



Reform family payments to reduce child poverty and barriers to work

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For further information or to discuss this submission, please contact:

Emily Porter

Senior Research Fellow
Research, Policy and Advocacy, BSL
Phone: 0422 956 152
Email: Emily.Porter@bsl.org.au

Nicole Bieske

Director
Research, Policy and Advocacy
Phone: 0491 159 255
Email: Nicole.Bieske@bsl.org.au

Proposed reform

The Brotherhood of St. Laurence (BSL) recommends reforms to family payments that will reduce barriers to work and child poverty:

- simplifying the Family Tax Benefit (FTB) by replacing FTB part A and B with a single per-child payment, and applying a better off overall test so current FTB B recipients are not worse off
- aligning the income test and taper for the new combined per-child payment with the Parental Leave Pay (PLP) income test to reduce existing high Effective Marginal Tax Rates (EMTRs) which create a barrier to work
- benchmarking and indexing family payments to wages so payments keep pace with changes in living standards and maintain support to families with the cost of raising children
- adopt Commonwealth Ombudsman recommendations aimed at protecting family payment recipients against the weaponisation of payments by perpetrators of family violence. This includes reviewing conditions for receiving child support and giving consideration to reversing the presumption that all child support has been paid and allow family payments debts to be waived¹.

How this will advance productivity and resilience

Reforms to the FTB system (creating a single per-child payment, removing the link to child support and aligning the payment with PLP) will reduce system complexity and administrative burden for government and recipients, and free up time for recipients to engage in productive activity (work, study, caring responsibilities).

¹ Commonwealth Ombudsman 2025, *Weaponising Child Support: when the system fails families*, Canberra.

Reducing EMTRs for lower and middle-income families will reduce barriers to workforce participation. Treasury research highlighted the relatively elastic labour supply of low to middle-income workers with care responsibilities.² Currently caregivers can face EMTRs of over 70% as they increase work hours, with the tapering of FTB A and B contributing up to 35% of EMTRs.³

Reinstating benchmarking to wages will help reduce child poverty. In the 1980s, increased family payments contributed to a 35% reduction in child poverty rates. Benchmarking payments to wages will ensure they keep pace with broader changes in living standards, ensuring no children are left behind while supporting families with the cost of raising children. Reducing child poverty would result in estimated benefits of \$7000 per child per year⁴ through reduced reliance on social services (e.g. social security, foodbanks, social housing, etc.), increased workforce participation and longer life expectancy.

The FTB system has been weaponised by abusive ex-partners. For example, underpayment of child support obligations or provision of inaccurate income information by abusers can leave FTB A recipients missing out on entitlements or with substantial debts. Removing the link to child support would help protect recipients from economic abuse and reduce associated productivity losses (e.g. reduced employment and increased health system costs), estimated at \$10.9 billion in 2020.⁵

How it will be budget neutral/positive

Increasing family payments and reducing complexity and risk will have a negative impact on the budget in the short term but deliver improved productivity and reduced costs in the longer term. This includes through increased female labour market participation and reduced costs associated with child poverty – such as reduced social service costs and increased workforce participation. Efficiency gains are also likely from reduced red tape and administrative cost.

A complementary BSL submission advocates a broad package of tax reform to fund productivity reforms including to family payments.

Practical/implementation considerations

Additional research and policy development is required to implement this reform package including:

- modelling the impact of aligning the per child payment and PLP income test on poverty and employment (participation and hours)
- better estimating the cost of raising children across family types, including age and shared care arrangements and use these to benchmark family payments

² Kennedy S 2023, 'Incentives for secondary earners and income support recipients', address to the Policy Research Conference, 3 April 2023, Treasury, Canberra.

³ Stewart, M, Porter, E, Bowman, D & Millane, E 2023, *Growing pains: Family Tax Benefit issues and options for reform*, Brotherhood of St. Laurence, Fitzroy, Vic.

⁴ Impact Economics and Policy 2024, *Lasting impacts: the economic costs of child poverty in New South Wales*. Report prepared for NCOSS.

⁵ Deloitte Access Economics 2022, *The cost of financial abuse in Australia*. Report prepared for Commonwealth Bank of Australia.