

Budget 2014

Low-income couples with children to bear brunt of Abbott Government's budget: study

By political correspondent Emma Griffiths

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Low-income couples with children and single parents will bear the brunt of the Abbott Government's first budget, losing up to 15 per cent of their disposable income when the measures hit in full, according to independent modelling.

The findings from the National Centre for Social and Economic Modelling (NATSEM) at Canberra University stand in contrast to the Government's insistence that the budget is "fair" and "shares the burden".

The Coalition has cut almost \$7.5 billion over the forward estimates by freezing family payments and axing some benefits altogether, with most measures beginning on July 1, 2015.

Eligibility thresholds for payments will also be frozen for two years, a measure which effectively lets inflation reduce the cut-off for benefits over time.

NATSEM principal research fellow Ben Phillips has studied the effects of the budget and says it is "not fair at all".

"We'd estimate around 1.2 million families that would be on average around \$3,000 a year worse off by 2017-18, whereas the top income groups - so the top 20 per cent of households - would have either no impact or a very small positive impact," he told PM.

Mr Phillips found that a single parent of two school-aged children who was looking for work would lose \$4,243 a year or 14.8 per cent of their disposable income by 2017.

And they would still lose that much even if the parent found a job that paid \$40,000 a year.

A couple with two school-aged children who both worked to bring in a combined income of \$60,000 a year would lose \$6,350 or 10.9 per cent of their annual disposable income.

And even if their household income climbed to \$90,000 a year, the loss would remain the same.

| Status | Income p.a. | Benefits (ALP) | Benefits (L/NP) | Difference p.a. | Reduction |
|------------------------------|-------------|----------------|-----------------|-----------------|-----------|
| Sole parent, children 8 & 12 | \$0 | \$32,855 | \$28,612 | -4,243 | -14.8% |
| Sole parent, children 8 & 12 | \$40,000 | \$13,258 | \$9,015 | -4,243 | -8.7% |
| Couple, children 8 & 15 | \$60,000 | \$16,695 | \$10,345 | -6,350 | -10.9% |
| Couple, children 8 & 15 | \$90,000 | \$10,695 | \$4,345 | -6,350 | -8.8% |

Figures show impact on families by 2017.

Source: NATSEM

"It's a substantial hit and these are of course to the families who are already in the most precarious positions," Mr Phillips said.

He said the cuts, linked to the Government's push to get people off welfare and into work, will lead to lower income families taking a "hit to their take-home pay".

"If you're a single mother who's working 20 hours a week on the minimum wage, your income is only around \$15,000 to \$16,000," he said.

"You don't have a lot of opportunities to actually earn more or to work more hours, you have children to look after, so it's a difficult position."

Research finds debt levy would have 'token impact'

The NATSEM research found that the temporary 2 per cent income tax increase for

the nation's top earners, to pay off the nation's debt, would have a "token impact".

"If you're on \$200,000 ... your impact would be around \$400 per year, and that compares to a single-earner family ... who may be losing \$3,000 to \$4,000 per year by 2017-18, so [there is] a dramatic difference," Mr Phillips said.

He has also pointed out that the Government's new \$750 payment for single parents earning the maximum rate of Family Tax Benefit A will cut out completely when the household income hits \$45,000.

Researchers from the Crawford School of Public Policy at the Australian National University also found that those receiving government benefits do the budget "heavy lifting".

According to the ANU projections, an unemployed single parent with an eight-year-old child will lose \$54 a week or 12 per cent of their disposable income.

Neither set of figures took into account the other major budget hits - the \$7 fee on GP visits, X-rays and blood tests, the \$5 fee for medicines, or the fuel excise hike.

Topics: budget, government-and-politics, tax, family, social-policy, welfare, australia

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