



Reduce poverty: child poverty and family payments

Key points

- Currently 1 in 6 children or 17% of children live in poverty in Australia. 575,000 children live in poverty.
- Child poverty in sole parent families has increased by 15% since 2001 (Melbourne Institute).
- Half the children living in poverty are in sole parent families. Australia has the fifth highest poverty rate for sole parent families of OECD countries.
- A major reason for high levels of child poverty is inadequate social security payments for low income families, especially Newstart Allowance, and a loss of focus within the Family Tax Benefit system on child poverty. That payment is no longer indexed to wage movements, which guarantees that child poverty will rise over time.
- Parents returning to the paid workforce receive little support from Government and employment services to retrain and search for jobs. For example, they are eligible for phone based career counselling but not a face to face service from Job Services Australia providers.
- We seek a commitment by all parties to set a goal of reducing child poverty, and to monitor and report on child poverty annually.
- Family Tax Benefits (FTB) should be restructured to restore their focus on preventing poverty.
- A career counselling program for parents and carers returning to paid work should be introduced, and investment in employment services for long- term unemployed people generally should be boosted.

Problems

- In Australia today 575,000 children, or 17% of children, live in poverty. Children are at more at risk of poverty than the general population (13%).
- In the 1980s Australia led the world in implementing measures to guard against child poverty. These were particularly successful – they reduced child poverty by 20-30% and reduced the poverty gap.
- However, today we have a child poverty rate above the OECD average. Child poverty is once again the face of poverty in Australia.
- Recent changes to social security payments, including the removal of indexation of family payments to wage movements and the shifting of almost 100,000 sole parents from Parenting Payment Single to Newstart Allowance, have increased the risk of child poverty.
- The low level of Newstart and other Allowance payments also contributes to high child poverty levels.
- Around half of sole parents on income support are employed, but they receive little support from Government and employment services to retrain and search for jobs. For example, they are eligible for phone based career counselling but not a face to face service from Job Services Australia providers.

ACOSS policy asks

- A commitment by all parties to set a goal of reducing child poverty, and to monitor and report on child poverty annually.
- Restructure Family Tax Benefits (FTB) to simplify the system, remove poorly targeted elements, and restore its focus on preventing poverty.
- Make these changes in a revenue neutral way – by redirecting the funding cut as part of the recent abolition of the Baby Bonus and by redirecting resources currently devoted to the Schoolkids Bonus.
- Restore indexation of the maximum rates of FTB to wage movements to ensure that payments keep pace with living standards.
- Introduce a career counselling program, with access to an investment fund for vocational training, for parents and carers returning to paid workforce after a lengthy period outside it.
- Increase investment in Job Services Australia assistance for long term unemployed people generally.

Policies: what we want to avoid

- Policies that shift sole parents from higher pension payments to Newstart and other Allowance payments. These policies have nothing to do with encouraging parents to return to paid work, since those on pension payments already have requirements to seek employment.
- While ad hoc payments added to FTB (the Baby Bonus and SchoolKids Bonus) should be replaced, this should not be used to achieve Budget savings. The savings should be redirected into an improved FTB.
- Requirements attached to family payments or income support that relate to the care of children as distinct from job search or employment preparation. The family payments system should not be used for 'social engineering' purposes. Children at risk of neglect or failure to participate in school should be helped through partnerships between local communities, schools and community services.

Facts

- Currently 1 in 6 children or 17% of children live in poverty in Australia. 575,000 children live in poverty.
- Child poverty in sole parent families has increased by 15% in last 12 months (Melbourne Institute HILDA survey).
- Half the children living in poverty are in sole parent families even though lone parent families make up only 29% of families with children. Australia has the fifth highest poverty rate for sole parent families of OECD countries. This is due in part to lower employment levels among sole parents (who must care for children alone), and in part to the lack of additional income from a partner.



- According to a 2013 Smith Family report, close to half of all children aged 5 to 14 years of age living in the most disadvantaged communities or 208,000 did not participate in any organised sporting or cultural activities outside of school hours over the past 12 months. About three in every 10 children in the most disadvantaged communities did not access the internet at home over the past year (The Smith Family 2013).
- In 1988 the Hawke Government, as part of its commitment to reduce child poverty, raised family payments for low income families and indexed them to wage movements. This reduced child poverty by more than 30% at the time. The removal of indexation of these payments to wage movements in 2009 means that child poverty, as it is usually defined, will inevitably rise over time.
- Most of the families with children who are in poverty are out of paid employment.
- Increased access to workforce for low income women and sole parents could alleviate child poverty - OECD countries with a larger share of mothers in paid work also record lower poverty rates among children. However, this will not be achieved by switching unemployed parents onto lower payments.
- The 2013 Budget improved the integrity of FTB by abolishing the Baby Bonus, but redirected only part of the savings to FTB A, effectively reducing child payments for many low income families.