



THE UNIVERSITY OF
MELBOURNE

Melbourne Law School

Tackling Child Poverty in the Age of COVID-19

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“Human well-being requires at a minimum:

- *adequate provisioning* (through inter-connected paid labour and unpaid care activities and entitlements from the state or community);
- *capabilities* (the ability to do or be, based on provisioning); and
- *agency* (the ability to participate in decision making so as to shape the world we live in).”

G Berik, Y van der Meulen Rodgers and S Seguino, 'Feminist Economics of Inequality, Development, and Growth' *Feminist Economics* 15(3), 2 (2009).

Australia's social provision for children

- **Private family**
 - parents relying on jobs (wages), business and other private income
 - but, employment and jobs of parents are affected by government decisions
 - Gendered effects – different for women and men (mums and dads)
- **Universal or widely distributed public goods**
 - Public provision; financed by taxes on private income
- **Income support (cash transfers)**
 - Public provision; financed by taxes on private income

Fundamental questions for Australians about social provision

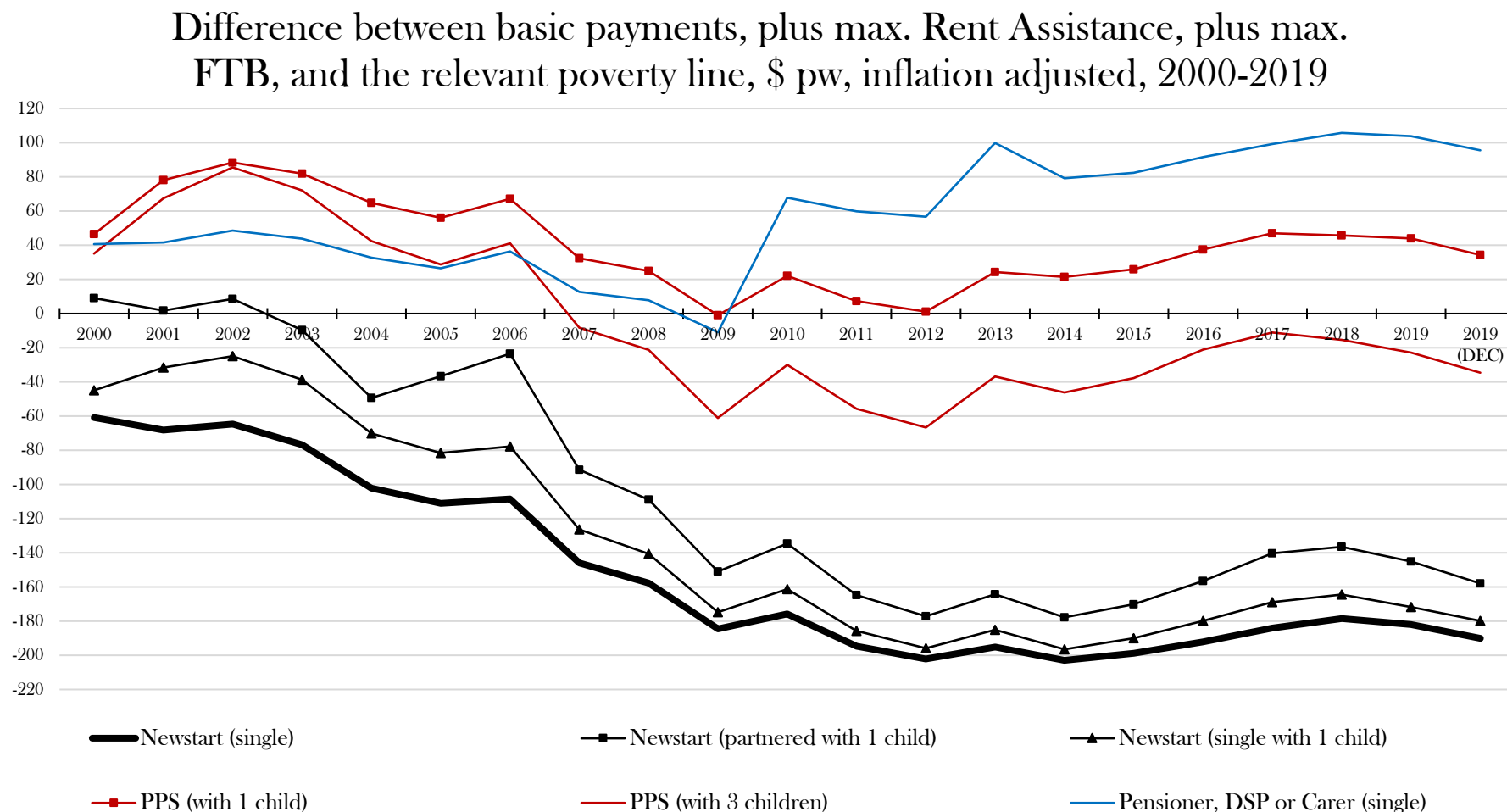
- How much should we rely on private provision or share in public provision?
- How 'targeted' to poverty relief or 'the poor' should our system be?
- When is a universal income or public goods approach better?

Australia's transfer income support system for families with children

INCOME AND ASSET-TESTED NEED-BASED INCOME SUPPORT

- Jobseeker - what is adequate for individuals, families?
- Income testing (on joint couple income)
 - Low “free” earned income areas
 - Asset testing (on joint assets – excluding the home and with a threshold)
 - Taper rate 50% to 60% on ‘joint’ income interact with income tax rates, Medicare levy and other payments
- Higher categorical payments for sole parents (*Parenting payment*)
 - Age limits are pushing sole parents onto lower Jobseeker
- Child payments (*Family Tax Benefit A and B*) have become much less generous and more targeted over time
 - Partly replaced by child care subsidy
- Child care subsidy has increased substantially, but caps and taper create perverse effects for work disincentives undermining the policy goal

Declining adequacy of Newstart relative to poverty lines and pensions

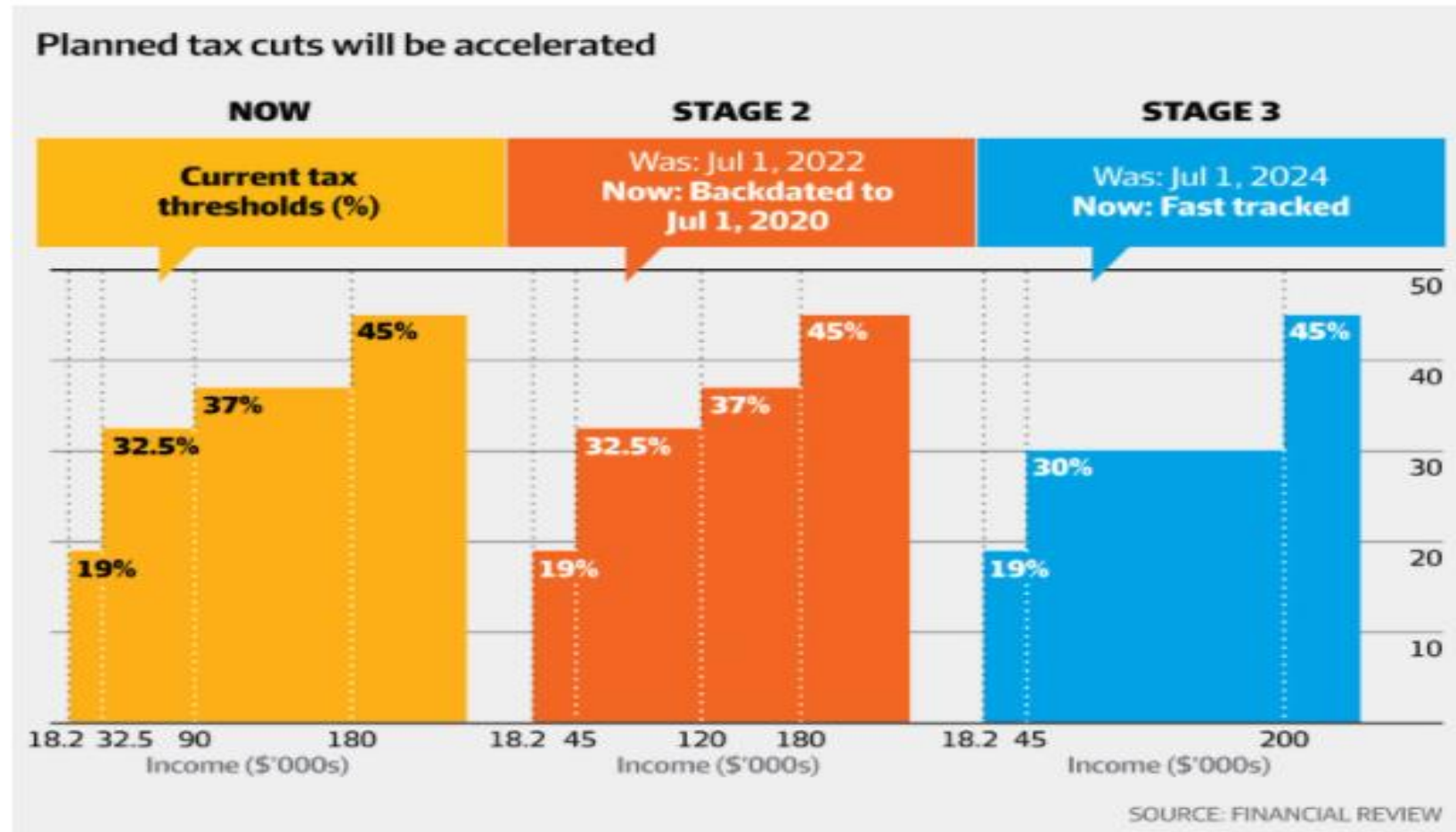


Source: Work in progress, Professor John Murphy, University of Melbourne

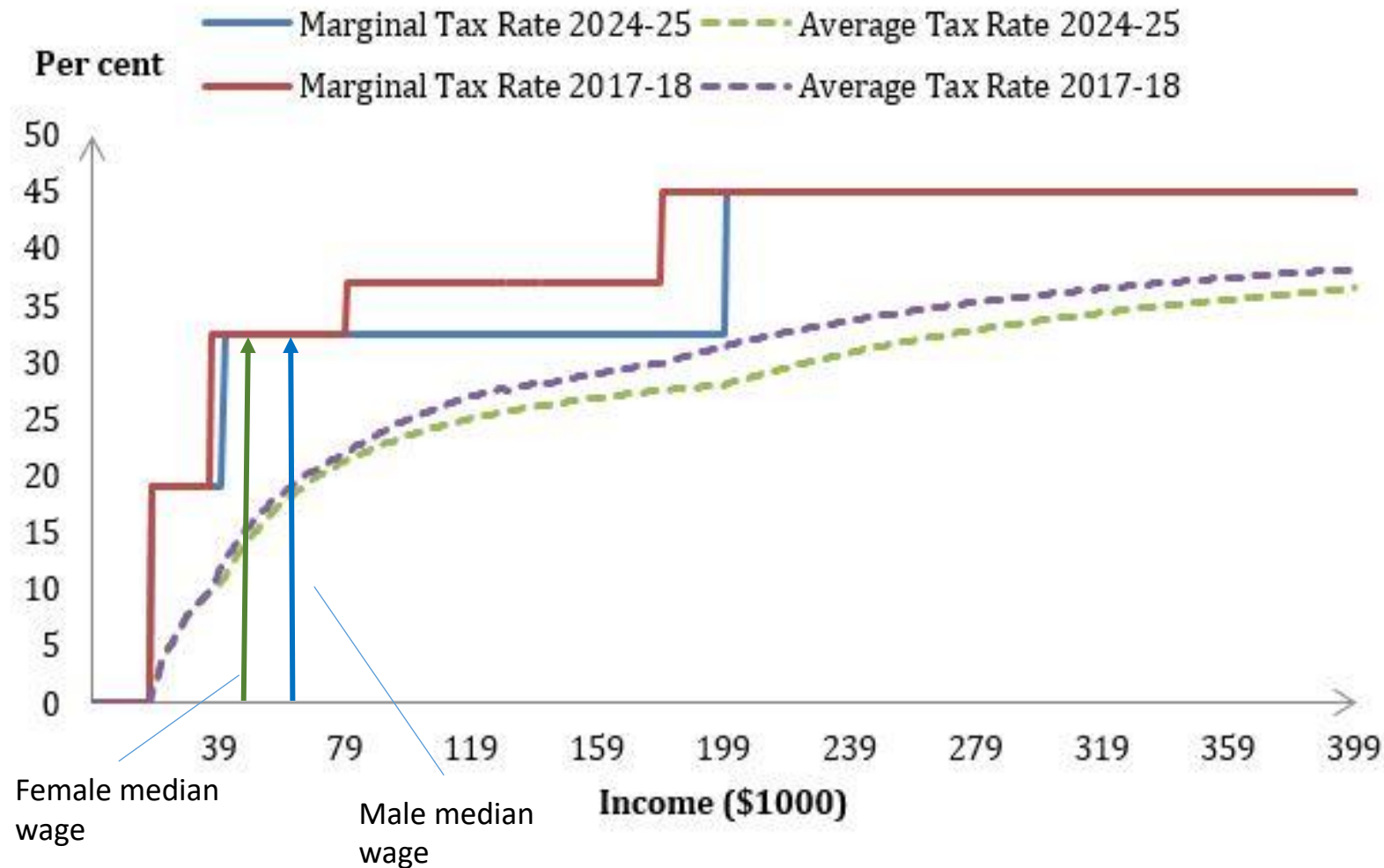
Australian provision for families with children: Universal or widely provided public goods

- Health
- Education: Primary school, Secondary school, TAFE/trades, Universities
 - *We don't yet treat childcare as a public good but as income support*
- Tech infrastructure: networks (NBN), phone, internet, tech equipment
- Public transport
- Community infrastructure: maternal-child care, sport, libraries, parks, pools, beaches, etc
- *Housing: We don't provide this universally as a public good*
 - Very small proportion of public housing or affordable housing requirements
 - Rent assistance cash transfers (inadequate)
 - Reliance on private rental (no rent controls; relatively low tenant protection)
 - Reliance on home ownership as a core way for people to have housing security

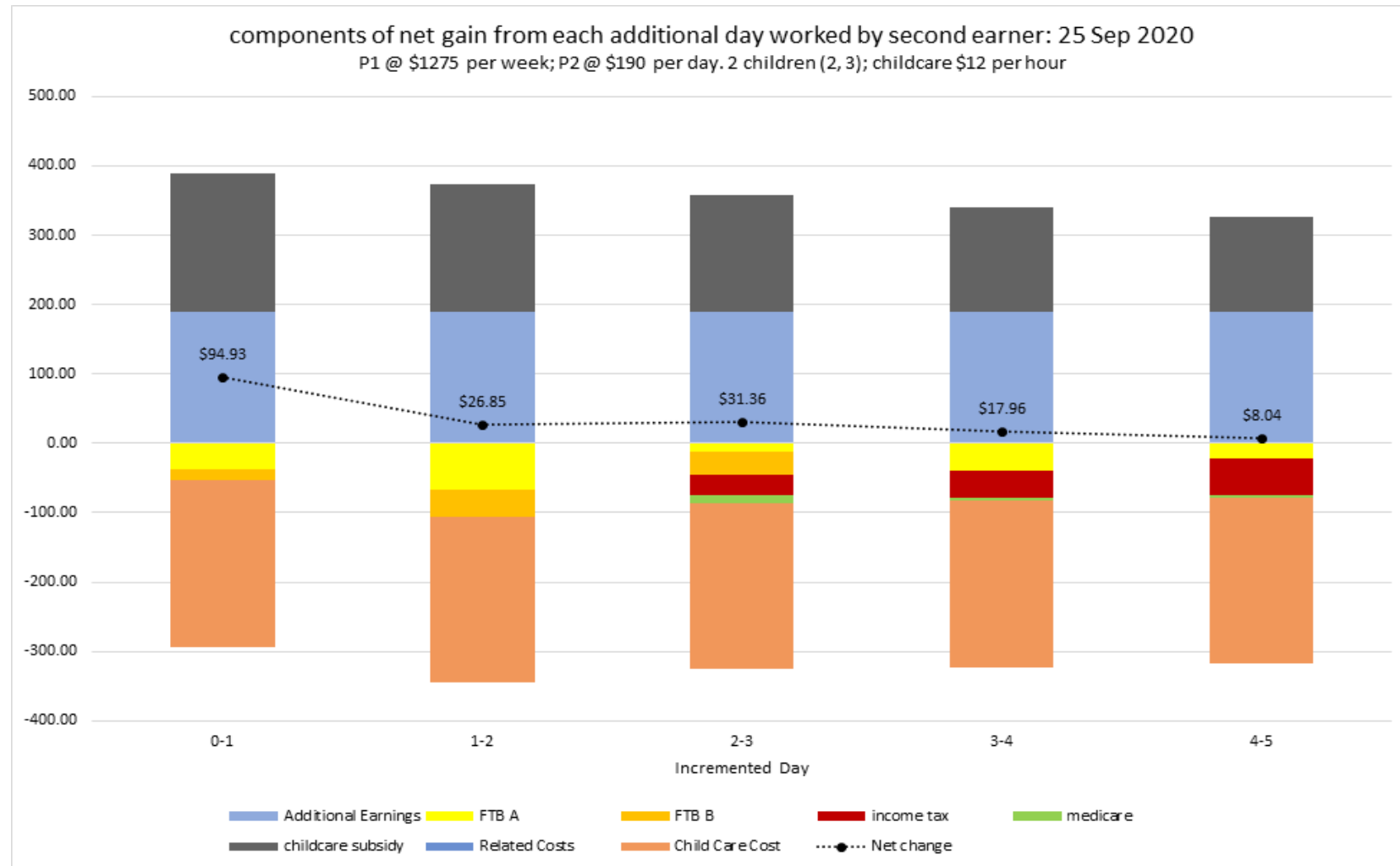
Legislated (and Budget 20-21) tax cuts: Stage 2 already started (plus LMITO)



Australia Individual Tax Rates: Stage 3 tax cuts



The jobs-tax-transfer-childcare policy mix: A barrier for 2 parent family, 2 kids age 2, 3

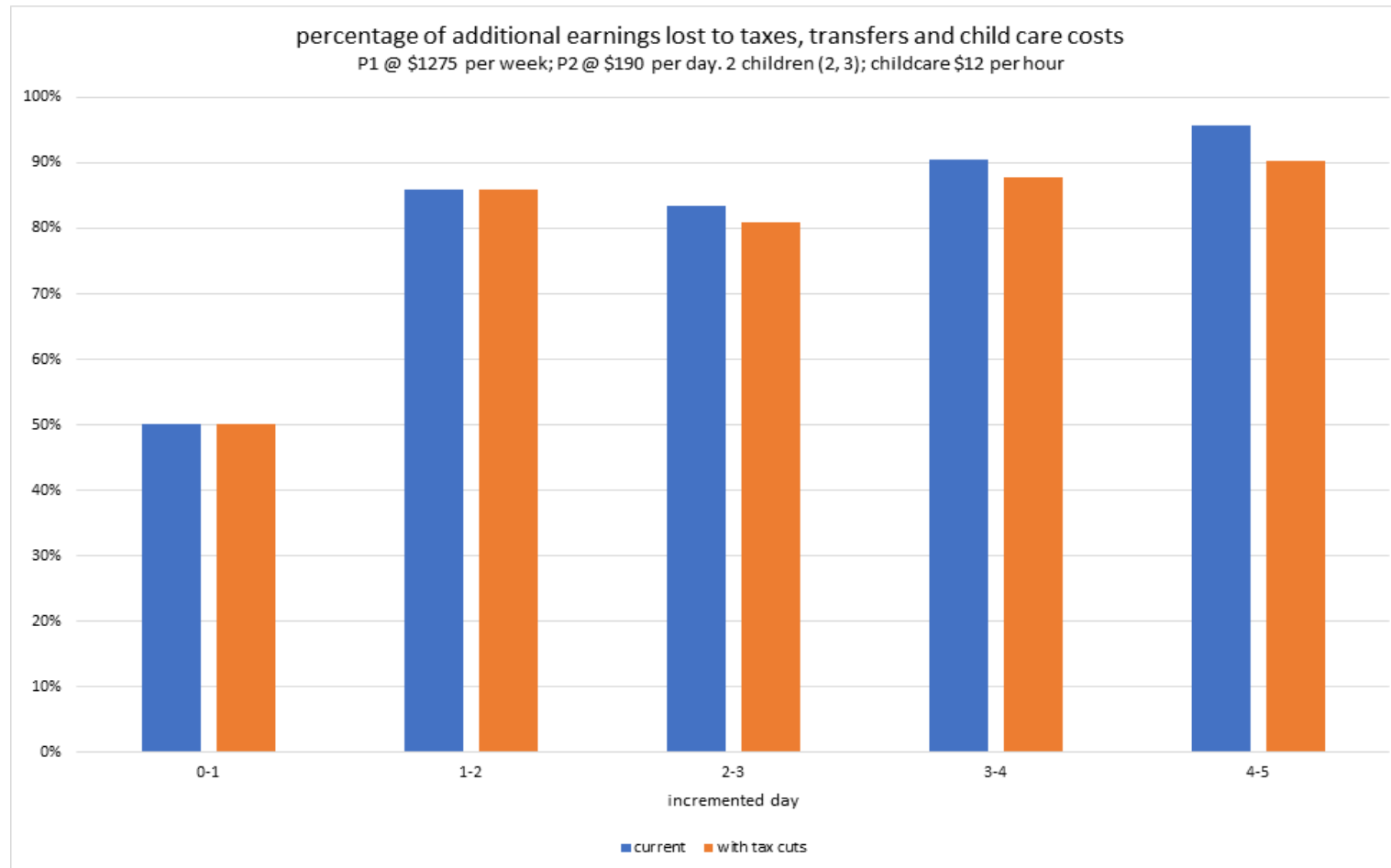


Dad: working full
time, median
\$66,000

Mum: goes to work
one to 5 days a
week, median
\$49,000

Two kids, age 2, 3

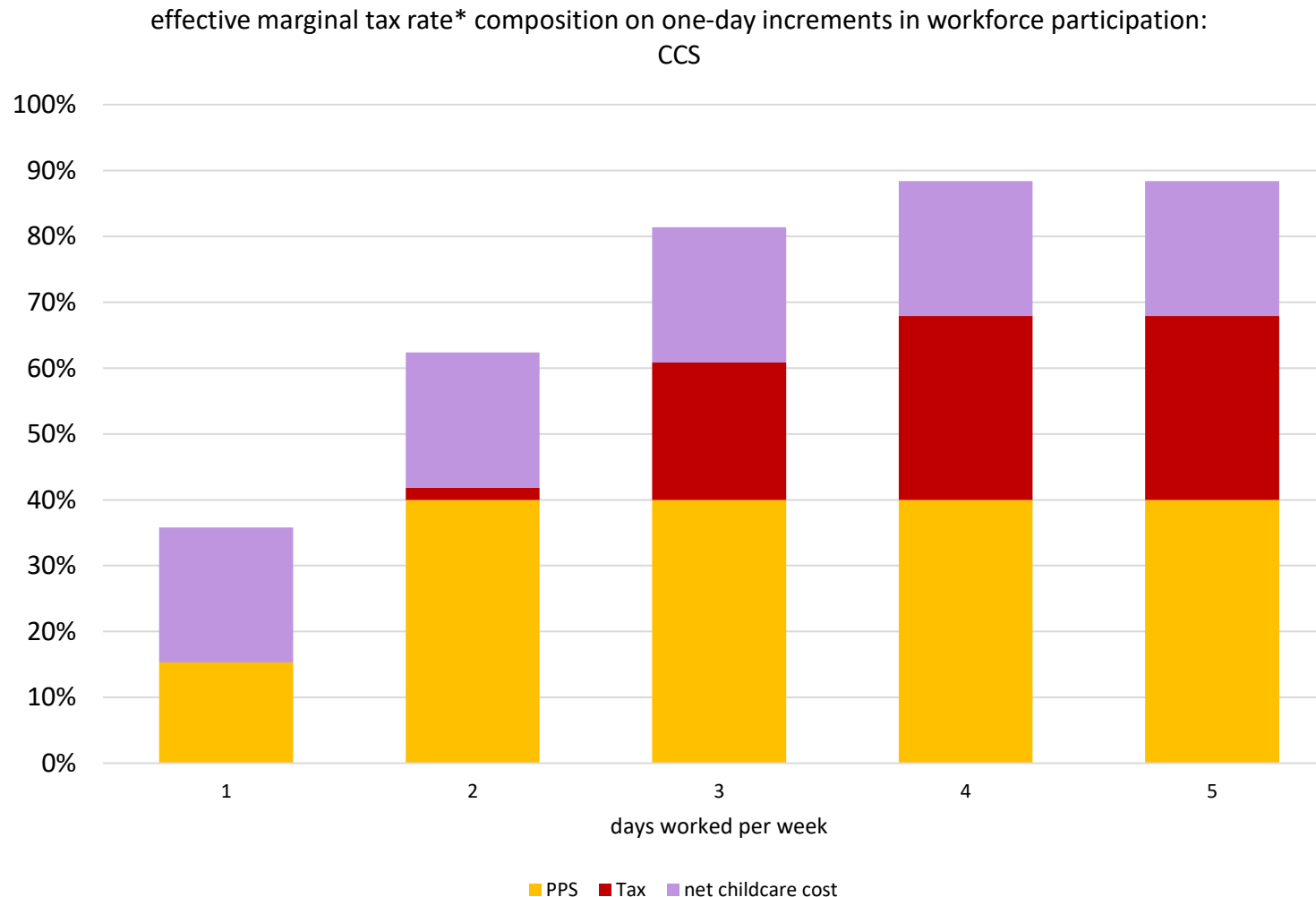
The jobs-tax-transfer-childcare policy mix: A barrier for 2 parent family, 2 kids age 2, 3



Dad: working full time, median \$66,000

Mum: goes to work one to 5 days a week, median \$49,000

The jobs-tax-transfer-childcare policy mix: A barrier for a single parent low wage family, 2 kids age 2, 3



*where EMTR is measured on increment of one day's wage and incorporates net childcare cost. May also be referred to as the effective average tax rate on the daily increment.

Full time is \$44,880 (approx 120% of minimum wage)

Childcare is \$11.77 per hour, per child.

Tax reform: How do we pay for it?

- ***In the immediate term:*** Get the economy going
- ***Broaden the base is a key mantra for tax reform***
- Don't proceed with Stage 3 of the personal income tax cuts
- GST: broaden the base and increase the rate of the GST
- Increase tax on wealth and capital income/gains
 - Close loopholes in the income tax and cut the CGT 50% discount to a lower discount
 - Tax superannuation savings more
 - Inheritance tax or tax gains on death
 - Tax land assets more

Thank you

