THE SENATE

FAMILY ASSISTANCE, SOCIAL SECURITY AND VETERANS’ AFFAIRS LEGISLATION AMENDMENT (2005 BUDGET AND OTHER MEASURES) BILL 2006

Second Reading

SPEECH

Wednesday, 29 March 2006

BY AUTHORITY OF THE SENATE
The bill will, from 1 July this year, increase the family tax benefit Part A income threshold from the current $33,361 to $37,500. Over 530,000 families in receipt of an FTB part A payment will be eligible for a bigger payment—up to $828 a year, depending on their circumstances—as a result of this change to the income threshold. Labor is happy to support this provision of financial assistance to families. The bill will also make minor amendments to the portability of benefits allowing people travelling overseas to continue to receive relevant social security payments and FTB. It makes minor amendments to the treatment of income streams for pensioners. The bill also seeks to restrict the period for backdated claims for carer’s allowance to allow for a maximum backdating period of 12 weeks prior to the claim lodgement date. I know my colleague Senator McLucus will be speaking on that particular issue and moving an amendment. I note that these changes were the significant issue in the inquiry into this bill with every relevant submission strongly opposed to those changes.

The bill also makes changes to the administration of child care. It will allow for the child-care benefit debts to the Commonwealth to be recovered through tax refunds, as is already the case with family tax benefit debts. It will allow the departmental secretary to, in certain circumstances, use a default estimate to calculate the rate of CCB a family should receive. The bill also gives the secretary the power to take allocated but unfilled child-care places from a provider. The government’s justification for this is that it will allow the reallocation of places from areas of low demand to high demand but it is unlikely that is the way it will work in practice.

Child-care allocation under this government is slow and unresponsive. Centres and family day carers will have to wait two years to get back places taken from them by the department. The fact is that this government does not even know where places are needed. During recent questioning by Labor senators, officials admitted that the department does not have any measures of demand at the regional level, does not know how many places are currently being utilised, has only ‘some sense of the numbers’ and has not yet decided on a definition of excess places. That is all quite extraordinary, even for this government. It is asking the parliament to approve a new power to allow it to redistribute places which are ‘consistently underused’ but it is not even certain what consistently underused means.

Labor’s concerns with the changes are: the absence of any guarantee that child-care places removed from one service will in fact be reallocated; the slow, rigid and unresponsive system for reallocation; and the government’s poor performance in assessing unmet need for places. Labor’s amendment will temper the secretary’s new power and improve the allocation system by: limiting the power to reduce the allocation of places to a service unless (a) it has been continually vacant for one year and (b) it will be reallocated to another service within one week; obliging the secretary to assess applications for additional places to meet demand from child-care providers throughout the year; and requiring the government to include in the annual departmental report to parliament the number and location of services which have been subject to an involuntary removal of places, the services to which those places have been reallocated, and the services which have had requests for more places declined. We think that will add to the accountability and effectiveness of the system and we hope the government supports those sensible amendments.

As I indicated earlier, I will also be moving an amendment on behalf of the Labor opposition which will impose a family income threshold on the payment of family tax benefit part B. Labor’s amendment will mean that FTB B will no longer be available where family income is greater than $250,000. Family tax benefit part B gives us a critical insight into the Howard government’s ideology when it comes to welfare. Family Tax Benefit B provides a non means tested, obligation free, taxpayer funded bonus to some of Australia’s wealthiest families. Some of
our wealthiest families are on welfare. It is paid to these families at the same time as the poorest families in the country are seeing dramatic cuts to their already meagre incomes, either through the Welfare to Work package or the new industrial relations legislation.

Because the rules governing the payment of FTB B ignore total family income, families earning more than $1 million a year can receive this welfare payment. On the latest available figures, 70 families earning over $1 million are receiving $3,300 a year in welfare benefits courtesy of the taxpayer. The same figures show that more than 3,000 families earning in excess of a quarter of a million dollars a year are receiving the payment. There can be no argument that these millionaires and wealthy families actually need the additional money. We know that the more a family earns, the more it will spend on discretionary items that fall well beyond the necessities of running a home and raising a family. And there can be no argument that families on low incomes need the same money to buy school books and clothes for the children.

Over the last 10 years our welfare system has been abused for party political ends and to mould Australian families so they fit the Prime Minister’s social agenda. The allocation of welfare is no longer based on need. I thought we had moved to a needs basis many years ago. The Howard government seeks to influence votes and cover over the flaws in its payments system at election time with lump sum bonuses and cheques in the mail. At the same time it rewards mums for staying at home and not working. That is obviously part of John Howard’s philosophy of how Australia used to be and should be.

The government does not have the courage to stand up and defend the FTB B payment on the grounds of public policy. It has never mounted a defence for FTB B as promoting families or assisting married women. Neither has it defended it as good public policy—because it is indefensible. Instead the government has argued that it would not be cost effective to stop the payments going to wealthy families saying that means testing and better targeting of payments would be prohibitively expensive. I am sure all the single mothers about to be hit by the welfare changes would be astonished to hear that.

And yet this is the argument it makes in relation to FTB B. Why is FTB B the only welfare payment that cannot be effectively means tested? The government will spend a great deal of resources chasing down small debts from single parents or age pensioners, even when the debt arose because of a Centrelink error. It sends Centrelink officers out with police to pull over taxi drivers and check if they are working illegally while collecting welfare. But at the same time it claims that it is not cost effective to stop millionaires receiving welfare payments. The figures that I quoted from earlier are evidence that family income information on FTB B recipients is already being collected. It cannot be beyond the capacity of the federal government to use that information to better target family tax benefit B payments. The reality is that while it would be easy to impose an income test, the government does not want to—certainly the Prime Minister does not want to. It wants the payments to continue.

The other defence the Prime Minister has tried to argue is that the payment compensates single-income families for not accessing two tax-free thresholds. Again, this is plainly untrue, because families can access a second tax-free threshold and collect FTB B. Under the arrangements put in place by the Howard government, the second income earner in a millionaire family can earn $6,000 a year, the total tax-free amount, and continue to receive almost the entire FTB B payment. So they can have it both ways—two tax-free thresholds and their welfare payment.

The government’s defence for paying welfare to millionaires is simply not credible. Putting aside the government’s agenda and its flimsy justifications, these payments force us to question our ideas about welfare. Do we as a community support paying $3,300 in welfare payments to millionaire families? Do the people who are paying taxes on very low incomes support that approach? Do we support welfare without need? I do not think so.

The Howard government talks long and loud about the need for mutual obligation and the dangers of passive welfare. The FTB B payment is exactly that—passive welfare without mutual obligation. The FTB B is a payment largely to women who stay at home in families where there is a high income, and the only obligation that that family has to meet for that $127 a fortnight is that the stay-at-home partner has to guarantee that they will not look for work.

There is no sit-down money for single mums. From 1 July this year, single mums on welfare will be forced to look for work and will have their fortnightly payments cut by $55.50. The hypocrisy in approach, the difference in treatment, is startling. The government is supporting those that have high incomes but penalising single parents who want to stay at home with their children. The double standards are absolutely staggering.
One of the government’s other justifications for its welfare cuts for single parents is the need to encourage workforce participation. What incentives lie in the payment of FTB B payments? We all know that we need to expand our workforce and encourage people back into the workforce. There is no way that FTB B to rich families can be defended on that basis. They will be paid not to work, irrespective of whether they need the money, under the current arrangements. It is madness, it is discriminatory, it is unfair and it ought to be stopped.

The combination of FTB A and FTB B, along with their interaction with tax rates, means the government is clawing back 60c to 70c in every dollar earned by low- and middle-income families. The combination of FTB A and FTB B creates a massive financial hurdle for low- and middle-income families when moving from welfare to work or from a low-paid job to a higher paid position. From 1 July this year the income tax rate for an individual will be 30c in the dollar up until an income level of $70,000 per annum. But the reality for families earning between $200 and $1,200 a week will be an effective marginal tax rate of between 60c and 75c in the dollar. This is due in part to the reduction in FTB payments over this income range.

While the government is happy to talk about considering changes to taxation, the Prime Minister has ruled out any changes to FTB that would address these crippling effective marginal tax rates. Because the government has been keen to push welfare payments up the income scale, even families on $90,000 a year face very high effective marginal tax rates. The skills shortage and the ageing of the population means the system should be encouraging increased participation by ensuring there is a real reward for work. The Howard government’s family payments system provides the opposite effect: it provides tangible disincentives.

Under Prime Minister Howard, the welfare system is becoming a $100 billion pork barrel. That is bad public policy and over the long term it is unsustainable. There needs to be a debate about who gets welfare and why. That is part of putting our system on a sustainable footing for the future by containing payments. The Howard government seems to believe that the only welfare spending that needs to be contained is that paid to the poor, to single parents and to the disabled.

Australia’s targeted system of benefits has been eroded by this government. We need a simple, streamlined, integrated system which is transparent, user-friendly and well administered. Our system is becoming more and more complex, inefficient and unwieldy as the government backflips and applies bandaid after bandaid—quick political fixes for deep systemic problems. Our welfare system should interact effectively with other regimes, such as taxation, to meet meaningful social goals, to provide real incentive for hard work, to encourage workforce participation and to help families tackle disadvantage and really get ahead. Our system should be built on the principles of fairness and equity. It must provide a decent system of support, not punishment, to families, children and individuals who have fallen on hard times.

We cannot start to reform our welfare system today unless we make those changes. Labor urges the government to support our amendment and end the farce of millionaires on welfare. It seems exactly the wrong signal to our community when we pay welfare to very-high-income families and it is the height of hypocrisy for the government to punish those least able to defend themselves in our community—single parents, people unable to work because of disability—while at the same time it directs taxpayers’ money from hardworking families to support millionaires on welfare. It has got to stop and I urge the Senate to support Labor’s amendment and put an end to this totally hypocritical practice.