

SUBMISSION

Response to Social Services legislation Amendment (Family Payments Structural reform and Participation Measures) Bill (No.2) 2015

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The SDA has over 200,000 members. These members work in the retail, fast food, hairdressing, beauty, modelling, community, pharmacy and warehousing industries.

All of these workers are low income earners. Most live in low or middle income families

1. The SDA is totally opposed to any move to reduce payments to families.
2. Such moves are anti-family and will only serve to undermine Australian families.
3. It is our view government policy and action in all areas should be underpinned by a commitment to the following core principles:
 - recognition that the family is the fundamental group unit of society;
 - a standard of living consistent with human dignity is a fundamental right of all Australians;
 - support should be provided by government to families on an equitable basis with priority given to low income families.
 - poverty is abhorrent and completely unacceptable;
 - respect for the various choices families make in respect of work and caring for family members;
 - easy access for all families to the various types of support open to them;
 - given the scarcity of government resources, there is no argument for any family support payment to be made on a universal basis.
4. Most Australians live in families and most think those families are important. The centrality of the family is recognised in the Universal Declaration of Human Rights.
5. Government has a key role to support families. In framing policy, government must start from the position of seeking to protect and strengthen Australian families.
6. Strong families are important.
7. They fulfil a range of functions such as caring for and raising children; emotional security; refuge; nurturing and love; providing a place where people can find identity and value; socialisation skills; and care for the sick and elderly.
8. Families are the building blocks of strong communities. Human capital is firstly formed within and by the family. In the formation and development of children the family is central. The effective functioning of families is clearly and widely recognised as being critical to the well-being of society.
9. As such, there is an overwhelming need for government to put in place strategies to support families. Such strategies must be designed to build social capital by promoting

families and extending their capacity to function effectively. In doing so it should take a long term as well as a short term view. The over-riding aims of government action should be to build community support for families, including their capacity to interconnect and network; establish greater fairness for families by providing equitably based support, with a focus both on prevention and early intervention; and empower families so as to improve their effectiveness, resilience and capacity for self-development.

- 10.** To function effectively a family must be able to live decently with dignity.
- 11.** A wide range of factors influence whether a family is able to function effectively.
- 12.** The well-being of families is crucial to the well-being of the nation. As such, there is an overwhelming need for government to put in place strategies to support families.
- 13.** Such strategies must be designed to build social capital by promoting families and extending their capacity to function effectively.
- 14.** Today a considerable number of families are facing substantial economic difficulties, primarily due to inadequate income. A large number of Australian families are living below, or close to, the poverty line.
- 15.** Based on the OECD database, of the 34 developed countries considered by the OECD in 2010. Australia ranked 26th in terms of the poverty rate with 14.4 per cent of persons in poverty compared with an average of 11.3%.¹
- 16.** The 2011-12 ABS data suggests that around 2.6 million (11.8%) of Australians live under the poverty line.²
- 17.** According to NATSEM the general trend is that poverty rates have increased.³
- 18.** ACOSS has calculated that in 2010, after taking housing costs into account an estimated 2,265,000 or 12.8% of all people, including 575,000 children (17.3%) were living below a poverty line calculated at 50% of the nation's median income.⁴
- 19.** An OECD report released in March, 2014 estimated that 14% of Australians get by on less than half of the nations' median income, significantly above the OECD average of 11%.⁵
- 20.** A much larger proportion of families with children are living on incomes that are just above (less than 10% higher than) the relevant Henderson Poverty Line (HPL), suggesting that a more substantial proportion of families are at risk of poverty. Henderson regarded those with incomes of less than 20% above the HPL as 'poor.'
- 21.** A range of factors are key drivers in the achievement or otherwise of adequate family income.

¹ Poverty, Social Exclusion and Disadvantage in Australia, B. Phillips, NATSEM, 2013

² Op Cit

³ Op Cit

⁴ The Australian, 24 January, 2014

⁵ Sydney Morning Herald, 19, 3, 2014

- 22.** The type of family that individuals live in is a major factor. Persons living alone or single parents are more likely to be in poverty than other groups.
- 23.** The presence and number of children are major factors in the determining of adequate family income. Families with children are more likely to be living in poverty than those without children. The larger the family the more likely it is to be facing financial hardship.
- 24.** In terms of number of persons in poverty, the numbers remain large and concentrated in couples with children (831,318) and single parent families (295,964).⁶
- 25.** Two thirds of all children living in poverty come from families whose principal source of income is government payments.
- 26.** There are also clear linkages between the nature of employment and poverty. The contemporary period has been characterised by a decline in full-time employment and the rise of insecure, non-traditional and more precarious casual employment practices. Many prime income earners do not have full time jobs.
- 27.** The distribution of work is also a critical factor influencing the attainment of adequate income. In Australia the availability and distribution of work is becoming increasingly concentrated. On one hand we have what might be described as job rich households where more than one person in the household is employed and on the other hand we have job poor households where no-one is employed. Further, those in employment are also often required or expected to "do extra hours" which result in them having inadequate time to interact with their partner and children.
- 28.** Overall, poverty rates in capital cities tend to be lower than for regional and rural areas. However due to the concentration of population in the capital cities there are actually more people who are poor in the big cities.
- 29.** The opportunities and incomes facing Australians are influenced by the State, suburb or region in which they live There is an income gap between those living in the inner metropolitan areas and people living in the outer metropolitan areas. The most affluent postcodes are all inner metropolitan.
- 30.** Households of similar economic status tend to cluster. In turn, this has the capacity to create low income suburbs and neighbourhoods. In these areas, the social infrastructure provided by wealth is often missing. This leads to deprived neighbourhoods characterised by poverty, disadvantage and social exclusion.
- 31.** There is a clear relationship between level of educational attainment and income. Low educational attainment generally results in low income earning capacity.
- 32.** The percentage of disposable income expended upon necessities by the first quintile of households is significantly greater than that expended by higher quintile groups. In general the proportion of disposable income expended upon food and non-alcoholic drinks, housing, household services and domestic fuel and power declines as household income rises while the proportion spent on transport, recreation, clothing and footwear and alcohol increases. This is clearly due largely to the presence of more

⁶ Op Cit

discretionary income in higher income households. Low income families have little discretionary disposable income.

- 33.** Australia has a large wealth gap.
- 34.** The gap in living standards between the richest and the poorest grew by around 13% over the 10 years to 2015.⁷
- 35.** Wealth inequality impacts adversely upon families and children who are at the bottom of the income and wealth ladder.
- 36.** The Australian Bureau of Statistics in Australian Social Trends publication for 2007 reported upon the impact of financial stress upon families. The report shows that low income families experience very different living conditions compared to the rest of the community. It reported that:
 - 52.1% of low income people are unable to raise \$2000 for something important in a week compared to 8.6% of all others;
 - 37.8% of low income people cannot pay electricity, gas or telephone bills on time compared to 7.8% of others;
 - 13.5% of low income earners cannot pay for car registration or insurance on time compared to 4.6% of others;
 - 8.9% of low income people are unable to heat their home compared to 1.2% of all others;
 - 11.8% have gone without meals compared to 1.8% of others;
 - 11.7% of low income people have pawned something compared to 2.3% of all others;
 - 26.4% of low income people have sought financial help from friends or family compared to 7.8% of all others; and
 - 14.7% of low income people have sought assistance from welfare or community groups compared to 1.2% of all others.⁸
- 37.** NATSEM suggests that children born into socio-economically disadvantaged families:
 - often start with below average birth weight;
 - are likely to be less well nourished;
 - do less well in school;
 - are more prone to sickness - with inadequate emphasis on prevention;
 - are more likely to become overweight and do less exercise than other children.⁹

"Such children often start their lives with below average health, experience earlier onset of conditions and progression to more severe stages and, on average, die earlier than the rest of the population."

⁷ Living Standards Trends in Australia, B. Phillips, NATSEM, 2015

⁸ The Age, Wednesday, 8 August, 2007

⁹ AMP-NATSEM Income and Wealth Report "Health and Income in Australia", Agnes Walker, Simon Kelly, Anne Harding, Annie Abello, April 2003

38. Government policy must address the issue of poverty and adequate family income, especially as its impacts upon children.
39. Growth in poverty has a deleterious impact upon families and the individuals therein. It leads to problems in areas such as community safety, educational achievements and health. Apart from the direct impact on the people affected, crime impacts upon the rest of the community in greater risks of danger, increased insurance premiums and greater costs in maintaining community and personal security.
40. Ultimately, poverty and the resultant fall-out can lead to social alienation and division. Families or individuals in poverty are inimical to the development of a socially cohesive nation.
41. The government has a responsibility to ensure that all Australians have sufficient income to live decently and with dignity. As the fundamental group unit of society the family should receive sufficient government assistance to allow it to function effectively.
42. The presence of children places a significant economic burden upon families.
43. The costs of children increase with their age and are also related to the overall family income and the attendant lifestyle of the family.
44. Food is the biggest expense in all demographics and, for low-income families, it amounts to a quarter of the overall cost of the child. Transport, recreation, housing, clothing and other costs, such as medical and dental, are the other big-ticket expenses. These figures do not include the estimated costs of parents' lost earnings.
45. Children are a major expense for families. This expense grows as children become older. As such it is important to take this factor into account when determining appropriate support payments to families.
46. Governments must be prepared to recognise the cost benefits of investing in and supporting Australian families.
47. The provision of income support to families, to allow them to effectively carry out their functions, should not be seen as providing welfare. Rather, this should be seen by the government and the community as a long term investment in the future of the nation.
48. "Social security is very important for the well-being of workers, their families and the entire community. It is a basic right and a fundamental means for creating social cohesion, thereby helping to ensure social peace and social inclusion. It is an indispensable part of government social policy and an important tool to prevent and alleviate poverty. It can, through national solidarity and fair burden sharing, contribute to human dignity, equity and social justice." ¹⁰

¹⁰ International Labor Organisation, Report of the Committee on Social Security, Conclusions Concerning Social Security, 6 June 2001.

49. In a paper presented to the 7th Australian Institute of Family Studies Conference on 26 July, 2000, NATSEM (The National Centre for Social and Economic Modeling) showed clearly that introducing and then increasing payments to low-income working families with children had been a resounding social policy success.¹¹
50. NATSEM shows that government initiatives in regard to increasing family support payments and in improving access to education and health services for all members of the community during the 1980's significantly ameliorated the financial position of many low income families, especially for those with dependent children.
51. Low income families are very reliant upon adequate government payments to make ends meet.¹² Without these payments many more families would be in poverty and many low income working families would be better off relying totally on social security. Public education and health services also play a hugely important role in income redistribution.
52. For SDA members and their families, an effective social welfare or social security system is critical. Income support payments from government often make the difference between whether low income families can enjoy a basic but reasonable standard of living or otherwise.
53. Government payments have helped many low income families escape poverty. Nevertheless there are still large numbers of Australians, many of them children, living below the poverty line.
54. Maintenance and improvement in our family payments and support structures is critical if large numbers of families are not to fall back into poverty and if those below the poverty line are to be given a better chance at a reasonable standard of living.
55. Over the past two decades Australia's family payments system has played an important role in reducing child poverty levels.
56. However, it is important to note that while spending on families increased significantly between the 1980's and the mid-nineties, it then broadly remained at a plateau until 2003/4.
57. From 2003-04 the real value of family assistance payments actually started to fall.
58. The declining value of family assistance payments is a cause for serious concern and must be addressed now.
59. Major changes to family payments were introduced in the 1980's. These changes had the effect of greatly increasing the income of many low income families.
60. The Hawke government legislated to set the level of family payments for low income families as a percentage of the married rate of the pension payment. The level of payment was subject to movements in the wage rate. The percentage rate for each child under 13 years was 16.6% of the couple pension rate and for each child 13-15 years it was 21.6% of the couple pension rate. This represented a significant

¹¹ Social Policy Matters, *The Changing Face of Child Poverty in Australia: 1982 to 1997-98*, Anne Harding and Aggie Szukalska, NATSEM, University of Canberra.2000

¹² ABS Income Distribution - 6523 - 1999-2000.

change to the previous system where payments were much lower, in part because while pensions were indexed to both wage and CPI movements family payments were not.

- 61.** Under the Howard government the value of family payments dropped for low income families as an attempt was made by the Howard government to spread family payments to a wider section of the community, albeit at the cost of reducing the real value of payments to low income families. This is middle class welfare.
- 62.** The trend to reduce the actual real value of family tax payments to low income families continued under the Rudd-Gillard government.
- 63.** In 2009 the Rudd-Gillard government removed the legislative link between the rates of the Family Tax Benefit Part A and the pension rate.
- 64.** In the absence of ad hoc increases such as the one off increase in the 2012 Budget of \$300 per year to maximum Family Tax benefit part A recipients family payments have been declining in real terms.
- 65.** To restore the value of Family Tax Payments to the level they were at when the Rudd- Gillard government came into office there would need to be an increase in Family Payments of about \$6.78 pw.
- 66.** To restore family payments to the level they reached under Hawke there would need to be an increase of about \$7.63 pw.
- 67.** As such government should be moving to substantially increase family payments
- 68.** There are no valid grounds to withdraw the money previously allocated to family payments.
- 69.** Government should be acting to restore the real value of Family Payments and to ensuring that their value over time is maintained by restoring the indexation link between Family Payments and the movement of wages or the couple pension.
- 70.** The SDA is completely opposed to the Social Services Legislation Amendment (Family Measures) Bill 2015 currently before the parliament. This is inherently anti-family legislation. It will leave over 1.5 million Australian families financially worse off.
- 71.** The Department of Social security has previously told a Senate committee that 136,000 single parents will see a reduction in their Family Tax Benefit B once their youngest child turns 13 if this legislation is passed. Single parents of teenagers would have their payments reduced from more than \$3,000 per year to \$1,000.¹³
- 72.** This means that in 2016 there will be 136,000 single parents who will immediately drop almost \$2,000. Further there will be another group, those with children over 16 who will lose their entitlement completely, a drop of over \$3,000
- 73.** When all the changes are fully phased in a sole parent with one child will lose roughly \$2,500. Those with two children will lose around \$3,000. Low income couples will lose between \$3,500 and \$4,000 per year.¹⁴

¹³ Sydney Morning Herald, 22/10/2015

¹⁴ Sunshine Coast Daily, 22/10/2015

74. Families with younger children would lose from the abolition of the Part A Supplement of nearly \$730, offset to some extent by the additional \$262 per child per year increase in the base rates of Family Tax Benefit A. Large families would lose more.¹⁵
75. The Family Tax Benefit A Supplement will be dropped to \$602.25 in July 2016, to \$302.95 in July 2017 and altogether in 2018.
76. In total, there will be about 1.5 million Australian families who will lose their family Tax Benefit A Supplement and be left worse off.
77. In addition, about 1.3 million families will lose their Family Tax Benefit B Supplement.
78. In total there will be 1.6 million Australian families left worse off by the changes. This is estimated to adversely impact on nearly 3 million children.
79. Grandparents carers would have their payments cut once their grandchild turns 13.¹⁶
80. It is bizarre that a government which promotes itself as family friendly could propose such changes. These changes are anti-family.
81. They leave many Australian families worse off, at a time when families are facing enormous economic pressures.
82. Many of the families impacted will be low income families.
83. Australia already has many families and children living in poverty. These changes, if enacted will only make the situation worse.
84. The current structure of family support payments is appropriately progressive. All such payments should continue to be means tested.
85. As CEDA has pointed out, Australia has a well- targeted tax and transfer system.¹⁷
86. The provision of income support to families, either through the taxation system and/or the social security system, to allow them to effectively carry out their functions, should not be seen as providing welfare. Rather, this should be seen by the government and the community as a long term investment in the future of the nation. For low income families an effective social welfare system is critical. Income support payments from government often make the difference between whether low income families can enjoy a basic but reasonable standard of living or otherwise.
87. **The proposed legislation should be rejected.**

¹⁵ Op Cit

¹⁶ Op Cit

¹⁷ Addressing Entrenched Disadvantage in Australia, CEDA, April 2015

Appendix A

	1985	1995
Maximum payment	\$19.26pw / \$1001.52 pa	\$57.90pw / \$3010.80 pa
Receive maximum payment when earnings below	\$223.00 / \$11596	\$435.57pw / \$226.50 pa
Withdrawal rate	No means test on first \$5.26pw. Lose rest at 50c in \$1	Means test applies. Those in receipt lose at 50c in \$1
Average weekly earnings	\$397.10	\$653pw / \$33956 pa (July 95)
	\$19.26 is 4.85% of AWE	\$57.90 is 8.87% of AWE
	\$223 is 56.16 of AWE	\$435.57 is 66.7% of AWE

	2006	2013
Maximum payment	\$80.77pw / \$4200 pa	\$86.10pw / \$4477.20 pa
Receive maximum payment when earnings below	\$769.23pw / \$40000pa	\$939.17pw / \$48837 pa
Withdrawal rate	20c in \$1	20c in \$1
Average weekly earnings	\$1025pw / 53300 pa (Feb 06)	\$1420.90pw / \$73886.80 pa
	\$80.77 is 7.88% of AWE	\$86.10 is 6.06 of AWE
	\$769.23 is 75% of AWE	\$939.17 is 66% of AWE