especially for single parents with children aged 13 and over.

This comes on top of a series of cuts already affecting the incomes of families, especially the poorest families reliant on income support payments, including:

- Abolition of the Income Support Bonus
- Abolition of the Schoolkids Bonus
- Discontinuation of energy supplement for new recipients of Family Tax Benefit, a cut of between $91.25 and $116.80 per year, and the introduction of an $80,000 income limit for the FTB Part A supplement
- Freezing of the FTB Part A base rate income threshold for a further 3 years\(^8\) (it has now been frozen since 1 July 2009), and
- Removal of FTB Part B for couples with a youngest child aged 13 and over.

The cumulative impact will be particularly great for single parents on Newstart Allowance with children aged 13 and over, including those moved onto Newstart by the former Government in 2013.

In short, the Government continues to place the burden of Budget repair disproportionately on the poorest and vulnerable members of our community.

For more detailed consideration of the impact of these measures, we enclose the NWRN’s submission in relation to the Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) (No 2) Bill 2015. The measures in that bill were identical, apart from the commencement date of the changes to the rate structure of FTB Part B.

We recommend that this Bill not proceed.

\(^8\) Frozen since 1 July 2009.
Submission to Senate Community Affairs Legislation Committee

Social Services Legislation Amendment
(Family Payments Structural Reform) Bill (No 2) 2015
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About NWRN

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

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

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

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

Background to the Bill

Most of the measures in the Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) (No 2) Bill 2015 (the No 2 bill) were previously contained in the Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2015 (the former bill) which passed on 30 November 2015. It was amended in Parliament and, as passed, contained only one measure: cessation of Family Tax Benefit (FTB) for couple families when their youngest child turns 13 (except for grandparent and great-grandparent couples).

The No 2 Bill re-introduces three measures:

1. FTB Part A rate:

   From July 2018:
   - Increase of $10.08 per child in the fortnightly rates of FTB Part A;
   - Equivalent increases in the rates of youth allowance and disability support pension (DSP) for children under 18 and living at home of around $10.44 per fortnight.

2. FTB Part B rate:

   From 1 July 2016:
   - Increase the standard rate of FTB Part B by $1,000.10 per year for families with a youngest child aged under one;
   - Reduce the standard rate for people with a youngest child aged 13 to 16 to $1,000.10 (unless they are single parents aged 60 or more or grandparents or great-grandparents). The current rate is $2,737.50.

Note that the bill explicitly makes no change to the following standard rates:

   - for families with a youngest child aged 1 to 5;
   - for families with a youngest child aged 5 to 13; and
for single parents aged 60 or more, or grandparents and great-grandparents with a youngest child aged 13 to 18.

3. Phased abolition of FTB Supplements

The FTB Part A and Part B supplements will be phased out by reducing them annually from 1 July 2016 until they are abolished from 1 July 2018.

Savings from the measures

The projected savings from these measures is just over $4 billion. This is a major reduction in payments to low income families. The limited increase in rates for some small cohorts are heavily outweighed by the overall cuts proposed in these measures.

Further, they must be considered in the context of the measure that passed in the previous bill. The combined savings projected in the previous bill (prior to amendment), of $4.84 billion over the forward estimates was greater than those proposed in the 2014 Budget Measures bills that were defeated or are currently stalled in the Senate namely the Social Services and Other Legislation Amendment (2014 Budget Measures No. 1) Bill, the Social Services and Other Legislation Amendment (2014 Budget Measures No.2) Bill and the stalled Social Services and Other Legislation Amendment (2014 Budget Measures No. 4) Bill.

The family payments system needs real reform, not reductions in payment rates

It appears from the Minister’s second reading speech, that this bill replaces a range of changes which the government had failed to negotiate through the Senate (from the 2014 Budget), including a proposed freeze on family tax benefit payment rates. As the NWRN said at the time, those measures would have had a significant impact on the adequacy of family payments to low-income families.

This bill is an improvement on those measures, which would have disproportionately and unfairly impacted on low-income families and children. However, it still seeks to draw savings from the family payments system in a way that will have a major impact on the adequacy of payments to low-income families and their children, while failing to progress meaningful reform of the well recognised issues with the family payments system.

The Bill undermines the adequacy of payments to families and children for those who are unable to enter the workforce or will be unsuccessful in doing so.

There are recognised participation disincentives in the family payments system, such as the combined effect of having two separate family payments with different withdrawal rates, combined with tax rates and withdrawal of other income support payments, to reduce the returns from

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9 $4,063.9 million see Explanatory Memorandum p 2
10 Bills Digest No.50, 2015-2016 Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill 2015, 18 November 2015, pp.7-8
12 This point has also been made by Matthew Butt "New Family Payments Bill Same Old Story" 17 November 2015 accessed at: https://socialsecuritylawandpolicy.wordpress.com/2015/11/17/new-family-payments-bill-same-old-story/
employment especially for second-earners in couple families. Reform in this area was proposed by the Henry Tax Review, but governments continue to focus on rates of payment and restricting eligibility rather than genuine structural reform of the family payments system.

The NWRN supports genuine reform of the family payments system and measures to increase workforce participation rates. The Bill fails to address this issue other than by reducing payment rates and eligibility in a way that affects low-income families the most. The starting point must remain payment adequacy for families and children, as a matter of our community’s responsibility to ensure that all children get a basic acceptable standard of living, regardless of their parents’ circumstances. The Bill fails this moral and fairness test.

Combined impact of the measures
The combined impact of these measures will have a severe impact on low-income families, especially the most vulnerable who are reliant on government payments.

The impact of the measures in the No 2 bill need to be considered alongside the measures already passed in the previous bill.

While families with younger children lose less, they are worse off overall. This is because from 1 July 2018 although there will be an increase in the base rate of FTB Part A of about $260 per year per child, this is offset by the abolition of the FTB Part A supplement of about $726 per year per child (which results in an overall net loss of $466 per year per child). This net result will follow on from reductions in the FTB Part A supplement in the two prior years.

The impact on families with older children is very significant. A sole parent with one child aged 13 to 16 will lose roughly $2,500 per year once the combined effect of the reduction in family tax benefit part B and loss of the supplements take effect. A sole parent with two children loses roughly $3,000 per year. Low income couples will lose $3,500 - $4,000 per year.13 Additionally excluding FTB Part B payments for secondary school students aged 17 to 19 will have an impact on their future education participation.

Different treatment for grandparents
As some social commentators have pointed out, the retention of a reduced FTB Part B payment for grandparents is welcome, but introduces an arbitrary and unfair distinction into the family payments system.14

Support for grandparents caring for their grandchildren is welcome, including the continuation of a reduced FTB Part B payment for grandparents with dependent grandchildren 13 and over.

The rationale for this, according to the Minister’s second reading speech to the previous bill, is that grandparent carers are less likely to be working and more likely to be retired. In other words, the payment is provided because there is a reduced expectation that grandparent carers should look for work or participate in the workforce.

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13 See analysis of Professor Peter Whiteford “Family Tax Benefit savings trimmed but families with teenagers hit hardest” The Conversation 22 October 2015: https://theconversation.com/family-tax-benefit-savings-trimmed-but-families-with-teenagers-hit-hardest-49496
However, many families now face reduced payments despite the fact that they too are facing circumstances which should reduce the community’s expectation that they find work.

For example, many parents with children with high care needs due to disability or learning difficulties do not qualify for higher levels of support such as through payments for carers, which have strict eligibility conditions. However, they also face major difficulties transitioning to work, even as their children get older. Why are those parents treated less beneficially than grandparent carers? Similarly, parents with a disability or other significant medical problem also face barriers to transitioning to work, and yet will get less support once their youngest child turns 13. Others such as foster carers and kinship carers are not considered in terms of their capacity to participate in the workforce.

The introduction of arbitrary distinctions into the income support system is a fundamentally objectionable approach to family payments reform because it fails to treat people who are in the same circumstances alike.

**Reduction in support when it’s needed the most.**

The Henry Tax Review recognised that the rate of family payments failed to adequately reflect the direct costs of older children and recommended that assistance should be higher for older children. In the recent review of the welfare system commissioned by the Government, the report “A New System for Better Employment and Social Outcomes” provides guidance to government in relation to the cost of children.

*Research indicates that the costs of children increase as they get older. This reflects older children’s food consumption, clothing needs, the cost of other school related items and increasing social needs.*

*The costs of children increase markedly at the following points in the lifecycle: starting primary school, starting secondary school and entering the final two years of secondary school. The new Child and Youth Payment will better reflect this and be higher for older children than for younger children.*

*Payments for low income families with children and young people should support children to finish their education and transition to the workforce. There should also be recognition in the new system that children living across more than one household have higher combined costs.*  

These measures reduce payments to many families as their children get older, despite the costs of children increasing with age.

**Example**

As a caseworker from one of our Member Centres in Perth observed:

“…..Children turning 13 are usually just about to start high school.

- The school fees are much more expensive at a state high school. The fees can be up to six times the state primary school fees depending on the subjects the child enrols in. There are also frequently extra fees – to cover the cost of the materials used in various subjects.
- The books for high school are also much more expensive than for primary school as there are more subjects. Most high schools in Western Australia do not have the text books.

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available to borrow as do a lot of the primary schools. The constant changes to the school curriculum have meant that books are not able to be passed down or purchased second hand.

- Children will need to be able to easily access a computer/laptop and because of the lack of school facilities they may need to purchase one.
- There is also the need to purchase a scientific calculator for all mathematics units except for the remedial mathematics units.
- Frequently the uniforms are more expensive at high school and in Western Australia you are required to wear the official uniform at high school e.g. ordinary uniform, sports uniforms (there maybe a number of sports uniforms depending on what sport you play or if you play a different winter and summer sport).
- Extra-curricular school activities – most low income families struggle to pay for these activities but cutting FTB Part B will mean that children of low income families will not have the option to participate in things like the school orientation camp, entering any interschool /interstate competitions (even if the child excels in the subject/sport).

Low income families are going to find it particularly expensive with cancellation of FTB Part B and the cancellation of the School Kids Bonus in July 2016 when their youngest child commences high school in February 2017. Grandparent carers and sole parents are also going to find it difficult to manage to pay for their children to do Year 11 and 12 with the reduction in the age of eligibility for FTB Part B reduced to 16 year olds.

Abolishing the FTB Part A and Part B supplements will also cause financial problems.

This measure reduces the total level of payments to families overall, but especially for families with children aged 13 to 16, and fails to respond to the basic imperative of the family payment system to adequately provide for the direct costs of children as they grow older.

The measure to introduce a reduced rate of $1,000.10 per year for single parent families and couple grandparents with a youngest child aged 13 to 16 also effectively removes FTB Part B for people with children aged over 16 who meet the definition of “senior secondary school child”. Children turning 16 are usually starting Year 11 or Year 12 so that the cessation of FTB Part B at this age will impact on the sole parents and grandparent carers ability to cover their children’s educational costs. Education costs are greater for Vocational Education and Training (VET) courses or units which allow you to obtain Australian Tertiary Admission Rank (ATAR). This change seems to be at odds with the move toward smarter education and may decrease participation in higher education.

It is important to ensure that there is adequate support provided during high school to afford the best educational outcomes for young people and to encourage school retention rates.

Abolishing supplementary payments is not an acceptable goal in itself

The Minister refers to the McClure review and report, and the criticism that there are too many payment types and supplements.
The payments of the supplements to be abolished in this bill namely FTB A and FTB B supplements were initially introduced in 2004 and 2005 respectively mainly to address the large number of FTB debts which arose at reconciliation. 16 The supplement was intended to ameliorate some of the difficulty experienced by those in receipt of FTB who ended up with debts because of the difficulties associated with accurately providing annual estimates of taxable income.

The Department of Social Services has indicated that the need for the supplements to deal with FTB debts will cease with additional ATO systems to come in over the next two years which will reduce the need for FTB supplements to be used to repay FTB debts. According to Department of Social Services evidence provided to this Committee currently 80% of FTB recipients following reconciliation receive the full supplement, with 8% having an FTB debt and the remaining 12% have enough in the supplement to cover the full repayment of their FTB debt.17

The NWRN agrees with the objectives of simplification of the payments system. But again, the starting point must be to ensure the adequacy of payments so that Australia’s highly targeted system can still meet its objective of providing a safety net. This is particularly important to the family payments system which is concerned with the adequacy of support for children.

As the NWRN and other commentators have pointed out in the past18, simply abolishing the supplements, without a corresponding and equivalent increase in base rates of payment, is no more than a reduction in payments in a system where levels of support for many families are inadequate (especially following the transition of single parents with children from Parenting Payment Single to Newstart Allowance).

A simple system is not enough. It must also be adequate, and fair. In a contest between simplicity on the one hand, and adequacy and fairness on the other, simplicity should yield.

The NWRN supports the abolition of supplements only following careful review and appropriate increases to base rates of payment (as well as adequate mechanisms for ensuring payments remain adequate over time, such as appropriate indexation arrangements). It does not support abolition of supplements and “simplification” for its own sake.

**Conclusion**

NWRN recommends that the Bill be withdrawn.

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18 See for example:  