

**Senate Standing Committee on Education Employment and Workplace
Relations**

QUESTIONS ON NOTICE

**Inquiry into the Social Security Legislation Amendment (Fair Incentives to
Work) Bill 2012**

Melbourne, 9 August 2012

Senator Marshall asked, Hansard page 34

Question

CHAIR: There must have been a reason why we actually exempted people from the new arrangements that were being legislated for. Surely, there had to be a significant rationale for that—because, in effect, we have grandfathered everybody who was receiving a parenting payment at that time.

Ms Taylor: At that time. Generally, grandfathering is around allowing for a period of transition. So, when moving to new arrangements, allowing people a period of time to do so.

CHAIR: But there were no transition arrangements put in. None of that was legislated for; it was simply a straight-out grandfathering, so those who had the entitlement were meant to keep it.

Ms Taylor: As I say, I do not have the specific details for the rationale for the grandfathering, if it was expressed explicitly at that time.

CHAIR: I suppose I can look at the second reading speech of the day myself, which I will. Maybe you could find that out for me. What I am particularly interested in is knowing what is different today than at the time of the decision to grandfather people. Surely something must have changed in order to take a different position now.

Answer

In 2006, transitional arrangements were introduced as part of the Welfare to Work changes to Parenting Payment which 'grandfathered' recipients who were already in receipt of Parenting Payment on 1 July 2006. These transitional provisions provided for parents to remain on Parenting Payment until their youngest child turned 16 and were extended by any child that was born to or came into the care of that parent.

The extension of this transitional provision to new children was closed on 1 July 2011.

The introduction of these transitional arrangements in 2006 was a decision taken by the Government of the day. The second reading speech and explanatory memorandum relating to the Parenting Payment transitional arrangement do not indicate a rationale for the provisions.

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Senator Back asked, Hansard page 38

Question

Senator BACK: I am wondering about the table you were kind enough to provide us with on page 11 of your submission. I wonder if you would be able to provide for us—not now but on notice—a couple of typical examples and work through them in terms of the actual effect on these families. The two I propose would be a single parent with one primary-aged child and a single parent with one primary- and one secondary-aged child. It would help me enormously to understand what the financial impact would be, taking into account the various lines that you have there.

Answer

Cameo 1

A family consisting of a single parent currently grandfathered on Parenting Payment Single (PPS) with one child aged nine. This parent will transition to Newstart Allowance (NSA) on 1 January 2013.

This parent satisfies their participation requirements of 30 hours per fortnight, earning \$500 per fortnight and pays \$350 per week in rent.

Rates per fortnight as at 1 July 2012	30 June 2012 on PPS	1 January 2013 on NSA
Earnings	\$500.00	\$500.00
Income Support and Pharmaceutical Allowance	\$524.54	\$360.80
Family Tax Benefit Part A	\$192.50	\$197.54
Family Tax Benefit Part B	\$111.16	\$114.24
Clean Energy Payments (\$385.60 per annum)	\$0.00	\$14.79
Rent Assistance	\$140.98	\$140.98
Telephone Allowance (\$100.80 per annum)	\$3.88	\$3.88
Schoolkids Bonus (\$410 per annum)	\$15.73	\$15.77
Tax paid	\$0.00	\$0.00
TOTAL INCOME	\$1488.79	\$1348.00
		approximately \$35 000 pa

This parent will receive \$140.79 less per fortnight from 1 January 2013. For comparison the national minimum wage is approximately \$31 600 per annum.

Cameo 2

A family consisting of a single parent currently grandfathered on PPS with two children aged nine and 14. This parent will transition to NSA on 1 January 2013.

This parent satisfies their participation requirements of 30 hours per fortnight, earning \$500 per fortnight and pays \$350 per week in rent.

Rates per fortnight as at 1 July 2012	30 June 2012 on PPS	1 January 2013 on NSA
Earnings	\$500.00	\$500.00
Income Support and Pharmaceutical Allowance	\$534.38	\$360.80
Family Tax Benefit Part A	\$434.40	\$446.04
Family Tax Benefit Part B	\$111.16	\$114.24
Clean Energy Payments (\$493.74 per annum)	\$0.00	\$18.99
Rent Assistance	\$140.98	\$140.98
Telephone Allowance (\$100.80 per annum)	\$3.88	\$3.88
Schoolkids Bonus (\$1230 per annum)	\$47.19	\$47.31
Tax paid	\$0.00	\$0.00
TOTAL INCOME	\$1772.01	\$1632.24
		approximately \$42 400 pa

This parent receives \$139.77 less per fortnight from 1 January 2013.

Additional assistance

In addition to the above, subject to the passage of legislation, income support recipients will receive the Supplementary Allowance announced in the 2012-13 Budget of \$210 per year for single people from 20 March 2013.

Parents who are no longer eligible for Parenting Payment are still able to access the Child Care Benefit and the Child Care Rebate to assist with child care costs. The Child Care Benefit of between \$90 and \$195 per fortnight helps cover the cost of child care, including long day care, family day care and outside school hours care. The Child Care Rebate, paid in addition to the Child Care Benefit, provides for 50 per cent for out-of-pocket expenses up to \$7500 per child per year.

Parents receiving Newstart Allowance or other eligible income support payments may also be eligible for Jobs, Education and Training Child Care Fee Assistance (JETCCFA). The JETCCFA provides extra assistance with child care costs, including for Out of School Hours Care, for income support parents who are working, looking for work or getting the training and skills they need to get a job.

Parenting Payment Single recipients and single principal carer parents on NSA are entitled to the Pensioner Concession Card (PCC) which provides access to Australian Government health concessions as well as concessions for various state and territory government services depending on location, such as reduced costs for property and water rates, energy and telephone bills, public transport fares and vehicle registration. Parenting Payment Partnered and NSA recipients without a PCC have access to the Health Care Card.

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Senator Di Natale asked, Hansard page 38

Question

Senator DI NATALE: Okay, let us get on to that. As we said, there may be a range of factors working, one of which is the very low level of payment that is offered to people. That may be the primary reason but I note you say that the differences between parents receiving Newstart versus those people who were on Parenting Payment grandfathered are between 57 per cent and 65 per cent. Is that correct? There can be a number of reasons for that difference. Just to say that one group is on Parenting Payment and another group is on Newstart and so there is a difference is not a valid conclusion to draw—unless we are comparing the same cohort. Have other variables been controlled, such as the length of time that someone was unemployed? Are we comparing apples with apples? For example, some of those people on Parenting Payment may have been long term unemployed. The Newstart cohort may have been comparing people who are recently unemployed, in which case the comparisons absolutely are not valid. I am asking whether we are comparing cohorts that are identical, in which case we can draw that conclusion. Ms Taylor: I will have to take on notice exactly what that research is. It comes a lot from our post-program monitoring and reporting on where people are at certain stages post their entrance into a placement. I will check if we have that exact detail here but otherwise I will undertake to get that to you.

Answer

The Newstart Allowance rates refer to all Newstart Allowance principal carer recipients who achieve an employment or education placement eligible for an outcome, irrespective of other factors such as duration on income support.

Similarly, the Parenting Payment rates refer to all grandfathered Parenting Payment recipients who achieve an employment or education placement eligible for an outcome, irrespective of other factors such as duration on income support.

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Melbourne, 9 August 2012

Senator Back asked, Hansard page 39

Question

Senator BACK: What I also suggest is that you might be able to add to that and pick those that are more typical or whatever. I would be really appreciative if you could do that. I wonder also if you would be good enough to take the following on notice. The National Welfare Rights Network has appeared before us this afternoon. On page 9 of their submission they presented a table which, among other areas, is again speaking of the current versus the proposed. They were addressing themselves to this income-free area which is proposed to go from \$87 to \$31. My colleague, Senator Di Natale, was just talking about this. I wonder if you could advise us what would be the impact on the budget over the out-years if that figure of \$31 was to remain at \$87.30. Would that negate most of the savings that are indicated in the documentation? Would it cut most of that out? Is that really where the savings are?

Answer

Applying the current Parenting Payment Income Free Area to all single principal carer parents on Newstart Allowance would reduce the savings over the forward estimates by approximately \$491 million. This is an indicative figure by the Department, has not been agreed by the Department of Finance and Deregulation and does not include the additional costs that would be incurred by service delivery agencies.

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Senator Back asked, Hansard page 39

Question

Senator BACK: That does appear in the table to which I just referred and asked you to refer. This allows my last questions, and thank you for bringing it in, Mr Pattie. Other witnesses have pleaded with us that 1 January would be about the worst date in the calendar year on which to introduce these changes. Because it is Christmas, the opportunities for part-time work are at their least; people doing casual work have probably been put off and costs are higher leading up to and subsequent to Christmas. This causes me again to ask if you could, on notice, let us know what the financial impact would be of delaying this implementation date to 1 March, when children are back at school.

Answer

Moving the implementation date of the 2012-13 Budget measure to 1 March 2012 would reduce the savings over four financial years by approximately \$51 million. This is an indicative figure by the Department, has not been agreed by the Department of Finance and Deregulation and does not include the additional costs that would be incurred by service delivery agencies.

Should such a postponement be considered, it should be noted that there would be additional costs for the Department of Human Services as the amendments made through the Social Security and Other Legislation Amendment (Income Support and Other Measures) Act 2012 passed by the Parliament in May 2012 would be implemented on 1 January 2013 with the 2012-13 Budget measure implemented on 1 March 2013.

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Senator Bilyk asked, Hansard page 40

Question

Senator BILYK: What if the job fails to make them financially better off compared to not working? I am interested in what sort of criteria will be put in place to do that comparison.

Ms Milliken: It looks at whether or not the person is \$50 or more a fortnight better off through working by calculating their benefit against their wage and entitlements. If they are not, then they do not have to accept that job.

Senator BILYK: But what about costs like transport or extra costs for child care, clothing and make-up?

Ms Milliken: It takes into account transport and child care.

Senator BILYK: Are they the only things taken into account?

Ms Milliken: I think so—taking account of those sorts of costs associated with working.

Ms Taylor: Yes.

Senator BILYK: There are other costs associated with working, as anybody working would understand. I understand that they are significant costs, but, if you have been on a low-income wage for a number of years, you might not have the appropriate clothing or things like that to enter the workforce. I am interested in knowing why things like that might not be taken into account as well.

Ms Milliken: We can provide a fuller answer, Senator.

Answer

A principal carer parent is not required to accept a job offer or continue in a job which does not make them at least \$50 a fortnight financially better off compared to not doing the job.

In making a determination on the financial suitability of a job the following factors are considered by the Department of Human Services when assessing the financial impacts on the recipient of accepting or continuing that work:

- gross wages from the job(s)
- personal income tax liabilities
- the drop in income support payment as a result of the earned income
- out of pocket child care costs incurred in order to undertake the work (after taking into account JET child care fee assistance, the child care benefit, and support from the Employment Pathway Fund
- travel costs to and from work after taking into account any assistance that may be provided by the Employment Pathway Fund; and
- any increase in public housing rent if the parent is living in state government subsidised or provided public housing and being paid Parenting Payment at the partnered rate.

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Senator Marshall asked, Hansard page 40-41

Question

CHAIR: I would not mind if you would take this on notice, if you can. I am having difficulty coming to grips with the detail of this. The existing work requirement of the single parenting payment must come as a package with support. Can you tell me what extra comes under the Newstart package in terms of job support that is not already there? I am happy for you to take that on notice if you like, but if it is one thing that you can easily point out now that would be terrific.

Ms Milliken: The additional assistance that is being provided to the parents that are affected by the parenting payment changes is the additional career advice which is \$7 million of funding. The measure announced this year is also the measure announced last year, and together that is \$7 million of career advice. There is the additional training available to single principal carer parents—the \$80 million announced last year and the additional \$20 million that Minister Evans announced last month for single parents and teen parents. More broadly, the entitlements are similar between parents on Newstart and on parenting payment whether they are with a Job Services Australia provider or otherwise.

CHAIR: So there are those two new programs.

Ms Milliken: Particularly.

CHAIR: It is all right to put it in an Australia-wide, across-the-board yearly figure. Are they capped programs? How much is an individual going to access, then? What is it worth to an individual?

Ms Milliken: Sorry, I am not sure I understand.

CHAIR: You say there is \$20 million of extra training for single mothers. Can I get the whole \$20 million if I put my hand up first?

Ms Taylor: It depends on the cost of your course and the program. There is no flat amount per person.

CHAIR: Then it is a capped program.

Ms Taylor: It is capped. The \$20 million has been made available specifically for single and teenaged parents. I talked before about the Employment Pathways Fund as part of Job Services Australia.

CHAIR: Maybe you should take the question on notice.

Ms Taylor: Yes.

CHAIR: I took from the previous answer that there were two new programs: one \$20 million and one \$40 million—is that right?

Ms Milliken: \$20 million plus \$80 million.

CHAIR: Yes, 20 plus 80, that is available to access to training but, apart from that, everything else is in fact the same.

Ms Taylor: I will put the details on notice, but with the Job Services Australia provider being linked in to that and the accessibility of the Employment Pathway Fund, which can provide funding for a whole range of services not just training or education, to assist with the cost—

CHAIR: That is what I am trying to get at. Given there is already a work requirement under the single parenting payment, that must come as a package. It is not simply a

work requirement with no support—is it? If it is, that is what I am trying to work out. What is the extra you are telling me is the extra actual advantage that being in Newstart is supposed to offer which in some way seems to have to offset the reduction of people at this very lowest level of income support in this country?
Ms Taylor: I understand what you are saying and we will take that on notice and I will get that for you.

Answer

To facilitate their transition into employment, parents in the grandfathered cohort who are transitioning to Newstart Allowance (NSA) will have access to two additional initiatives that will support their education and employment.

Career Advice for Parents

The \$3.7 million Career Advice for Parents service was announced as part of the Building Australia's Future Workforce (BAFW) package in the 2011-12 Budget and commenced on 1 January 2012. The Government provided an additional \$3.2 million for this service in the 2012-13 Budget measures.

The Career Advice for Parents service is a free telephone service which provides professional, informed career advice by qualified career advisers. This includes career planning and résumé appraisal services to assist eligible parents in identifying transferrable skills, explore career options and develop a plan of action to help them achieve their employment goals.

Grandfathered Parenting Payment recipients who cease to be eligible for Parenting Payment from 1 January 2013 can access the Career Advice for Parents service.

Access to Training Places for Single Parents

In the 2011-12 Budget the Government announced it would provide \$80 million to support Certificate II to Advanced Diploma accredited training and support services for single and teenage parents.

The National Partnership Agreement on Training Places for Single and Teenage Parents signed in March 2012 provides for guaranteed training places for those Parenting Payment Single recipients who will be impacted by changes to Parenting Payment that come into effect on 1 January 2013.

These guaranteed places will provide the opportunity to improve the job readiness of single and teenage parents in receipt of Parenting Payment by increasing their vocational education and training opportunities with a view to increasing their workforce participation. All training places, as far as possible should fit with the caring responsibilities of the parent and should be located in reasonable proximity to the location of the family or be accessible by other means.

In addition to the guaranteed training places already funded, in July 2012 the Commonwealth provided an additional \$20 million to support the Agreement.

The measures place no cap on the amount of training assistance an eligible parent can access.