

Fair Work Australia

Fair Work Act 2009

Annual Wage Review 2011-12

Post-Budget Submission

by the

Australian Catholic Council for Employment Relations

May 2012

1. This submission addresses one of the changes introduced by the Commonwealth's Budget for 2012-13: the replacement of the Education Tax Refund by the Schoolkids Bonus. As a consequence of this change the earlier calculations of the incomes of disposable incomes for families and their positions relative to the poverty line have been revised.
2. At paragraph 272 of our principal submission (March 2012) we referred to the Education Tax Refund in calculating the disposable incomes of low income families:

"Our calculations of family payments do not include Child Care Benefits and the Education Tax Refund. Both are dependent on expenditure and are not general monetary entitlements. The Education Tax Refund, which provides a 50% rebate on a very limited range of expenses, such as home computers and laptops, has the effect of reducing the costs of education, provided the family can afford these items in the first place. Low income families have limited capacity to take up these government subsidies. It is a scheme, like child care and rental assistance, that should be taken into account in calculating expenses, rather than disposable income. In any event, there is no data at this time to enable us to estimate the value of these targeted measures."
3. In advance of the Budget, the Commonwealth announced that "1.3 million Australian families with children at school will get a new cash payment to help make ends meet" (Media Release, Prime Minister's Department, 6 May 2012). The Media release also stated:

"Each year, families will receive a new Schoolkids Bonus worth:

 - \$410 for each child in primary school
 - \$820 for each child in high school.

This new guaranteed payment will help the families of 2.2 million school kids pay for uniforms, books, school excursions, stationery, and other costs like music lessons and sports registration fees.

Because the payment is automatic and upfront, it means:

- Parents don't need to keep receipts for months and months – it's a guaranteed payment.
- Parents will receive the full amount every time, so families won't miss out if they lose receipts.
- Parents don't have to pay out of their own pocket, then wait months to get paid back - the payment will be paid upfront, twice a year, before the start of Term 1 and Term 3.
- No paperwork is required.

The payment will replace the Education Tax Refund from 1 January 2013. Under the existing system, 1 million families aren't claiming what they're entitled to – either claiming less than the full amount, or claiming nothing at all. That's 80% of eligible families.

Replacing the old system with this new payment means one million families will receive more cash – a typical family will get more than \$720 extra each year.

We understand that low and middle income families are finding it tough to make ends meet. This new payment will give parents help to balance the family budget. It provides financial support upfront, which means they'll have money when they need it most.

Just like the Education Tax Refund, the Schoolkids Bonus will be available to families receiving Family Tax Benefit Part A plus young people in school receiving Youth Allowance and some other income support and veterans' payments.

As part of the transition to the new Schoolkids Bonus, the Education Tax Refund for 2011-12 will be paid out in full to all eligible families as a lump sum payment in June.

This means families will receive their full Education Tax Refund entitlement ahead of tax time – so parents won't have to worry about keeping receipts or making claims when they do their tax this year.”

4. The introduction of the Schoolkids Bonus is a good initiative because it will assist low income families who have not had the resources to access the Education Tax Refund, in part or in whole. As the Government's data shows, many families did not have the benefit of the refund, confirming our view at paragraph 272 of our principal submission.
5. The Treasurer, Mr Swan, referred to the objective of this new payment in his Budget Speech:

“By making it automatic, we ensure families will get the full assistance they deserve, and we reach out to the parents of half a million children currently missing out.”
6. The Treasurer's statement about the intention of the payment is relevant to any argument that may be made in this Annual Wage Review to the effect that wage increases should be discounted by reason of these changes, ie an argument similar to that used by some that wage increases should be discounted by the extent to which the Carbon Tax compensation payments exceed the expected cost increases of that tax. As we have said in our Reply submissions, this kind of argument should not be accepted because it would have the effect

of frustrating the intent of Parliament in enacting the changes, especially in the case of those dependent on safety net rates.

7. It is important, however, to record that, even with the addition of the Schoolkids Bonus to the family payments, the total payment to families will fall short of the actual costs of children. It doesn't mean that "both ends will meet" because many single income families will still be in poverty. We have shown in our principal submission of March 2012 that many single breadwinner families will fall under the poverty line (ie the 60% of median poverty line). In presenting this data we have emphasised the position of those workers and families who are dependent on the National Minimum Wage (NMW).
8. The substantive effect of the Schoolkids Bonus is to increase Family Tax Benefit A, but with the payment dependent upon the level of schooling rather than age. The Budget also provides for further annual increases, from July 2013, in Family Tax Benefit A for low income earners of \$300 for a child or \$600 for two or more children. Because of the operative date, this initiative is not relevant to current calculations, but it is a matter that should be taken into account in the ongoing work by Fair Work Australia to better assess the needs of low paid workers and their families. Even with those changes, family transfers will remain inadequate to cover the needs of many low paid workers and their families and will demonstrate the need for safety net wages to take into account the needs of low paid workers with family responsibilities.
9. Because the Schoolkids Bonus will operate in respect of the whole of 2011-12, we have re-calculated our figures for December 2011 in Tables 25 and 26 on the basis of a notional payment at that date. The Schoolkids Bonus for two primary school children (the age group in our calculations) is equal to \$15.71 per week. The total disposable income for the NMW-dependent couple and sole parent families should now be \$880.43 per week. Using the latest figures available for the calculation of the poverty line, we showed in our Reply submission (April 2012) that at December 2011 the family of four that was dependent on the NMW and family payments (being Family Tax Benefits A and B for two primary school children and maximum rental assistance) was 12.0% below the poverty line. The Schoolkids Bonus would bring the family up to 10% below the poverty line. Although the change is welcome, it still leaves many low paid single income working families below the poverty line. The Schoolkids Bonus improves the position of the NMW-dependent sole parent with two children, as at December 2011; from 16% to 18% above the poverty line. That margin does not take into account net child care expenses which may cause latch-key arrangements and/or the family to fall into poverty. (We note that there was an error in paragraph 7 of the Reply, where the percentages for the single person and the sole parent were transposed.) We will prepare and file amended Tables 25 and 26 if requested to do so.