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FAMILY INCOME SUPPORT POLICY ISSUES
OR
"Building on a Strong Family Assistance System"

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FAMILY INCOME SUPPORT POLICY ISSUES[1]
OR
"BUILDING ON A STRONG FAMILY ASSISTANCE SYSTEM"

Supporting families with children is one of the Government's key objectives. It plays a major part in the building of Australia's future generations. We have a strong, effective family assistance system that has delivered substantial benefits to families.

This paper reviews major developments in the provision of financial assistance to families with children, how these will be changed under the Government's tax reform package and identifies some outstanding policy issues. The paper does not seek to overview the interaction between the family payments and the income tax systems insofar as they impact on the financial position of Australian families. That is not the purpose of this paper, which is to raise outstanding policy issues within the realm of the income support provided to families. Studies that have examined the interaction between the tax and family assistance systems (such as Beer, 1995[2]) point to the marked rise in the value of family payments for lower income families and the relative decline in family payments for higher income families over the past two decades.

Financial assistance remains, and will be for the foreseeable future, the most significant form of assistance the portfolio will be providing specifically for families with children. It is hard to ignore $7 billion of family payments. However, before exploring those issues it is important to recognise the radical changes to policy development, other than tax reform, taking place in the Department, which reflect the Government's broader goals.

Our policy development goals are turning to more proactive strategies aimed at supporting families through means other than, or complementary to, the payment of money. The aim is to provide holistic outcomes for families that provide a combination of practical support services and financial assistance that helps make families more self-reliant and less dependent on income support than in the past. That is not to say that changes in the income support arena cannot help address some of these problems. The issue is whether we can be doing more with the broader range of tools now available to the portfolio.

This has set for the Department some major new challenges in meeting these heightened expectations. We are in the process of forging a new social policy agenda that goes beyond the traditional income support agenda. This has major implications

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[1] Author is Assistant Secretary, Budget Development Branch, Department of Family and Community Services. The views expressed in this paper and any errors are those of the author. They do not represent the view of either the Government or the Department of Family and Community Services. Peter Whiteford, Julia Perry, David Ingles, Peta Winzar, Klaus Klaucke and Karen Wilson from the Department of Family and Community Services provided assistance and valuable comments.
[2] Gillian Beer's 1995 paper "Impact of Changes in the Personal Income Tax and Family Payments on Australian Families: 1964 to 1994" (NATSEM Discussion Paper No.8, September 1995) shows the combined effect of changes in the two systems on family types.

for the way we go about our business of research and policy development and our interactions with key players in the community, including those in academia.

WHERE WE ARE TODAY WITH FAMILY INCOME SUPPORT

This section commences with a discussion of the way Commonwealth financial assistance to families has developed over the past half century and the changes to that system that will be brought about with the Government's tax reform package.

Income support arrangements, including child support, for separated families are then discussed. An increasing and substantial number of parents – almost one million - interact with the Child Support Scheme, which impacts on the resources available to parents raising children. Current arrangements seek to ensure that separated parents contribute to the financial care of their children, thus ensuring this role of income support is shared between the Commonwealth and parents.

Financial support provided by State and Territory Governments for families with children is then discussed in order to take a broad view of the range of available support.

Finally, the role of family assistance in supporting family choice is considered. Supporting families in making decisions over their caring and working roles has been a significant issue in the development of family assistance.

It can be seen that the term "family income support" covers a very wide set of payments or measures. It is desirable to take an all of systems perspective of the way families benefit from, and are affected by, the range of assistance on offer. This is complex to do, however, although I attempt to move some way to that goal.

Developments in Commonwealth Family Assistance[3]

Since 1941, the Commonwealth has provided financial payments to families with children, initially through the provision of a non-means tested Child Endowment that was available for all children under 16 apart from the first child. Such families were also eligible for taxation assistance in respect of a dependent spouse and children – the precise form of assistance varied between being a rebate and deduction from the 1940s to 1976. In 1976, Child Endowment, together with an income tax rebate for dependent children, were rolled into Family Allowance, the elimination of that tax rebate being to ensure those with income tax liabilities too low to benefit from the rebate received the full assistance intended. It also ensured that the assistance was directed to the 'primary carer'. Child Endowment and Family Allowance were not means tested. This is because they were "horizontal equity" measures designed to assist families with children because their costs were higher than those without children.

From the 1940s, pensioners and beneficiaries received allowances for dependent children. These came to be paid in addition to child endowment and family

[3] The description of the history of family assistance draws heavily on that provided by Stanton and Fuery in "Developments in Family Payments 1983-1996", Social Security Journal, December 1995

allowance. So by 1983, income support recipients received $12 per week in addition to Family Allowance ($22.80 for 1st child) and this was thought to be a disincentive to self support as well as inequitable for those not receiving income support.

In 1983, rates of assistance, especially for lower income families, were significantly increased through the introduction of the Family Income Supplement. The Supplement was paid to mother, at a rate of $10 per week. The family income threshold was $20 a week above the income cut-out for the combined married rate of benefit. This was aimed at providing additional assistance to families earning a low income who were not receiving a pension or benefit. It was intended to protect such families from poverty and to minimize workforce disincentives by ensuring the families were better off than families on the then Unemployment Benefit. Unlike Family Allowance, it was income tested. The aim was to ensure people on low incomes were not worse off than those on income support.

The movement to income testing the basic Family Allowance payment occurred in the 1986-87 Budget when it was announced that from January 1987 Family Allowance would become income tested in respect of payments for student children aged 16 –17 years. Income testing was extended to all Family Allowance customers from November 1987. Tighter targeting of Family Allowance followed in the 1990-91 Budget through abolition of the 25 per cent taper that then applied to income in excess of the higher income cut-out and through the introduction of an assets test.

Significant increases in assistance for lower income families were foreshadowed as part of the then Government's 1987 "Family Package" to address child poverty. Family Allowance Supplement replaced Family Income Supplement with higher rates of assistance, a more generous income test and, for the first time for working families renting privately, access to Rent Assistance. Additional benefit and Family Income Supplement were $17 per week at June 1987 and were raised to $22 per week (for children aged up to 12 years) and $28 per week for children aged 13 to15 years when they were replaced by Family Allowance Supplement. The family income threshold was increased from $257 per week to $300 per week plus $12 for each child after the first. Like Family Income Supplement, Family Allowance Supplement was paid to the mother. Benchmarks of adequacy for family payments were introduced. These were 15 per cent of the combined married rate of pension for a child aged less than 13 years and 20 per cent for a child aged 13-15. Targeting of family assistance was taken one step further with an assets test for Family Allowance Supplement being introduced in the 1998-89 Budget.

As part of a tax and social wage package on award restructuring and wage restraint, the April 1989 Economic Statement announced annual indexation of family payments and increases in the rates of Family Allowance. These measures addressed the real decline in the basic rate of Family Allowance (not Family Allowance Supplement) between 1983 and 1989 and have maintained the real value of payments since. At the same time, the income test for Family Allowance Supplement was simplified by bringing it into line with the Family Allowance (annual) income test to increase take-up and reduce administrative costs. Previously the Family Allowance Supplement income test was based on joint parental income over a four week period prior to the claim.

In the February 1992 "One Nation" Economic Statement, rates of Family Allowance Supplement were increased further and adequacy benchmarks increased (to 16.2 per cent of the combined married rate of pension for children aged up to 13 and to 21.2 per cent for 13-15 year olds).

In January 1993, family payments for income support recipients and Family Allowance Supplement were integrated. The integrated payment comprised a basic rate ("Basic Family Payment") that was equivalent to Family Allowance, and a higher rate ("Additional Family Payment") that was equivalent to Family Allowance Supplement and the Additional Pension/Allowance/Benefit plus rent assistance (for families renting privately) and Guardian Allowance (for sole parent families). Additional Family Payment was paid automatically to pensioners, allowees and beneficiaries with children and on an income and asset tested basis to low income families with children. Payment was made to the principal carer of the children (usually the mother). These features have been maintained since.

Impact of the Changes in Family Payments on Families

Table 1 shows the impact, in nominal terms, of the above changes on the level of family assistance paid through Family Allowance and its earlier equivalents since 1983. It shows, to the left, movements in the minimum rate of payment and the associated income test. To the right, maximum rates of additional assistance are shown. For example, the rate for 1983 is the rate of Family Income Supplement for a family with two children. To ensure comparability, the rate for 1999, say, is the maximum rate for two children under 13 years ($99 per fortnight multiplied by two, plus $88.60 per fortnight maximum rent assistance) less the minimum rate of Family Allowance ($23.70 per fortnight). The table shows that the additional rates of assistance grew at a much faster pace than the minimum or basic rates.

Table 1: Tracking Changes in Family Allowance
(Assistance shown for a two child working family with one child under 5 years, one child under 13, receiving maximum rent assistance. Amounts are in nominal terms.)

Year	*Basic Family Allowance*	*Income Limit*	*Additional Assistance*	*Income Threshold*	*Payment Ceases at:*
1983	$25.83pf (a)	N/A	$40.00pf (a)	$10,100pa (a)	$12,100pa (a)
1987	$25.83pf (b)	$52,500 (b)	$68.00pf (b)	$13,400pa (b)	$16,900pa (b)
1989	$36.00pf (c)	$56,228pa (c)	$136.00pf (c)	$16,200pa (c)	$23,300pa (c)
1992	$41.40pf (d)	$67,377pa (d)	$195.10pf (d)	$21,300pa (d)	$31,500a (d)
1999	$47.40pf (e)	$69,725pa (e)	$239.20pf (e)	$24,200pa (e)	$36,600pa (e)

(a) Family Allowance (FA) was $22.80 per month for first child, $32.55 for second. Family Income Supplement was a maximum of $10 pw per child if family income less than $193pw (for income over threshold, assistance reduced at 50 per cent). Income thresholds are rounded.
(b) FIS was a maximum of $17pw per child if family income less than $257 per week (50 per cent taper beyond that). FA tapered at 25 per cent over income limit.
(c) FA was a maximum of $9pw per child ($12 for the 4th and above children). Family Allowance Supplement was $24 pw per child under 13, $31pw per child 13-15, $17pw per full time students aged 16-24 not receiving AUSTUDY etc. Rent assistance up to $20pw.
(d) From April 1992, FAS was $30.40pw for each child under 13, $42.95pw per child 13 to 15. Rent assistance up to $36.75 pw.
(e) Rates as shown in Table 4 (annual income tests rounded).

Other Forms of Assistance for Families

Complementing the changes in family payments has been the creation of Parenting Payment. Parenting Payment was formed in 1998 from Sole Parent Pension and Parenting Allowance. Sole Parent Pension (1989) evolved from Class A Widow Pension (1942), Supporting Mother's Benefit (1973), Supporting Parents Benefit (1977).

Parenting Allowance evolved as follows. From 1944, unemployment, sickness and special beneficiaries were paid additional amounts for dependent spouses. In 1994, the Dependent Spouse Rebate at the "with child rate" was cashed out into the Home ChildCare Allowance[4] and the benefit for dependent spouses was paid to them directly as Partner Allowance, instead of to their husbands.

In 1996, Partner Allowance was restricted to wives of allowees without children aged 40 and over. Parenting Allowance was introduced for those with children but not only spouses of beneficiaries – also spouses of low income workers. This was the first time they'd been directly provided with financial assistance by a government.

So then we had Sole Parent Pension for single people with children and Parenting Allowance for partnered people with children. It seemed obvious to make them into a single payment for people caring for children – Parenting Payment (1998). This payment has two key dimensions, in that it both provides a pension like payment to some people (sole parents and the spouses of those who either earn a low income or receive an income support payment) and a supplementary benefit to others (called the basic parenting payment). The basic parenting payment will be absorbed into Part B of the new Family Tax Benefit from July 2000.

Income support payments for youth (now provided as Youth Allowance) and assistance with the cost of child care provide further assistance for families and need to be considered when analysing trends in assistance provided to families.

Overall, it would be expected that the substantial gains in assistance for lower income families with children since 1983 must have improved their living standards. In a recent study, Harding and Szukalska (1999)[5] conclude that over the period 1982 to 1995/96 there has been a one-third drop in before-housing child poverty, largely as a result of the substantial increases in government cash payments to lower income families with children. Reflecting the inherent uncertainties associated with picking a "poverty line", the paper presents four measures, which are reproduced in Table 2. Harding and Szukalska conclude that over the period, the number of children in families in poverty has fallen by about one third. The uncertainties in measuring poverty are illustrated by the fact that one measure, the Henderson poverty line, shows an increase in child poverty. The authors argue this measure has not been updated appropriately as illustrated by the fact that the poverty line has risen over the years relative to average incomes (and therefore would be expected to show a rising tide of poverty).

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[4] People had a choice - they could claim either the Rebate or the Allowance but not both.
[5] "Trends in Child Poverty 1982 to 1995/96", Ann Harding and Aggie Szukalska, presented at the Australian Association for Social Research Annual Conference, 12 February 1999.

As the authors note, the period covered in their study pre-dates the introduction of the Family Tax Initiative in 1997, which has added further to family income.

Table 2: Summary of Harding and Sukalska Estimates of Child Poverty Using Alternative Poverty Lines, December quarter 1982 and 1995-96

Type of Poverty Line (1995-96 dollars)		*Number and proportion of all children less than 15 in "poverty"*
Henderson:	1982 $369	1982: 700,000 children (20.0%)
	1995/96 $434	1995/96: 996,000 children (25.3%)
Half Average:	1982 $359	1982: 657,000 children (18.7%)
	1995/96 $365	1995/96: 514,000 children (13.0%)
Half Median:	1982 $319	1982: 464,000 children (13.2%)
	1995/96 $320	1995/96: 335,000 children (8.5%)
OECD:	1982 $335	1982: 579,000 children (16.5%)
	1995/96 $341	1995/96: 433,000 children (11.0%)

Half average refers to half of the average equivalent family disposable income of all Australians.

Internal analysis conducted within the Department of Family and Community Services suggests that both two and single income families at Male Total Average Weekly Earnings (MTAWE) have benefited from the Family Tax Initiative. It is estimated that for a two income family at MTAWE, the introduction of Part A of the Family Tax Initiative is responsible for about 40 per cent of the increase in real disposable income since the middle of the 1980s. For a single income family at MTAWE, it is estimated that Parts A and B of the Family Tax Initiative account for all the increase in real disposable income.

Current Family Assistance

The Portfolio Budget Statements show the breadth of assistance currently provided to families with children. The term "Family Assistance" as shown in Table 3 below comprises Family Allowance, the Family Tax Payment[6] (the social security arm of the Family Tax Initiative), Maternity Allowance[7], Youth Allowance and family relationship services. Families also receive substantial assistance in the form of assistance with the cost of child care, which is shown separately.

Family assistance is a major item of government expenditure and accounted for about $9 billion of expenditure in 1998-99, which is about 20 per cent of the total outputs delivered by the Department of Family and Community Services in 1998-99. Of the $9 billion, about $1.7 billion was spent on Youth Allowance and about $7.1 billion was spent on Family Allowance ($6.4 billion), Family Tax Payment, Double Orphan Pension and Maternity Allowance.

[6] Family Tax Initiative is available as a social security payment (called Family Tax Payment) or as a reduction in income tax (called Family Tax Assistance). Families entitled to more than the minimum rate of Family Allowance are entitled to receive their FTI as the FTP payment.
[7] Since January 1998, Maternity Allowance is split into two payments – the allowance itself, payable at birth and Maternity Immunisation Allowance, paid when the child is fully immunised at 18 months (or if a valid exemption is claimed).

Table 3: Family and Community Services, Administered Expenses 1998-99

Output Group	*Expenditure ($million)*	*Percent*
Family Assistance	9,283	19.6
Child Care Support	990	2.1
Labour Market Assistance	12,342	26.1
Support for People with a Disability	6,182	13.1
Support for Carers	551	1.2
Support for the Aged	13,964	29.5
TOTAL	**47,331**	**100**

Family Allowance customers (1.8 million families, almost 80 per cent of all families with children) make up about one third of the portfolio's financial assistance client base of 7 million individual claimants.

Reflecting the changes since 1983, Family Allowance can provide significant rates of assistance. Current rates of Family Allowance are shown in Table 4. The rates shown are the "maximum" rates that are paid to families that receive an income support payment or working families that earn sufficiently low income. Higher income families either receive a rate that has been reduced by the income test (which I call a "tapered rate") or the minimum rate (which is $23.70 per child per fortnight).

Table 4: Who Receives What Amount of Family Allowance, December 1998

Family Circumstance	*Benefits* *($ per fortnight)*	*% of FA* *families*
Rely on Income Support	Max rate FA: $99 for child under 13 $128.80 child 13-15 $23.70 student 16-18	37%
Low/Middle Income	Max rate if income below $23350pa.	7%
	If above, receive tapered rate (50% tax rate). Assistance reduces to minimum rate at income of $27,466 or above(a)	8%
Middle Income	Minimum rate ($23.70) if income below $66,403 (b)	48%

(a) The income point at which Family Allowance is reduced to the minimum rate will depend on the amount of assistance for which a family qualifies. For a family with one child aged under 13, and not renting privately, Family Allowance is tapered to the minimum rate at family income of $27,466. For a family with two children (one aged 13-15 and one under 13) the maximum rate continues if family income is below $24,174 ($624 above the cut off for a one-child family). If that family is not renting privately, Family Allowance is tapered to the minimum rate at $33,555 of income. If that family qualified for the maximum $88.60per fortnight rent assistance, Family Allowance is tapered to the minimum rate at family income of $38,162.

(b) Family Allowance is reduced to zero if family income exceeds the cut-off by one dollar. The cut-off is increased by $3322 for every child after the first.

Table 5 shows the additional assistance available through the Family Allowance for larger families, for those that rent privately, and for sole parents (Guardian Allowance). It also describes two one –off payments, one available at the birth of a child and a further payment at the time of his or her immunisation. The Family Tax Initiative Part A provides additional assistance for families while Family Tax Initiative Part B and the basic rate of Parenting Payment provide additional assistance for single income families, especially those with young children.

Larger families may qualify for significant payments of Family Allowance even if they earn what might commonly be considered a "middle" income. Table 4 shows that a two child family renting privately might qualify for more than the minimum rate of Family Allowance with a combined taxable income close to $40,000. The availability of such assistance reflects the underlying objective of assisting families raise their children. About one quarter of working families receiving the maximum rate of Family Allowance or the "tapered" rate of Family Allowance also receive rent assistance as part of that payment.

Family assistance can substantially supplement a family's income. For a two-child family qualifying for the maximum rate of Family Allowance, that assistance can boost their disposable income by almost $6,000pa, depending on the age of the children, and by up to around $2,300 more if they qualify for maximum rent assistance. Family Tax Payment will add up to a further $900pa if the family has a child under 5 years of age and one partner has income less than $176 per fortnight. All in all, these benefits could augment that family's income by up to $9,000 annually. Furthermore, eligibility for maximum rate of Family Allowance entitles a family to a Health Care Card, which reduces the cost of medical treatment and pharmaceutical products

Over one third of families that qualify for Family Allowance automatically qualify for the maximum rate because one or both partners receive an income support payment. A further 15 per cent of families who are in work qualify for either the maximum rate or a tapered rate. Just under half of all families that qualify for Family Allowance receive the minimum rate. No Family Allowance is payable for a family whose income exceeds the higher income threshold, which is $66,403 for a family with one child.

Table 5: Additional Assistance for Families

Benefit Available	*Assistance ($ per fortnight)*
Family Tax Initiative: - - *Part A.* Available for families with taxable income under $70,000 (plus $3,000 for each extra child)	$7.70 per child
--*Part B.* For sole parents or couples where one earns less than $176.43 per fortnight and the primary earner earns less than $65,000.	$19.24 per family
Multiple Birth Allowance: Paid to parent/guardian who has triplets, quadruplets or more, less than 6 years of age as part of Family Allowance (a).	$94.70 for triplets, $126.40 for quadruplets or more.
Large Family Supplement: Paid for fourth and subsequent child as part of Family Allowance (a).	$7.80 per family
Guardian Allowance. Paid to sole parents who receive more than minimum Family Allowance.	$37.00 per fortnight
Rent Assistance. Paid to families who receive more than minimum Family Allowance and rent privately. 75 per cent of rent paid in excess of threshold, up to a cap, as part of Family Allowance.	For a couple with 1 or 2 children the rent threshold is $141 per fortnight, and the rent assistance cap is $88.60. If a couple has 3 children, the cap is $100per fortnight.
Maternity Allowance. Paid for all babies if family qualifies for Family Allowance within 13 weeks of birth.	$750 lump sum
Maternity Immunisation Allowance. Paid for 18-month-old immunised (or exempt) child born on/ after 1/1/98 if family had been paid Maternity Allowance or if qualifies for Family Allowance.	$200 lump sum
Parenting Payment. Paid if partnered or sole parent has child under 16 years.©	Basic $66 per fortnight Partnered Parents up to $293.80pf Sole Parents up to $361.40pf

(a) If a family qualifies for minimum rate only, these supplements add to their rate of payment.
(b) Rent assistance is subject to the Family Allowance taper rate so families who qualify for minimum rate and rent privately receive no rent assistance.
(c) Recipient's income over $60pf reduces payment by 50 cents in dollar, and by 70cents for income above $140pf. Partner's income reduces rate by 70 cents in the dollar if income above $503pf but partner's income cannot itself reduce the Parenting Payment below $66pf.

The flip side of a system that targets substantial amounts of assistance to the most needy while maintaining its cost to the Budget is the imposition of relatively high effective marginal tax rates – the reductions in assistance families face as they earn more income.

Around 10 per cent of Family Allowance families earn incomes that place them in the taper range, that is, where they directly face a withdrawal rate of 50 cents in the dollar. This covers families receiving a "tapered" rate of Family Allowance. However, many more may be potentially affected by the "taper" rates because they may be making choices about going to work, working longer hours or seeking a higher paid job and that could place their income within the taper range. The interaction with the income tax system means that effective marginal tax rates over certain ranges of income can be 80 per cent or more.

It is also evident that the current system is complex, with the wide range of benefits available. Some of these benefits are subject to different tests for eligibility. This issue is explored further in the discussion of the tax reform changes.

Nevertheless, it is important in the current debate about reform to recognise that Australia's current family assistance system has been very successful (notwithstanding the room for improvement). It assists the vast majority of families with children in a way that is, in the main, unobtrusive. It has played a key role in alleviating child poverty and in assisting families to make the complex choices that many now have to make, particularly choices to work or stay at home to raise children. In addition, by linking almost 80 percent of families to the social security system, it has given these families access to the other benefits the system provides, for example, access to Centrelink's social workers when family relationship problems or other difficulties emerge.

- For the vast bulk of families, family assistance is relatively simple to claim and comply with. Entitlement is based primarily on taxable income and for many families requires little interaction with Centrelink.

- The system does not impede families shifting between income support payments and work. They can continue to receive Family Allowance while in work, which provides them with greater certainty over their financial assistance situation.

It should be recognised that these successes should be considered against the inherent complexity of the task. Unlike income support payments, the Family Allowance caters to a very diverse group of clients. It caters for families in stable financial and relationship circumstances (for whom minimal interaction with the payment system may be appropriate) and for families in transition between work and income support (who are in regular contact with the social security system in respect of their income support payments). Those in casual employment or facing unstable personal relationships also have special needs. Finding eligibility tests, rules and processes that work well for all groups is inevitably a challenge.

The July 2000 Reforms to Family Assistance

The changes to family assistance that will take effect from July 2000 as part of the Government's tax reform package will:

- Enhance assistance for families with children;
- Improve work incentives by reducing effective marginal tax rates;
- Simplify the benefits structure; and
- Offer families greater choice in how they receive their assistance.

The changes to family assistance will provide an additional $2.5 billion to family assistance when the system is fully in place. The changes will create a three benefit structure.

Family Tax Benefit Part A, which is in the nature of a payment per child, will replace the Family Allowance and Family Tax Initiative Part A. It will retain the Family Allowance's rate structure but add $140 per year for each dependent child. It will reduce the Family Allowance taper rate from 50 per cent to 30 per cent and apply it from a higher level of income. A 30 per cent taper rate will be introduced to replace the sudden loss of assistance once family income exceeds the high income threshold. That threshold will increase from $66,403pa (for one child) to around $70,000pa (plus $3,000 for every additional child after the first). As a result, the level of income at which FTB Part A will cease for a one child family will be about $76,000, which is substantially higher than now. The Family Allowance assets test will be abolished.

Family Tax Benefit Part B, which is in the nature of a payment per family, will replace Basic Parenting Payment, Dependent Spouse Rebate (with children), Guardian Allowance, Sole Parent Rebate and the Family Tax Initiative Part B. It will maintain the current structure of providing higher assistance to single income families, especially where the youngest child is less than 5 years. It will add $350 per annum assistance for single income families (including sole parents) with a child under 5 years and $61 per annum where a child is aged 5-16 years. The income test on the non-working partner will be simplified and increased while the working partner (or sole parent's) income test will be abolished.

Childcare Assistance (currently provided direct to the childcare centre) and Childcare Rebate (paid to the family) will be merged into a single Child Care Benefit (CCB). A single income test will apply. The maximum rate of assistance will taper down starting at a family income of $28,200 per annum (projected) to a minimum rate once family income reaches $81,000 (projected) for one child in care. More generous tapers and rates of assistance will apply for multiple child families. There will be no income cut-off for the minimum rate of CCB, which is projected to be $20.10 for one child for 50 hours of care per week.

The maximum rate of CCB is projected to be $2.40 per hour, which will amount to assistance of $120 a week based on 50 hours a week of care. There will be higher rates of assistance for families with more than one child in care (which will be extended to families with children in both outside school hours care and long day care). Based on this projection, families with two children in care will receive up to $251 a week and families with three children in care will receive up to $392 a week.

Families using part-time care (34 hours per week or less) in centres will be eligible for a 10 per cent loading on the standard rate of CCB. To be eligible for more than 20 hours of Child Care Benefit, both partners must meet a work test. Families using informal child care for work related purposes will receive CCB of $20.10 for 50 hours of care, pro-rated for part time child care.

The July 2000 Reforms Will Simplify the System…

TOO MANY BENEFITS:
(Today)
Family Allowance
Family Tax Payment Part A,
Family Tax Assistance Pt A,

Family Tax Payment Part B,
Family Tax Assistance Pt B,
Basic Parenting Payment,
Sole Parent Rebate,
Dependent Spouse Rebate,
Guardian Allowance,

Child Care Rebate,
Child Care Assistance

THREE BENEFITS:
(From July 2000)

Family Tax Assistance Part A

Family Tax Assistance Part B

Child Care Benefit

…and create consistent eligibility

<u>Align income tests</u>, which are presently inconsistent, for example:

Family Allowance – prior year taxable income, plus fringe benefits, net rental property losses, exempt foreign source income, up to $66403.

Family Tax Initiative Part A-prior year taxable income up to $70,000.

Basic Parenting Payment- fortnightly income.

<u>Align payment rules</u>, for example:

Family Tax Initiative - payment for secondary students ceases at 18th birthday.

Family Allowance - payment ceases at end of the calendar year student turns 18.

From 1 October 1999, families and youth will have greater choice in claiming Youth Allowance or Family Allowance and therefore potentially receiving higher levels of assistance. At present, families with secondary school children under 18 years may choose between claiming Family Allowance or Youth Allowance. This choice will be extended because Family Allowance will from that date become available in respect of youth aged 16 to 20 irrespective of their activity. Currently for a 16 to 18 year old to qualify their family for Family Allowance, they must be engaged in full time secondary study. From 1 October 1999, Family Allowance will also be available for youth aged 21 to 24 if they are studying full time. The rate of Family Allowance for youth aged 16-18 will remain unchanged at $23.70 per fortnight while the rate of youth aged 18 to 24 will be $50 per fortnight.

The July 2000 reforms will substantially improve the flexibility of delivery. From that date, families will be able to receive their assistance as a regular fortnightly payment (as they receive Family Allowance now) or as a tax credit. The latter can be received through the year as an adjustment to their take home pay or claimed at the end of the year on their tax return. Entitlement to Family Tax Benefit will be based on annual taxable income in the year assistance is received, so there will be a reconciliation process at the end of the year to ensure families in similar circumstances receive the same assistance irrespective of how they claim.

The delivery of family assistance by way of a tax benefit is not new. For example, New Zealand has been delivering assistance to working families this way since 1986. What will make the Family Tax Benefit unique is that families who choose to receive their assistance via the taxation system will have direct access to the support services available in Centrelink through the Family Assistance Office, which will provide a link point for many families.

Additional Support for Separated Families with Children

Family breakdowns have resulted in around one third of Family Allowance children living in families that are affected by the Child Support Scheme. They are either living in single parent households or in circumstances where one or more of their parents has re-partnered (including blended families).

Separated parents have on-going obligations to support their children. This ensures children from a separated relationship receive financial support from both parents while also minimising the burden of support on the taxpayer. For a single parent caring for a child to be eligible to claim more than the minimum rate of Family Allowance, they must demonstrate that they are seeking child support from their former partner. Through the operation of the Maintenance Income Test, receipt of child support in excess of the free area ($951.60pa) reduces a payee's Family Allowance entitlement by 50 cents in the dollar (but to no less than the minimum rate).

Child support can greatly assist with the financial situation of parents who care for a child after separation. By the same token, payments of child support add to a payer's effective tax rates because they reduce their take home pay. Receipts and payments of child support need to be considered when looking at the adequacy of support and the work incentives that impact on separated families. The rates set under the Child Support Scheme, shown in the table below, would add directly to a payer's marginal tax rates as they are based on taxable income.

Table 6: Child Support Rates

Number of children from previous relationship:	1	2	3	4	5 or more
Rate of child support (a):	18%	27%	32%	34%	36%

(a) Percentage of payer's taxable income, over a threshold ($10,219pa). A minimum liability of $5pw applies since 1 July 1999. If payee's income exceeds $31,351, liability is reduced. If care of a child is shared, both parties are treated as payers and their respective liabilities are netted out.

From the perspective of analysing the impact of financial assistance on separated families, it is desirable to consider the totality of child support, family assistance and income support.

Table 7A shows the financial impact of the combination of these measures (and the taxation system) on some hypothetical separated families. The parent caring for the child (the person receiving child support, called the "payee" in the table) is assumed to be a single parent in receipt of Parenting Payment. The payee is assumed to receive that payment, child support and family assistance net of the Maintenance Income Test. The combination of assistance significantly assists the parent caring for one child (the "payee") – as can be seen by comparing their earned and disposable incomes – which is achieved through the support provided by the Government and the former partner.

Table 7A: Hypothetical Circumstances, One Child

(Assumes couple had one child, payee receives Parenting Payment and Rent Assistance)

Payer income used to calculate child support	*Payee's private income*	*Payee's disposable income*
$20,000pa	$0	$17,300pa
$20,000pa	$5,000pa	$21,411pa
$30,000pa	$5,000pa	$22,311pa
$30,000pa	$10,000pa	$25,710pa

Where there are two children involved, the assistance available for the payee is more significant, as the child support formula and Family Allowance rate structures would suggest. These are shown in Table 7B. Rates of support where there are more than two children would be higher than those shown.

Table 7B: Hypothetical Circumstances, Two Children

(Assumes couple had two children, payee receives Parenting Payment and Rent Assistance)

Payer income used to calculate child support	*Payee's private income*	*Payee's disposable income*
$20,000pa	$0	$20,608pa
$20,000pa	$5,000pa	$25,031pa
$30,000pa	$5,000pa	$26,379pa
$40,000pa	$10,000pa	$30,131pa

State and Territory Family Assistance

State and Territory Government assistance to families, which includes assistance for the education of their children, varies widely and entitlements will depend on individual family circumstances. Preliminary investigations suggest that State and Territory assistance can add significantly to the benefits available to a family although we have not undertaken any systematic review in this area. Where benefits assume eligibility for Commonwealth assistance as a prerequisite, that adds to the effective tax rates associated with the withdrawal of Commonwealth assistance as family income rises.

- Some States offer school related benefits such as free travel to and from school, text book allowances and a back to school allowance for families without means testing. For example, the Queensland Government provides a text book and resource allowance for families with secondary students in Year 8 to 10 of $73 per annum and $167 per annum where the student is in Year 11 to 12 and also non-means tested remote area allowances for families with students. The New South Wales Government provides an annual non-means tested $50 back to school allowance and free transport to and from school, subject to certain distance criteria being met.
- In other States, assistance for the costs of schooling is tied to eligibility for a Commonwealth Health Care Card (which is available to low income working families or those in receipt of a Commonwealth income support payment). For example, Western Australia provides financial assistance for secondary school students from low income families for school charges and the purchase of text books, of $160 to $215, depending on the year at school and $115 clothing assistance. Both Western Australia and Victoria assist low income families with the payment of fees at pre-schools (about $100 pa).
- Western Australia provides a subsidy for families for the first two years after a multiple birth (triplets or more) provided the family qualifies for Family Allowance. The assistance is $60pw for triplets, $80pw for quadruplets, $140 per week for quintuplets, which is a significant amount which would add to the adequacy of overall family assistance and to the effective marginal tax rates associated with family income rising over the Family Allowance cut-off point.
- There is a variety of other forms of assistance for families that qualify for Commonwealth health care card, receipt of income support payment or Commonwealth student assistance and include concessional treatment of council rates, utility payments, motor vehicle registration and a subsidy for the cost of spectacles.

There are complexities associated in verifying and quantifying the different ranges of assistance available because the value of assistance will depend on a family's circumstances, for example, the distance from school may determine the value of travel support. However, the evidence suggests these forms of assistance can significantly boost a family's resources.

Preliminary work undertaken within the Family and Children Branch of the Department suggests some assistance could be worth up to about $1,000 per annum for a family in some States, closer to $300 per annum in others. In those States where assistance is not means tested, the proportionate gain in government assistance for a family in receipt of "minimum" Family Allowance could be substantial.

Facilitating Choice

The July 2000 reforms will significantly reduce the effective marginal tax rates faced by many families and so raise the returns that families receive from participating in paid work. In future it may be appropriate to look beyond the income tax and family assistance system when looking at factors that may affect families when they make decisions about paid work. For example, it may be appropriate to consider such factors as the child support scheme, the impact of State and Territory Government family assistance, or the obligations of an increasing number of parents to repay their deferred tertiary education charges. As the latter repayments are made in proportion to taxable income, are they an effective "tax" rate? Without prejudicing consideration either way, Table 8 illustrates some possible orders of magnitude.

Table 8: Possible Sources of Additional Effective Tax Rates
(for a family with taxable income around $30,000-$40,000 pa post July 2000)

Possible Source of Tax Rates	*Indicative Rates*
HECS Repayment	Ranges from 4.5 to 6 per cent
Child Support Scheme	18 to 36 per cent (on payers) (a)

(a) Note that Family Tax Benefit and Child Support are only additive where child support payer supports a second family. Since July 1999 the family assistance income test takes into account half child support paid so the effective tax rate is half the child support rates shown.

The family payment system also supports families howsoever they decide to balance their caring and paid work roles. For many families, a decision is made that one partner (usually the mother) will remain at home to raise the children, particularly when they are young while in others, a decision is made that both partners continue in paid work either on a full or part time basis. Whichever decision is made the family assistance system can provide substantial support.

Table 9 compares the possible assistance families making either choice could receive under the post July 2000 system. Comparisons of this type are always difficult to make because of the assumptions required. Are we looking at horizontal equity (families earning the same overall income but through different spousal contributions)? I have decided to look at the impact on a family's entitlement to assistance depending on whether the secondary earner decides to stay at home or enter paid work. Hence in the case where a partner elects to stay home the family's income is the breadwinner's (assumed to be $35,000) and where the partner elects to enter paid work, the family's income rises by the partner's income of $15,000 to a total of $50,000. In view of the differences in family income, it is not unexpected that the hypothetical assistance provided to the single income family is higher than that provided to the dual income case. The results would be different if family income had been held constant. The results do not take into account the operation of the marginal personal tax rates.

Table 9: Substantial Assistance Irrespective of the Caring/Work Balance

From July 2000. Two income family earns $50,000 (husband $35,000 & wife $15,000), single income earns $35,000. Two 2 children: 1 under 5 years & the elder under 13. No rent assistance.

Assistance for Dual Income Families(a) *Family Income: $50,000*		*Assistance for Single Income Families(b)* *Family Income $35,000*	
Family Tax Benefit Part A	$1,954pa	Family Tax Benefit Part A	$3,870pa
Family Tax Benefit Part B	Nil	Family Tax Benefit Part B	$2,640pa
Child Care Benefit	$500pa	Child Care Benefit	None
Total	*$2,454pa*		*$6,510pa*

(a) Qualifies for minimum FTB Part A, no FTB Part B and CCB (20 hours pw, assistance is $2.40pw plus 10% loading, tapered at 10% rate for family income in excess of $28,000, rounded).
(b) More than minimum FTB Part A, full FTB Part B and no childcare.

OUTSTANDING INCOME SUPPORT POLICY ISSUES

There remains a significant range of outstanding policy issues in the income support arena. These concern the earned income tax credit debate, addressing the high level of unemployment among families and reviewing the delivery of assistance to suit families in diverse circumstances

Is the Payment Structure Right? – The Earned Income Tax Credit Debate[8]

There has been some debate over the possibility of re-engineering social security arrangements to improve work incentives through positively linking the payment of some benefits (such as family assistance) to income earned from working, especially for the low paid. Continued high levels of unemployment will continue to raise questions over whether the existing assistance structure is the best way to deliver assistance and whether alternative or additional approaches such as the United States style earned income tax credits may be worthy of consideration. I do not intend here to reach any conclusions on the appropriateness of earned income tax credits as a way to deliver assistance to families. Instead I intend to raise some of the issues that might need to be considered.

Unlike the United States, Australia already has a comprehensive system that assists families with children. It already contains key features associated with earned income tax credits (and negative income taxes), namely near universal eligibility for payment (within the family with children population), the withdrawal of assistance as income rises (through "tax" rates) and availability as an in-work benefit. These features will be improved by the July 2000 changes.

A key difference between the Australian system and an earned income tax credit is that the latter would seek to reduce effective tax rates for the low paid by phasing-in additional assistance as incomes from working rise (up to a point). That raises a number of issues:

[8] This section draws on unpublished analysis by David Ingles of the Department of Family and Community Services.

- If it is the case that the overall structure of assistance is inappropriate the issue may be whether we have a choice of making adjustments to the income tax and family assistance systems now in place rather than pursuing a further payment structure on top of what we have now. Adding a further benefit system would, by definition, add to complexity.

- Substantial assistance is already provided for families with children, (which is to rise further from July 2000). If the issue is addressing work incentives for the low paid, a relevant question to ask is whether any such additional assistance should be targeted to all low paid workers or just those with children.

- While earned income tax credits improve work incentives for the lower paid by phasing in additional assistance, they may have the reverse effect on relatively higher paid workers over the income range where the earned income tax credit is phased out. The net impact on work incentives for the economy as a whole becomes more problematic to determine. Some analysis of the United States earned income tax credit suggests that in 1996, around 16 per cent of recipients earned income in the range where the credit is constant and 61 per cent in the range where it phased out. In that year, a taxpayer with two children was entitled to a credit of 40 cents in the dollar up to an income of $US 8,900 (reaching a maximum credit of $US 3,556), which phased out at a rate of 21.06 per cent above income of $11, 610. The credit was fully abated at income of $US 28,495.

- Reconfiguring assistance could be achieved at additional cost to the budget by adding to the assistance already provided or at no additional cost by reducing the assistance provided to the very lowest or non-income earning families. The latter could come at a cost of higher child poverty.

Are We Seeing Growing Welfare Dependency?

We are seeing a growing share of families who receive income support payments and more than the minimum rate of Family Allowance. The proportions have increased significantly over the past two decades as Table 10 shows. Compared with 1978 when only one in ten families received more than minimum assistance, over half do so today. There has been a dramatic increase (albeit from a very low base) in the proportion of families that are receiving additional in-work family payments. At face value that might suggest that Australian families are more dependent on “welfare”.

Table 10: Significant Growth in Higher Family Allowance Claims

Year	*Family Allowance Children*	*% More than minimum rate:*	*% on income support(a)*	*% in working families*
1978	4.3 million	11%	11%	None available
1983	4.2 million	19.3%	18.2%	1.1%
1988	3.8 million	25.8%	20.2%	5.6%
1998	3.4 million	52.6%	35.7%	16.9%

(a) From 1978 to 1988 the figures relate to the number of families receiving Additional Pension/Benefit/Allowance as a proportion of Family Allowance customers.

In view of the significant changes in family assistance arrangements over the period, care is required in interpreting the data. For example, the increases in the maximum rates of assistance and the availability of rent assistance for working families over the late 1980s has meant that more families have become eligible to claim more than the basic, minimum rates of family benefit. As noted, families earning income of $40,000 or more may today qualify for more than the minimum rate of assistance, which is not a level of income commonly associated with "welfare dependence". It warns us against using the percentage of families receiving more than than minimum Family Allowance as an indicator of "poverty" as some commentators have done.

There have been changes in income support arrangements that would have driven up the number of families receiving such payments. As part of the 1995 measures to improve incentives for the unemployed, the maximum rate at which Job Search or Newstart Allowance was withdrawn was reduced to 70 cents for each dollar of private income. This allowed more families earning low levels of income to remain on income support and automatically entitled to the maximum rate of family assistance.

A direct comparison against past entitlements shows the increasing breadth of family assistance over the period. This has been achieved by a combination of raising the income level at which entitlement to maximum assistance commences to taper and secondly, by increasing the maximum assistance available to families through increasing the rates of payment and adding entitlement to rent assistance. Table 11 shows that entitlement to at least some additional, or more than minimum, family payment has broadened to families with incomes higher up the distribution scale.

Table 11: A Broadening Entitlement to Substantial Additional Family Assistance
Assume working family, renting privately. Table shows income point, relative to median family earnings, where entitlement to more than minimum (or supplementary assistance such as FAS) payment ceases

Period	*1 child under 13 years*	*2 children: 13years & 13-15yrs*
1986.	49.6 per cent	65.4 per cent
1990	58.2 per cent	Na
1994-95	66.6 per cent	92.5 per cent
1996-97	71.6 per cent	92.1 per cent

Source: Internal estimates. Median income data from ABS "Income Distribution Survey", ABS Cat 6523.0.

Internal modelling within the Department[10] also suggests that it has been the changes to the structure of family assistance that has led to the growth in the number of workforce families receiving more than the minimum rate of payment. These investigations suggest that had the 1983 Family Income Supplement been maintained unchanged in real terms (in terms of payment rates and the income test) then only a quarter to a third of those working families currently receiving more than minimum Family Allowance would be entitled to it. Had, in addition, take-up rates not increased since 1983 (it has been estimated that at that time only 13.6 per cent of families eligible for Family Income Supplement received it[11]) then there might

[10] Estimates using STINMOD by Modelling Section, Department of Family and Community Services.
[11] Whiteford and Doyle 1991

actually be fewer working families claiming more than minimum family payment than in 1983. These results should be regarded with care but they indicate the point.

The July 2000 changes, which will add further to maximum rates of payment and reduce the rate at which family assistance is tapered, will see more families entitled to more than the minimum rate of assistance. We will see more families having their living standards enhanced by family assistance.

The Family Allowance data in Table 10 also show a decline in the total number of children for whom Family Allowance is payable, reflecting the tighter targeting of Family Allowance at higher income levels over the period. The July 2000 reforms will also widen the range of families entitled to minimum rates of assistance by increasing the income test cut off point and re-introducing a taper rate for families with incomes over that point.

Addressing Non Employment

Of major concern is the significant increase in the number of children in families who qualify for the maximum rate of Family Allowance because they receive income support payments.

There is a growing problem with non employment among families. There are about 470,000 families with children in which neither parent is in paid employment, which is about 18 per cent of all families with children, an increase of over 50 per cent since 1989. Almost two thirds of these workless families are lone parent families. To a significant degree, the growth in workless families has been driven by the growth in lone parent families. The growth in sole parent families reflects in part the greater social acceptance of divorce and sole parenthood since the 1960s. The proportion of sole parent families has trebled since 1970.

Table 12: Continued Upward Growth In Single Parent Families

Period	*Proportion of families with children*
1970	7.1%
1975	8.7%
1980	12.6%
1985	14.4%
1990	15.4%
1995	19.0%
1998	21.5%

The growth in single parenthood has been in the more mature age groups. Two decades ago, about 7 per cent of mothers aged 25-44 years were sole parents. In 1998, over 13 per cent of mothers aged 35 to 44 years were sole parents and 11 per cent of mothers aged 25 to 34. By comparison, the proportion of teenage mothers who are sole parents has remained at just over 1 per cent.

The implication of the growth in sole parent families on "dependency" is that single parent families figure prominently among those receiving income support. While sole parent families comprise less than a third of all families receiving Family

Allowance, they make up over half of those families that automatically receive the maximum rate of Family Allowance because they are on income support. Almost three quarters of sole parent families receive an income support payment compared with less than a quarter of couple families (that is, among all families who receive Family Allowance). And of the sole parents who register as part of the labour force, 17 per cent are unemployed, almost treble the rate of unemployment among couple families.

Table 13: Sole Parent Families and Family Allowance

Family Situation	*Number of Families*	*Percentage*
Total FA families:	**1.78 million**	**100%**
Couple family	1.25 million	71%
sole parent family	0.5 million	29%
FA families on income support:	**0.65 million**	**100%**
Couple families	0.28 million	43%
sole parent families	0.37 million	57%

Source: Administrative data.

However, this is not to say that worklessness among couple families is not a significant issue. Around 9 per cent of all couple families are those in which neither parent is in paid work. In around half of these workless families, neither parent is in the labour force, while in a further 40 per cent of cases, one partner is unemployed and the other is out of the work force.

A related issue is the apparent relationship between the mother's labour force status and that of her husband. Only a quarter of mothers with an unemployed husband are employed compared with three quarters of mothers whose husband is employed.

Just because a family receives an income support payment does not necessarily mean they are out of the labour force. The income support system provides incentives for beneficiaries to work part time. For example, single parents receiving Parenting Payment may earn up to $124 per fortnight (plus $24 for every child in their care after the first) without losing any of their income support and automatic entitlement to maximum Family Allowance. Income earned over that threshold reduces their assistance by 50 cents in the dollar. Around 27 per cent of single parents who receive Parenting Payment earn some private income, mainly from employment. The July 2000 reforms will add to these incentives by reducing the taper rate on Parenting Payment to 40 per cent. Accordingly, the income support system increasingly provides a supplementary payment for many families in work, not simply a vehicle for "full dependency" in the traditional sense. And as noted a consequence will be more families automatically receiving the maximum rate of family assistance. Similarly, couple families receiving income support may also be engaged in paid work.

The challenge ahead is to ensure there are appropriate incentives and support to facilitate appropriate labour market outcomes. Strategies must help families become

[12] Chalmer J (1998) "Sole Parent Pension Exit Study", SPRC, University of New South Wales.

independent, such as through childcare assistance, pre-vocational and other training so as to help parents make the transition to sustainable work, when they are ready to do so.

Understanding Customer Behaviour

The trends towards higher levels of unemployment among families raise the question as to whether the long term behaviour of our customers is sufficiently well understood. In effect, we need to understand the long term implication of sustaining a significant number of families on income support.

Investigations to date suggest that there are significantly different trends and flows emerging within our customer groups. Analysis of income and family payments data suggests some interesting findings. Table 14 shows some findings from minimum Family Allowance data to illustrate the point.

Table 14: Movements In Payment Groups

Payment Group	*Customer Flows, over a two year period to July 1998*
Minimum Family Allowance	
--All families that received a payment in the period	896,897
--Number of families that received payment at beginning **and** end of period	377,811
Transfers out of Minimum Family allowance:	-132,256
--to more than minimum payment (in work)	
Transfers to Minimum Family Allowance	
--from more than minimum	+75,708
--from pensions or allowances	+30,294

Source: Internal Estimates

Table 14 shows the customer base for the minimum rate of Family Allowance is highly dynamic. Over the two years to July 1998, almost 900,000 families received at least one payment in the period, while only about 380,000 families were receiving payments at the beginning and end (and presumably continuously). A significant number of families moved between minimum and more than minimum Family Allowance and between work and income support. Such patterns of mobility are also evident in respect of other payments.

For income support recipients, there is a fairly high level of “cycling through” social security receipt, ie individuals receiving benefits or re-partnering and after a period of time, re-claiming income support benefits. The Department is currently in the process of building a longitudinal database for better analysing developments over time among its customer population.

Responding to and Supporting Diverse Family Needs

Australian families with children are diverse and the traditional model of a father, mother and two or three children is becoming less common. Many families separate, work patterns are changing and cultural backgrounds and hence caring arrangements vary. In addition, families prefer to receive their financial assistance in different ways. These factors mean we need a flexible and responsive family assistance system.

Table 15: Families – A Diverse Customer Group

Family Situation	*Numbers Involved*
The carer of a child (and hence the claim for family assistance) changes.	Centrelink records 100,000 change of care cases annually.
Diversity of backgrounds	80% of families on Family Allowance are Australian born and 3% indigenous. 15% born outside Australia, UK or NZ.
Changing work patterns	26% of the workforce is casually employed (20% in 1989), 12% employed males work part time (7.2% in 1989)[13]

What this means is that the design of family assistance must be sufficiently flexible to provide assistance to families that recognises their changing circumstances and preferences for delivery. As noted the July 2000 reforms will create a more flexible delivery system.

The Department has been holding workshops with families from indigenous and ethnic backgrounds to ascertain their special needs and circumstances so that we can design processes or rules that work best for them. We are at an early stage with this work so I cannot comment on any outcomes that might emerge but the process of directly dealing with customers offers some exciting prospects.

NEW POLICY DIRECTIONS

The Prime Minister in his 23 June 1999 launch of the Government's Response to the "To Have and To Hold" Report spelt out key elements of the new family policy agenda. He indicated that while it is human behaviour that dictates the stability of families as well basic concepts of loyalty, commitment and personal affection, Government policy also impacts on individuals' capacity to sustain a relationship. This can be through a government's economic policies as well as the practical support and guidance that can be provided. The Prime Minister also foreshadowed social coalitions with organisations such as the Salvation Army and the Society of St

[13] "Australian Social Trends, 1999, Australian Bureau of Statistics. Care is required in interpreting these statistics as they relate to all employees.

Vincent de Paul as providing a caring role and also a policy role because of their understanding of human need.

Solutions to many of the problems families are experiencing lie beyond the income support and tax systems. For example, family breakdown is a major cause of growth in the number of families who are not employed and are receiving high levels of government assistance yet sustainable solutions may well be found in providing early assistance that may help families avoid or manage stress early on. After breakdown has occurred it is desirable that the parents maintain a satisfactory relationship with their children.

While the family income support system provides substantial financial resources to the parent caring for the children, its role has been mainly that of a "passive" provider of money and intervention usually only occurs when former partners dispute the payment of Family Allowance or child support. While the degree of assistance such families would appreciate from government will vary, the system has not been optimal.

The desire to reach holistic policy outcomes drove the formation of the Department of Family and Community Services in October 1998. The Government has brought together the former Department of Social Security with the Child Support Agency, the Commonwealth Rehabilitation Service and elements of the former Department of Health and Family Services and the Attorney General's Department in a unified agency.

Until the Government formed the Department of Family and Community Services, policy responsibility for income support, relationship support and the administration of child support was held across the bureaucracy in a range of agencies. With the formation of the new Department there is an enhanced opportunity to examine problems and develop options using an all of systems approach.

The challenge is significant as we are starting from a modest base in a financial sense. The 1999-2000 Portfolio Budget Statements show that relative to family payments, child care payments and Youth Allowance payments, the outputs devoted to family relationship support and the youth homelessness within the portfolio is relatively modest, although set to rise significantly in 1999-2000. This is not to say that the overall resources within the community that are devoted to family support services are as indicated in the table because the assistance provided by the States and Territories is not included.

Table 16: Family Financial and Support Service Outputs, 1998-99

Output Item	*Expenditure ($m)*
Family Allowance & related family payments	7,127
Grants to Family Relationships Support organisations, child abuse prevention, family and community service network	36.8
Childcare support	990
Youth Allowance & related youth payments	2,115
Youth Homelessness Pilot Programme.	4.0
Youth Homelessness Early Intervention Programme (starts 1999-2000)	5.1

Source: Family and Community Services Portfolio Budget Statements, 1999-2000

The current balance reflects the significant resources involved in ensuring that Australian families receive financial assistance to help them raise their children and of the Commonwealth's role in providing that support, traditionally through the social security system.

It is too early yet to provide concrete insights into where thinking is proceeding in these new areas of policy. Nevertheless, simultaneously with these new policy developments, Centrelink is developing 'holistic' approaches to the delivery of family assistance and income support payments that better suit the needs of new and existing clients.

New Directions in Service Delivery[14]

Since November last year, Centrelink has been developing its new Customer Service Delivery Model. This involves re-engineering all Centrelink's work around a new interface which it calls the life events model. This approach is about creating harmony from the complexity facing Centrelink's customers, many of whom are facing challenging transitions in their life and will present a new approach to service delivery from the customer's point of view. It will be service that is presented in terms of life events - things like 'having a baby' or 'arriving to settle in Australia' - is more intuitive, logical and immediately recognisable for customers.

It means that groups such as families will be able to approach Centrelink and describe their individual circumstances and the particular life event(s) they are experiencing, receive a personalised solution containing the products and services that meet their needs and no longer have to know the right questions to ask to gain access to all of their entitlements.

- Taking one particular life event, ie 'changing your marital status' with separation from a partner, Centrelink can map the various products and services that can be deliver on behalf of a number of its client departments.

[14] Drawn from an address by Ms Sue Vardon, Chief Executive of Centrelink, to the International Summit on Public Service Reform, Winnipeg, Manitoba, Canada, 10 June 1999.

To support the transition to the life events approach, Centrelink is also introducing a range of other initiatives that combine to form the new service delivery model. The following is a summary of the key initiatives.

- The one main contact model;

- Expert decision support systems, which will assist staff in delivering accurate and appropriate service offers to customers;
- A wider range of access options for Centrelink's customers, including Internet, kiosk, in person, over the phone, and integrated voice response systems;

- Once-only proof of identity, saving time for customers and for staff. This will involve the introduction of some sort of customer authentication mechanism;

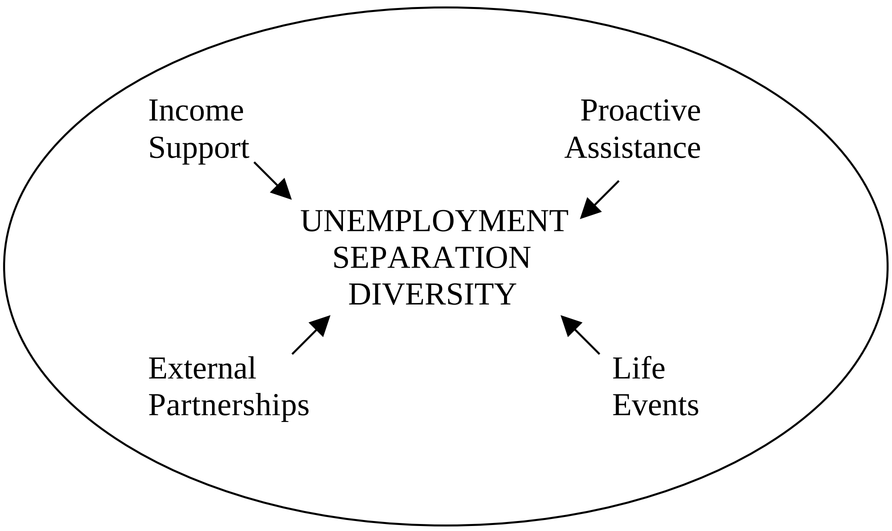
- More, smaller offices in more convenient locations. Both staff and customer satisfaction ratings are generally higher in Centrelink's smaller offices.

- Improved customer profiling for compliance and risk assessment. Centrelink plans to use the first interview it has with a customer to produce a customer profile that includes a risk assessment based on the person's capabilities, a compliance profile based on Centrelink's experiences over many years with different customer groups, and consideration of the customer's expectations about the level of service they wish to receive. The profile will allow it to better tailor its service to the individual needs and situation of the customer.

- 24 Hour Service achieved with a combination of more flexible office hours, visiting services and electronic services.

Centrelink is aiming for full implementation of the new service delivery model by June 2005. Some of the elements, such as the one main contact approach, are being implemented now and others, such as the expert systems, will take longer to introduce due to the complex development and testing that is required. Importantly, the first stages of the implementation are focusing on the things that can be done to introduce the life events approach without major systems development.

An Integrated Policy and Delivery Framework



CONCLUSIONS

Family financial support is a significant undertaking that has helped alleviate family hardship and provided much assistance to many Australian families. It has done so in a way that is fairly unobtrusive.

The tax reform package will refine the system by reducing adverse work incentives that successive targeting over the years has caused, simplifying what has become an unnecessarily complex system and further increasing assistance for families.

The tax reforms will produce a very flexible family assistance system, that will enable families to choose how they wish to receive benefits both in terms of delivery vehicle (tax or fortnightly payment) and in terms of timing (regular assistance or end of year lump sum). Through the Family Assistance Office, the vast majority of families, through being eligible for family assistance, will continue to have access to the Centrelink support network irrespective of their benefit delivery choice.

That said, there remain further policy challenges ahead.

Non employment among families is a major issue, the resolution of which is particularly complex because, in part, a significant portion of non employed families are sole parent families and they face particular challenges.

Family breakdown places major strains on the family members themselves as well as on the Government to provide the additional income support usually required.

And we need to ensure the family assistance system is as well suited as appropriate to the increasingly diverse needs and caring arrangements of families in Australia.

The income support agenda goes hand in hand with the Department's new policy agenda. For too long the family and income support systems have been content to passively pick up the pieces after a family breakdown or family crisis such as that caused by loss of a job. The new strategic goals set down for the portfolio set a pro-active, challenging agenda which is aimed at helping families, individuals and communities build the capacity for self reliance in which "family income support policy" plays a large integrated part.

These are challenging and exciting times for policy makers and those who seek an input into the process.