



## Submission to the Senate Standing Committee on Education Employment and Workplace Relations

### The Social Security Amendment (Fair incentives to work) Bill (2012)

July 2012

#### SUMMARY OF RECOMMENDATIONS

1. *Schedule 2* eases the liquid assets test for recipients of social security allowance payments so that unemployed people who apply for income support and have modest financial assets do not have to wait as long to receive payments.

Jobs Australia recommends that Schedule 2 of the Bill ((liquid assests waiting period) is **supported**.

2. *Schedule 1* removes the access to the Parenting Payment Single (PPS) payment for sole parents whose youngest child is over 7 years of age that was preserved under 'grandfathering' provisions in the 2006 Welfare to Work policy.

Jobs Australia recommends that Schedule 1 of the Bill (sole parent payment cuts) be **opposed**.

## Easing of liquid assets waiting period

Jobs Australia supports *Schedule 2* of the Bill, as this would enable people who are recently unemployed to retain more of their savings to help them adjust to the much lower income they receive on Newstart and other Allowance payments.

## Removal of access to PPS payment

There would be a number of undesirable consequences if *Schedule 1* were to be passed:

**Reduced income for those already at risk of poverty** Approximately 100,000 sole parent families would lose some or all of their income support over the four years from January 2013, with around half facing payment reductions in that month. Most would instead receive the lower Newstart Allowance (NSA). It is well established that sole parent families and their children who rely on income support face a high risk of poverty. A sole parent with one primary school age child receives \$455 per week in PPS and Family Tax Benefits. On NSA the family's income drops to \$396 per week.

The amount of income they lose would depend on whether they transfer to NSA or a higher payment, how much they are earning from wages, and whether they are studying. Those on the maximum rate of PPS (most of whom have no paid employment) who transfer to NSA would lose \$59 per week in payments. Taking account of other measures announced in the Budget, the Allowance Supplement and increases in Family Tax Benefits, the income losses for these sole parents would typically be \$30 to \$40 per week.

Many of the 50% or so of sole parents affected by the change who are employed and receive part-rate PPS would lose more than this as they would be disadvantaged by both the lower maximum rate of payments and the tighter income test (the lower income test 'free area') that applies to NSA.

Those who study full time to improve their future job prospects and who commence their course after they lose eligibility for PPS would also miss out on the \$31 per week Pensioner Education Supplement, increasing their typical income losses to \$60 to \$70 per week.

**Activity requirements are already in place for most sole parents** Apart from a small group of sole parents affected by the policy whose youngest child is 6 years old, there is no change to their activity requirements. The vast majority of affected parents are already required to seek part time employment of at least 15 hours a week and to register with employment services.

**Sole parents do not have the options available to partnered parents** The Melbourne Institute reported from its analysis of the impact of activation on Parent Payment recipients that:

*The impact of activation was larger for those in receipt of PPP than for those in receipt of PPS. This was mostly driven by exits from income support and likely reflects tighter income restrictions for PPP eligibility and the opportunity, not open to PPS recipients, of responding to activation requirements by exiting PP and compensating for the loss in household income by increasing partner earnings.*<sup>1</sup>

**No significant additional employment assistance support will be available** Apart from a \$3 million per year telephone career counselling scheme and website, there seems to be no additional investment in employment supports directly associated with this 2012 Budget measure. An increase in expenditure on JET Child Care Assistance announced in the Budget is an artefact of higher demand for that program: in fact, access to the program is being reduced, not extended by that Budget

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<sup>1</sup> *Did the 2007 Welfare Reforms for Low Income Parents in Australia Increase Welfare Exits?* Yin King Fok and Duncan McVicar, Melbourne Institute of Applied Economic and Social Research, The University of Melbourne Melbourne Institute Working Paper No. 1/12, Jan 2012.

measure. Other employment supports available to those affected by the payment changes, including Job Services Australia (JSA) services and vocational training places, were already budgeted prior to the 2012 Budget.

In the *2011 Budget*, which restricted the 'grandfathering' arrangements to those parents whose youngest child was under 12 years old, a number of associated measures were announced to boost training expenditure and ease income tests for those affected. The income test for sole parents on NSA was eased (the 'taper rate' was reduced from 50% to 40%), an additional \$80 million was budgeted over the forward estimates period for vocational training places for young and/or single parents and an additional \$6 million was budgeted for career counselling and other employment assistance.

In contrast, in the 2012 Budget, a \$3 million telephone counselling program was the only additional expense we could find to assist those parents affected by the proposed changes to secure employment.

The vast majority of sole parents on income support would prefer to be employed and off payments but the present employment services and training systems are not likely to provide the levels of support that would adequately meet their needs. JSA providers assisting long term unemployed people are typically funded to interview them once every two months together with \$500 to assist with training and other costs. Few receive what could accurately be described as career counselling, yet for many this is a necessary first step. Although they particularly benefit from vocational training, and many are keen to train, sole parents on income support have difficulty with the fees and other costs, and the training they receive is often poorly connected to employment opportunities.

**Reducing income for sole parents will not change reasons for their being unemployed** The reasons that around half of the 100,000 sole parents affected by the proposed change are not currently employed include limited vocational skills, their location in areas with low employment opportunities and/or poor public transport, their ill health or a disability, caring for a child with a disability, and the casual or short term nature of most of the jobs available to low-skilled parents who are attempting to juggle employment and child care responsibilities.

## Additional recommendations

Sole parents need to fulfill the roles of both earner and carer for their children, often in conditions of emotional and financial stress. A particular commitment is required of the government to support the prospects of children brought up in these circumstances, to fulfill the ultimate objective of supporting parents to support their families.

Jobs Australia proposes that an evaluation study be undertaken about the extent to which the current (or future) system of employment services (including fees and incentives) can support sole parents to establish pathways to improve employment prospects in the longer term, taking account of the balance of short term activity and compliance requirements, child care options, and opportunities for study or training, employment and progression.