

POLICY BRIEFING

Budget and election policies affecting unemployed people and families on low incomes:

'Zombie' budget cuts must be put to rest



Key messages

'Zombie' budget cuts worth \$18 billion from the controversial 2014 Budget still cast a shadow over the Federal Budget and the current election campaign. These include:

- cuts to Family Tax Benefits (FTB) for low income families, and
- a one month wait and lower income support payments for young people who are unemployed.

Also hanging over the heads of low-income households are \$1.4 billion in cuts to Energy Supplement payments to people claiming pensions, allowances and family payments announced in the 2016 Budget¹.

These measures would harshly impact on people at risk of poverty, especially sole parents and unemployed people. If the payment cuts in this Briefing were implemented:

- a sole parent with two teenage children and no private income (who applies for social security after these measures take effect) would forego \$96pw.
- an unemployed 22 year old living independently of their parents would forego \$1,053 in income support while waiting a month for benefits, and then receive \$51pw less.

These payment cuts are a hangover from the deeply flawed and inequitable 2014 Budget strategy, which shifted the burden of restraint onto people who can least afford to bear it.

These 2014 Budget proposals were soundly rejected by the community, policy experts, and (repeatedly) by the Senate. Yet, in a breach of budget transparency, they remain on the books. That means that all major parties have to come to terms with them in their election policies: either to accept them or reject them and find alternative savings. ACOSS urges all major parties to avoid any Budget savings that impact disproportionately on people living on low incomes, including sole parents and unemployed people, who have already suffered cuts to their payments in recent years.

We welcome Labor's announcement last week that they continue to oppose these social security payment cuts with the exception of the halving of Family Tax Benefit (FTB) Supplements for families earning over \$100,000 and a reduction in fortnightly FTB payments for those earning over \$90,000². ACOSS understands that many of these families would feel

¹ ACOSS 2016, *ACOSS Budget Analysis 2016-17*: http://www.acoss.org.au/wp-content/uploads/2016/05/ACOSS-Budget-Analysis-2016-17_FINAL_small.pdf

² Australian Labor Party 2016, 'Labor's Plan for Budget Repair that is Fair', 10 June 2016: http://www.billshorten.com.au/labor_s_plan_for_budget_repair_that_is_fair.

the impact of a reduction in their family payments, but is comfortable with this approach as they are not at risk of poverty.

There are better and fairer ways to restore the Federal Budget over time. The agreed view among business, union and community sectors at last year's National Reform Summit was to pursue a ten year reform process focussing on the fastest growing areas of expenditure, especially programs and tax concessions that are poorly targeted or not 'fit for purpose'³. Consistent with this approach we advocate curbs to superannuation tax breaks for people on high incomes and 'negative gearing' and capital gains tax concessions, and the abolition of the Private Health Insurance Rebate.

The Government argues that the Energy Supplements are no longer needed since the 'carbon price' introduced by Labor was reversed by the Abbott Government, yet the related tax cuts remain in place. The removal of the social security compensation payments would effectively remove the last and only real increase in the Newstart Allowance in the last 20 years. Further, new analysis suggests that payment rates for single new recipients will actually be \$2pw less than they would have been if carbon pricing and associated compensation had never been introduced due to issues with the way the compensation is calculated.⁴

The Government also argues the annual lump sum 'FTB Supplements' will no longer be needed to deal with 'overpayments' of FTB once Centrelink has access to 'real time' information on family incomes. Both arguments ignore the realities of the lives of individuals and families living on low incomes. Removal of the assistance these Supplements provide will plunge more households into poverty, reducing further their ability to cover essential costs such housing, electricity, food, or replacing worn out refrigerators or renewing their car registration.

The Government claims that cuts to FTB for low income families are needed to pay for improvements in child care, and that removal of Energy Supplements and cuts to the Disability Support Pension (DSP) are needed to pay for the National Disability Insurance Scheme (NDIS). This is wrong: people receiving DSP should not be made to pay for the NDIS and nor should low income families pay for child care improvements. These policies should be funded in the usual way - through general public revenue and by finding savings in poorly targeted and wasteful programs and tax breaks.

Payments for people at risk of poverty are the last place governments should look for Budget savings. Instead, it is widely recognised that the lowest payments are inadequate to keep people (including children) out of poverty:

³ National Reform Summit 2015, Statement: <http://www.acoss.org.au/wp-content/uploads/2015/08/National-Reform-Statement-full.pdf>

⁴ David Plunkett, 'Malice or Misunderstanding: Government's Carbon Price Under-Compensation' at: <http://www.austaxpolicy.com/malice-or-misunderstanding-governments-carbon-price-under-compensation/>.

- + Newstart Allowance for a single adult is just \$264pw or \$38 a day. In 2011 Newstart Allowance was \$97pw below the poverty line. It has not been increased in real terms since 1994⁵.
- + FTB, together with Newstart Allowance (a total income of \$547pw) left a sole parent family with a primary school age child \$93pw below the poverty line in 2011.
- + It is simply not possible for an individual to live decently on less than \$300pw or for a sole parent family with one child to live decently on less than \$600pw, yet many are forced to do so.
- + Neither Newstart nor FTB is properly indexed to take account of increases in community living standards. Both have declined sharply over the last decade in comparison with average wages.

Instead of cutting these and other social security payments, whoever wins government should:

- + Establish a statutory Payment Review Commission to regularly review the adequacy of all social security payments to prevent poverty.
- + Increase Newstart and Youth Allowance for single people (including sole parents) by at least \$53pw.
- + Index those payments and FTB for low income families in line with wage movements as well as consumer prices (as is the case for pension payments).
- + Increase family payments to sole parent families with older children to prevent payments from declining as children grow older and become more expensive to raise.
- + Keep the Energy Supplement and integrate it into base levels of social security payments.
- + Restore the Budget by removing shelters and loopholes from the income tax base and wasteful programs like Private Health Insurance Rebates, and avoid any action that would disproportionately impact the lowest 40% of households by income.

We welcome the Australian Greens' support for many of these initiatives (including a payments commission and substantial increases in Newstart), which would greatly reduce poverty in Australia. We also welcome Labor's policy commitment to not support the bulk of the 'zombie measures' that would hit households on low incomes, and to undertake a public review of the adequacy of Newstart Allowance and related payments.⁶

⁵ ACOSS 2014, *Poverty in Australia 2014*,

http://www.acoss.org.au/images/uploads/ACOSS_Poverty_in_Australia_2014.pdf

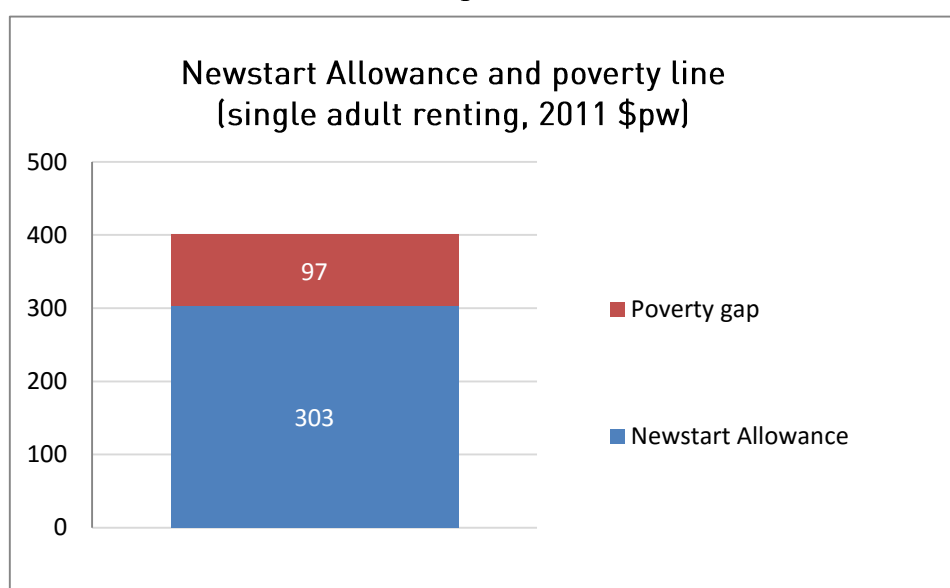
⁶ Australian Greens 2016, *Equality and compassion, 'Lifting Income Support'* and <http://greens.org.au/sites/greens.org.au/files/Increasing%20payments%20-%20updated%20including%20PPS.pdf> and Australian Labor Party 2016, *'Growing Together'*: <http://cdn.australianlabor.com.au/documents/Growing-Together.pdf>.

Budget and election proposals affecting income support for unemployed people

1. Key weaknesses of Newstart Allowance

The maximum rate of Newstart Allowance (NSA) for a single adult is just \$264 a week (\$38 a day). There is widespread agreement including from experts, community agencies, business peaks and unions, that this payment is inadequate to meet even basic living costs, let alone to search effectively for paid work.⁷ As Figure 1 shows, NSA is around \$100 per week below the austere poverty line used by the OECD.

Figure 1



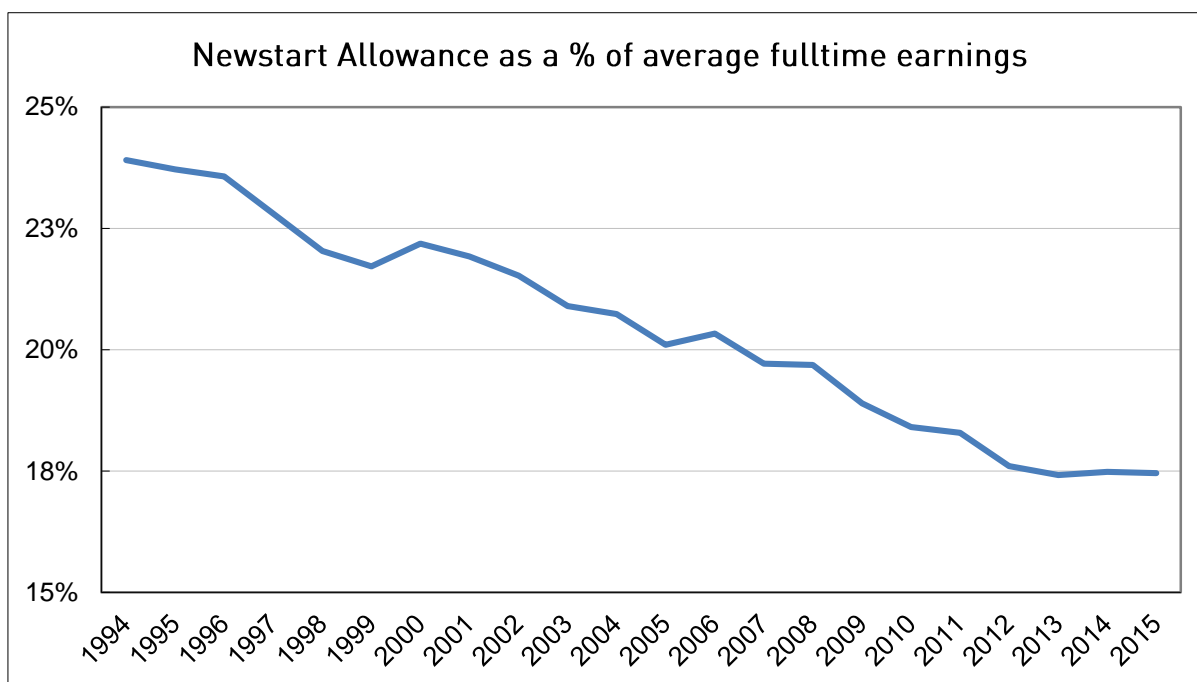
Source: ACOSS (2014), [Poverty in Australia](#). Includes \$243 Newstart Allowance and \$60pw Rent Assistance

Note: These are 2011 figures. Poverty line is 50% of median equivalent household income, including housing costs.

One of the main reasons for the inadequacy of NSA is that it has not been increased in 'real terms' (beyond inflation) for over two decades (since 1994). Since that time, community living standards have risen but those of people locked out of paid work have fallen further and further behind. This is shown in Figure 2, which compares NSA for a single adult with the average fulltime wage (an indicator of community living standards).

⁷ This includes lead organisations in the National Reform Summit such as the Business Council of Australia and the Australian Council of Trade Unions, as well as the Ken Henry led tax review panel and most recently, KPMG.

Figure 2



Source: ABS (2016) 6302.0 - [Average Weekly Earnings, Australia](#)

2. Federal Budget changes to unemployment and youth payments (Coalition Party's policy)

In its 2016 Budget the Government carried over the proposed extra one month waiting period for unemployment payments for young people up to 25 years, a the reduction in the regular payments for unemployed young people aged 22 to 24 years, and proposed a new measure to deny access to Energy Supplements for new applicants of social security pensions and allowances (Table 1). In addition to those mentioned above, the 2016 Budget contained a number of revisions of 2014 Budget measures that have remained on the books in one form or another for over two years despite their repeated rejection by the Parliament.

Table 1

Payment cut	What is the proposal?	Who is affected?	Budget Saving (\$m from 2016-19)
One month wait for unemployment payments for young people	New 1 month waiting period for people in 'Stream A' of employment services aged up to 25yrs.	Unemployed young people up to 25 years of age	\$1,845m
Increase age of eligibility for Newstart Allowance for young people	Unemployed young people remain for longer on the lower Youth Allowance	Young unemployed people aged 22 to 24 years	\$671m
Deny Energy Supplements to new applicants for social security	Energy Supplements introduced to compensate for the Carbon Price in 2012 would be denied new claimants for social security payments ⁸	New applicants for social security pensions and allowances including Newstart, Parenting Payment, Disability Support Pension, Carer Payment and Age Pension	\$1,400m*

Sources: Australian Government 2016, Budget paper No2; Parliamentary Budget Office 2016, Unlegislated measures carried forward in the budget estimates, June 2016 update.

* Includes savings in Family Tax Benefits (table 2)

In sum, the proposed changes would:

- + Require young unemployed people up to 25 years of age to wait an extra four weeks to receive Youth Allowance or Newstart Allowance⁹.
This measure would be restricted to those classified within 'Stream A' of the employment services system, who are generally less disadvantaged in the labour market. However in the present economic conditions many young people are simply unable to secure paid employment, and would be left with no source of income. They would still be required to search for jobs with no income.
- + Reduce income support for unemployed young people aged 22 to 24 years by making them wait longer to transfer from the lower Youth Allowance to Newstart Allowance. This includes young people who are living independently of their parents.

⁸ But the associated income tax cuts remain in place.

⁹ This is a variation on a harsher proposal in the 2014 Budget to make young unemployed people wait six months for benefits.

- + Deny access to Energy Supplements for new claimants of social security pensions and allowances.

This would include people who lose their jobs or enter the labour market and are unable to find one, parents separating from their partners who have no source of income, older people, people with disabilities and their carers. It may also include people transferring from one income support payment to another, but that has not been clarified at the time of writing this briefing.

These Supplements were introduced to compensate for the 'carbon price' introduced in 2012. While this was later abolished by the Abbott Government, the associated income tax cuts remain in place.

- + Altogether, these measures would save \$3.9 billion over the Budget forward estimates¹⁰.

3. Inappropriate link to the NDIS

The last Federal Budget inappropriately linked social security payment cuts to the funding of the NDIS. This included the denial of Energy Supplements to new claimants of social security payments and reassessments of eligibility for Disability Support Pension for 90,000 current recipients, many of whom would be transferred to the Newstart Allowance which is \$170pw lower.

These payment reductions, which would harshly impact on people on the lowest incomes, should not be implemented. They bear no relationship to the NDIS which ACOSS strongly supports. It is especially inappropriate to pay for services for people with disabilities by restricting access to the DSP.

4. Impact of proposed Budget payment cuts on individuals with low incomes

If these proposed Budget cuts to income support payments were implemented:

- + Young unemployed people aged 18 to 22 years would miss up to \$867 in Youth Allowance payments while they wait an extra four weeks for payment.
- + Those aged 22 to 24 years would miss up to \$1,053 in Newstart Allowance payments while waiting out the 4 week waiting period.
- + Unemployed young people aged 22 to 24 years would also lose \$47pw in ongoing income support by having to rely on the lower Youth Allowance payment.

¹⁰ Other payment reductions that remain unlegislated include a proposed increase in the Age Pension age to 70 years, which ACOSS also opposes as it would force many older people to rely instead on the much lower Newstart Allowance.

- + New claimants for Newstart Allowance would also miss out on the \$4pw Energy Supplement (\$8pw for couples) and have to live on even less than \$38 a day.
- + New claimants for pension payments would miss out on \$7pw (\$5pw each for couples).

These payment cuts are cumulative. For example, taking all of the above into account:

- + an unemployed 22 year old living independently of their parents would forego \$1,053 in income support while waiting a month for benefits, and then receive \$51pw less. This would be almost a **20% reduction in their income** compared with the current Newstart rate of \$264pw.

5. Australian Labor Party policy

The Labor Party announced on 10 June that it continued to oppose the revised 2014 Budget 'zombie' measures affecting social security payments for households on low incomes¹¹. This includes:

- + Requiring young unemployed people up to 25 years of age to wait an extra four weeks to receive Youth Allowance or Newstart Allowance;
- + Reducing income support for unemployed young people aged 22 to 24 years;
- + Increasing the age of eligibility for Age Pension to 70 years.

The statement does not include Labor's position on abolition of Energy Supplements for new social security payment applicants.

Labor proposes to establish a public review of the adequacy of Newstart Allowance¹².

6. Australian Greens' policy

The Australian Greens propose to develop a national anti-poverty plan and establish an independent 'Equality Commission' to advise on rates of income support as well as broader strategies to reduce inequality in Australia.

The Greens propose to substantially increase the following payments:

- + Newstart and Youth Allowances for single people (by \$55pw)
- + Income support for sole parents by restoring Parenting Payment Single for those whose youngest child is under 16 years.
- + Rent Assistance (by 30%).

¹¹ALP 2016, *Labor's Budget Repair Strategy*. http://www.100positivepolicies.org.au/labors_budget_repair_strategy.

¹² Australian Labor Party 2016, *Growing Together: Labor's agenda for tackling inequality* <http://cdn.australianlabor.com.au/documents/Growing-Together.pdf>

They continue to oppose the Budget cuts to social security payments for low income households including:

- + The four week wait for income support for unemployed young people.
- + Denial of the Energy Supplement to new applicants for social security payments.

7. What should be done?

With Newstart and Youth Allowances

These payments are not a source of future financial pressure on the Federal Budget. They comprise less than 1% of the overall Budget and their share of Budget spending is projected by the Parliamentary Budget Office to decline in future years¹³. An increase in Newstart and Youth Allowances for single people is long overdue.

- (1) To reduce poverty among unemployed people (including many sole parents and people with disabilities), the maximum single rate of Newstart Allowance should be increased by \$53pw.
- (2) The proposed one month wait and lower payment levels for unemployed young people should not proceed.
- (3) An independent Payment Review Commission should be established to review the adequacy of all payments (including pensions, allowances, family payments and supplements) and indexation arrangements on a regular basis (say every 3 to 4 years) to ensure all households are able to achieve an acceptable standard of living.

¹³ Parliamentary Budget Office 2014, Projections of Government spending over the medium term.

With the Energy Supplement

- + This should be retained and integrated into base rates of income support payments.

With the NDIS

- + This should be implemented in full and funded by general Budget revenue, and not tied to spending cuts.

Budget and election proposals affecting family payments

1. Key weaknesses of the family payment system

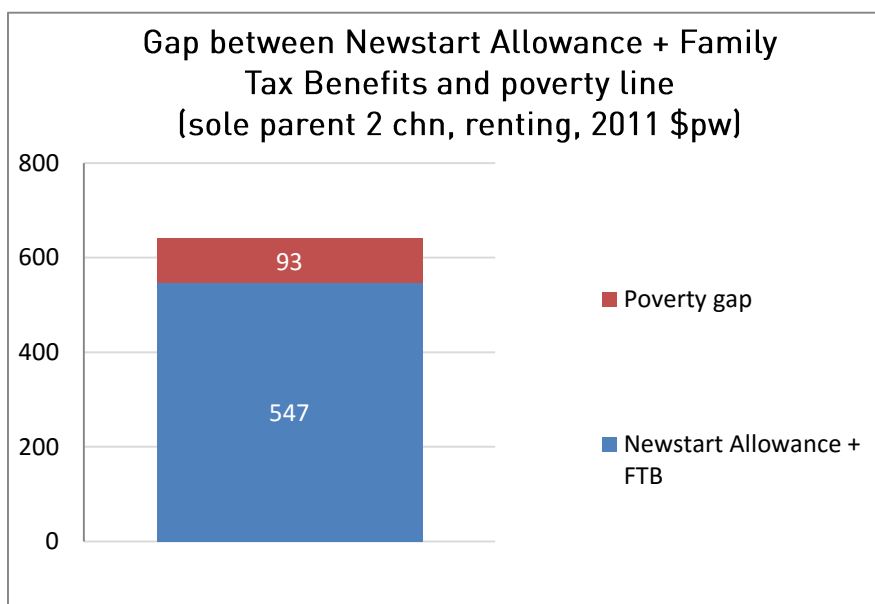
The most important role of Family Tax Benefits (FTB) is to protect low income families (in or out of paid work) from poverty. In 2012, one in six children (18%) – a total of over 600,000 children - were living below the poverty line¹⁴. Half of those children are in sole parent families which are especially vulnerable to poverty because one adult bears the cost of raising a child alone and this also reduces their ability to undertake paid work.

The maximum rate of FTB A for each primary school-age child is \$104pw (if we include the annual \$726 FTB Supplement in the weekly amount). Single income parents, including sole parents, may also receive the 'Part B' payment worth \$83pw for a family whose youngest child is less than five years and \$60pw for those with older children up to 18 years (including an additional \$354 annual FTB Supplement).

The maximum rate of FTB is not enough, together with Newstart Allowance and Rent Assistance, to keep a sole parent family with one primary school-age child out of poverty if they have no other source of income. As Figure 3 shows, this family would have to survive on almost \$100pw below the poverty line used by the OECD.

¹⁴ ACOSS (2014), *Op.Cit.*

Figure 3



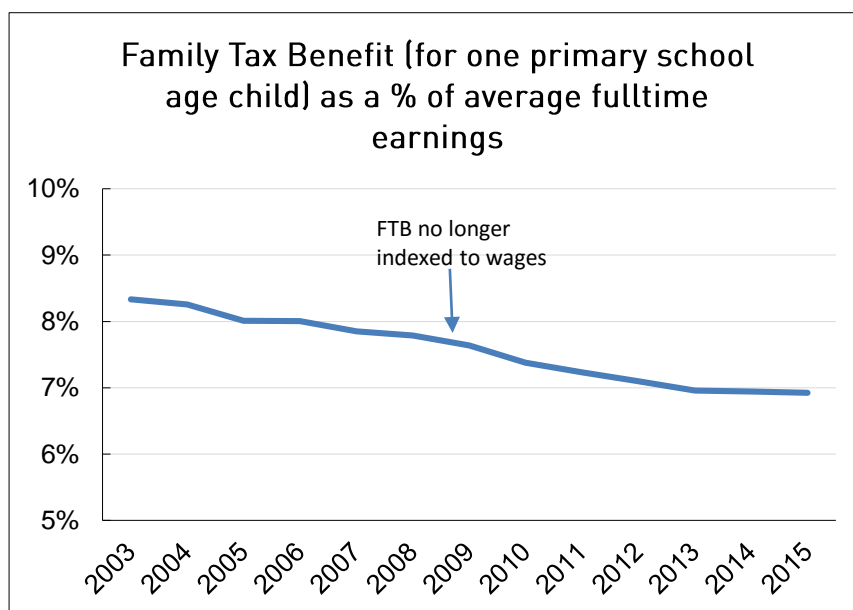
Source: ACOSS (2014), Poverty in Australia. Includes \$263pw Newstart Allowance & \$284 FTB + Rent Assistance.

One reason for this is that FTB is not fit for purpose to alleviate poverty:

- + FTB (together with income support for the parent) declines as the children of sole parents grow older, yet the costs of children rise with age.
- + Since 2009, FTB has not been properly indexed.

The previous link to movements in average wages was removed by the Labor Government in 2009, so the maximum rate of payment only rises in line with consumer prices. As with NSA, this means that the living standards of those low-income families that rely most heavily on FTB are declining relative to the rest of the community. Figure 4 shows that decline from 2004 (the year the lump sum FTB Supplements were first introduced). This will worsen over time, leading to a steady rise in child poverty.

Figure 4



Source: ABS 6302.0 - Average Weekly Earnings, Australia.

Note: Includes FTB annual supplements, which were 'frozen' from 2012.

2. Federal Budget changes to family payments (Coalition Party's policy)

The Government's latest Budget retained cuts to FTB announced in the 2014 Budget, in amended form. It also announced the abolition of the Energy Supplement for low income families who are new applicants for FTB. These payment cuts are listed in Table 2.

Table 2

Payment cut	What is the proposal?	Who is affected?	Budget Saving (\$m from 2016-19)
Family Tax Benefit: reduced access to 'Part B' payment	Sole parents whose youngest child is 12-17 years would receive a lower alternative payment to 'Part B'	Sole parents with youngest child aged 12-17 years	\$3,800m
Family Tax Benefit: phase out of lump sum Supplements	These Supplements would be phased out by 2018, partly offset by an increase in the 'Part A' payment	The majority of families in Australia	

Payment cut	What is the proposal?	Who is affected?	Budget Saving (\$m from 2016-19)
Family Tax Benefit: freeze rates of payment until 2017	No increase in maximum rates of FTB until 2017	The majority of families in Australia	
Abolish Pensioner Education Supplement	Abolition of a modest Supplement for people on pension payments undertaking an educational course	Recipients of Parenting Payment, Disability Support Pension and Carer Payment undertaking approved study	\$296m
Deny Energy Supplements to new applicants for FTB	Energy Supplements introduced to compensate for the Carbon Price in 2012 would be denied new claimants for FTB ¹⁵	New applicants for FTB, including parents with newborn children and those who newly qualify due to a reduction in income	\$1,400m*

Sources: Australian Government 2016, Budget paper No2; Parliamentary Budget Office 2016, Unlegislated measures carried forward in the budget estimates, June 2016 update.

* Includes savings in income support payments (table 1)

In sum, the proposed changes would:

- + Replace the current FTB 'Part B' for sole parents with children between 12 and 17 years with a lower payment of \$19pw (down from \$53pw) for those with a child up to 15 years). This would also leave a gap for children between 16-18 years, previously covered by 'Part B' if at school and not receiving Youth Allowance¹⁶.
- + Rapidly phase out end-of-year FTB 'Parts A and B' Supplements (currently \$726 per child for Part A and \$354 per family for Part B), in two steps over two years from 2016 to 2018.
- + Partly compensate for these changes by increasing FTB 'Part A' by \$5 per week for each child up to age 19 years.
- + Stop indexation of FTB payments until 2017, reducing their purchasing power.
- + Abolish the \$31pw Pensioner Education Supplement (PES) which mainly goes to sole parents on Parenting Payment who are studying to improve their future job prospects (and also to recipients of other pension recipients).

¹⁵ But the associated income tax cuts remain in place.

¹⁶ A related proposal to remove FTB Part B from couple families whose youngest child is 12-17 years has been legislated.

- + Deny access to Energy Supplements for new claimants of FTB. This would include parents of a newborn child and those who become eligible for FTB due to a drop in family income.

These Supplements were introduced to compensate for the 'carbon price' introduced in 2012. While this was later abolished by the Abbott Government, the associated income tax cuts remain in place.

These changes would together reduce spending on social security by \$5.5 billion over the forward estimates¹⁷.

3. Inappropriate link with child care reform

The Government has linked the above FTB payment reductions to its child care package, which has been deferred to July 2018.

While the announcement in 2015-16 of additional investment in child care and a streamlined subsidy was welcomed by ACOSS, we have serious concerns that the proposed policy changes will adversely affect vulnerable children due to the tightening of the parental activity test and changes to the funding of Aboriginal and Torres Strait Islander services.

In any event, child care reform should not be undertaken at the expense of cuts in payments for families on low incomes. A better way for the Government to save on the cost of the child care package would be to reduce the overly-generous child care subsidies proposed for families with high incomes¹⁸.

4. Impacts of Budget changes to payments for families with low incomes

These payment cuts would impact harshly on the living standards of families already struggling on low incomes, including sole parent and low-income couple households. Child poverty would inevitably increase.

The families most affected would be those with teenage children, a stage in life when children become much more expensive to raise.

If the above *changes to FTB 'Part B'* were fully implemented:

- + A sole parent on a low income with one child over 13 would lose around \$2,500pa or \$48pw
- + Those with two children over 13 would lose around \$3,000pa or \$58pw

¹⁷ Other payment cuts for families announced in past Budgets also remain 'on the books' including the removal of Paid Parental Leave for many parents who receive parental leave payments from their employers. ACOSS also opposes this measure as it will discourage employers from offering paid parental leave.

¹⁸ See proposals below.

- + 36,000 sole parents with youngest child over 13 years would be affected by the 'Part B' changes.

In addition, most recipients of FTB would be worse off due to the *loss of FTB Supplements*:

- + The loss of the \$730 per child 'Part A' Supplement would only be partly offset by the 'Part A' increase of \$262 per annum (a net loss of \$468 or an average of \$9pw).
- + Single income families would also miss out on the 'Part B' supplement of \$354 per annum per family (\$7pw).
- + As a result a dual income family with a school aged child would be \$468pa or \$9pw worse off and one with two children would be \$936pa (\$18pw) worse off.
- + A single income or sole parent family with a school age child would be \$822pa or \$16pw worse off, and one with two children would be \$1,290pa (\$25pw) worse off.

In addition, new applicants for FTB would miss out on the *Energy Supplement*:

- + This would result in an additional cut to their FTB payment of \$9pw.

These payment cuts are *cumulative*:

- + For example, the combined effect of the above changes would be to reduce the weekly income of a single parent with two teenage children (who applies for social security after the measures take effect) by \$96pw¹⁹.
This is a 13% reduction in this family's current income of \$715pw.

The changes not only fail to arrest the decline in the value of FTB payments against community living standards resulting from the decision by the previous Labor Government to reduce indexation, they 'freeze' these payments until 2017, further eroding their purchasing power.

The small boost to the 'Part A' payment of \$5pw will do little to offset the losses due to the withdrawal of the end of year Supplements and the cuts to 'Part B'.

The IT interface between the Department of Social Services and the Australian Tax Office is not yet advanced enough to prevent over and underpayments, which end of year supplements were designed to address. Until the IT system is up to the task, the FTB Supplements should not be phased out. Longer term, once these issues are addressed, the supplements should be incorporated into the base payments for families on the lowest incomes.

5. Australian Labor Party policy

The Labor Party announced on 10 June that it continued to oppose the revised 2014 Budget measures affecting social security payments for households on low incomes.²⁰

¹⁹ This includes a \$4pw cut from removal of the Energy Supplement from their Newstart Allowance payment. It does not include the impact of the abovementioned FTB 'payment freeze'.

²⁰ ALP 2016, *Labor's Budget Repair Strategy*. http://www.100positivepolicies.org.au/labors_budget_repair_strategy

Instead Labor proposes to halve the FTB Supplements for families with incomes over \$100,000 a year and continue the existing 'freezes' to income-test free areas affecting higher-income families to 2019-20. Both measures would mainly affect families earning over \$100,000.

While many of these families would feel the impact of reductions in FTB, the payments they receive at that income level are modest and these families are not at risk of poverty. By contrast, many families affected by the Government's Budget measures are living on one third of \$100,000.

6. Australian Greens' policy

As indicated, the Australian Greens propose to develop a national anti-poverty plan and establish an independent 'Equality Commission' to assess the adequacy of social security payments.

They have indicated their continued opposition to Budget payment cuts affecting low income households²¹.

7. What should be done?

With family payments

Adequate family payments are essential to prevent child poverty and to make sure the tax-transfer system takes account of the costs of children. While elements of FTB were poorly targeted (an example was the former 'Schoolkids Bonus') any savings from the removal of those elements should be redirected into improving family payments for those at greatest risk of poverty, especially by restoring proper indexation of the 'Part A' payment and raising payments for sole parents with older children. We propose the following reforms:

1. Index family payments to wage movements as well as the CPI, by restoring previous 'child poverty benchmarks' linking maximum rates of FTB Part A payments for low income families to pension rates, based on the age of each child.
2. For 'Part A', consider introducing a 'middle benchmark' for children of primary school age (in addition to a payment rate for pre-schoolers and another for those of high school age).
3. Replace FTB 'Part B' for single parent families with a Sole Parent Supplement paid at a higher rate to assist with the extra costs of raising a child alone regardless of paid workforce status.
4. Progressively replace the FTB 'Part B' payments for couples with school-age children with higher FTB 'Part A' payments, in a way that minimizes any income losses for families on low incomes.

²¹ Australian Greens 2016, Equality and compassion, lifting income support.

5. Retain FTB 'Part B' for couples where one parent cares for a preschool age child 'at home'²².
6. As proposed above, establish an independent Payment Review Commission to regularly review the adequacy of all social security payments.

With child care

1. Integrate the means tested Child Care Benefit and non means-tested Child Care Rebate into a single child care subsidy.
2. Reduce the Government's proposed subsidy for higher income households to 30% of benchmark child care costs.²³
3. Remove proposed activity requirements for families seeking to access up to 20-24 hours per week of care.

With the Energy Supplements and Pensioner Education Supplement

- + These payments should be retained and the Energy Supplements integrated into base rates of FTB payments.

²² We do not, however, support the proposed \$1,000 'Baby Bonus' payment for children under one year. Priority should instead be given to families with low incomes raising older children, who are more expensive.

²³ ACOSS broadly supported the Productivity Commission's model for structural reform which recommended that families on high incomes (above \$250,000) receive a lower base subsidy (the Productivity Commission recommended 20% of the benchmark costs of care). The Government's revised child care package adopts a 50% threshold for families on incomes of \$170,000-\$250,000, tapering to 20% for families on more than \$340,000 per annum. The Government also proposes to increase the fee cap for high income families from \$7500 to \$10,000 per annum. This has increased the costs of the package, which the Government is now seeking to pay for through cuts to family payments.