



**Mission Australia**

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

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## About Mission Australia

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Mission Australia is a large national not-for-profit company limited by guarantee that has been transforming the lives of Australians in need for more than 150 years. Our vision is to see a fairer Australia by eliminating disadvantage for vulnerable Australians. We aim to do so by strengthening families, empowering youth, striving to solve homelessness and providing life and work skills and employment solutions.

In 2010-11 Mission Australia Community Services delivered 349 services (including our Early Learning Services), assisted 133,807 individuals and 8,568 families and provided a total some 103,728 instances of service. During that same period our 210 Employment Solutions teams worked with 154,929 jobseekers while MA Housing grew their portfolio to 1,071 properties<sup>1</sup> substantially increasing the number of people they were able to assist with housing.

### Our submission

Mission Australia welcomes the opportunity to contribute to inquiry into the *Social Security Legislation Amendment (Fair Incentives to Work) Bill 2012*. As a major provider of employment and community services, Mission Australia strongly supports the introduction of measures designed to assist disadvantaged jobseekers move from welfare to work. However, our service delivery experience demonstrates that jobseekers need appropriate, sufficient and often intensive supports to make that move. Our comments on the proposed *Bill* are therefore shaped by both our service experience and research. As such our comments are limited to the first two of the proposed amendments.

### Comments on the Bill

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Mission Australia notes there is a Senate Inquiry into the adequacy of the allowance payment system<sup>2</sup> that is running concurrently to the consultation on the *Social Security Legislation Amendment (Fair Incentives to Work) Bill 2012*. Given the nature of the Senate Inquiry we would strongly encourage the Senate Education, Employment and Workplace Relations Committee to postpone any action in relation to the proposed amendment to remove the grandfathering arrangement – at least until such time as the outcome of the Inquiry is known.

Further, the Parliamentary Joint Committee on Human Rights has been asked to examine the *Social Security Legislation Amendment (Fair Incentives to Work) Bill 2012* to hear evidence as to whether or not the proposed Bill is compatible with Australia's human rights obligations. A hearing was held on Thursday 21 June 2012 to provide evidence in relation to the concerns raised (in particular about the

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<sup>1</sup> Mission Australia (2011) *Annual Report 2011; Towards 2020*. Mission Australia; Sydney.

<sup>2</sup> The full remit of the inquiry relates to the adequacy of the allowance payment system for jobseekers and others, the appropriateness of the allowance payment system as a support into work and the impact of the changing nature of the labour market

[http://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate\\_Committees?url=eet\\_cte/newstart\\_allowance/index.htm](http://www.aph.gov.au/Parliamentary_Business/Committees/Senate_Committees?url=eet_cte/newstart_allowance/index.htm)



removal of the grandfathering provision) and the committee will meet to consider the evidence raised and determine its next steps<sup>3</sup>. We would consider it necessary to consider these findings before further action is taken in relation to introducing the proposed amendment.

Postponing the removal of the grandfathering provision until such time would also avoid the additional burden associated with the implementation of this amendment in January 2013. Those of us in the charitable sector know that demand for our services – particularly our financial support services – surges during the Christmas holiday period. This increase in demand is attributed to the accelerating cost of living pressures observed during that period<sup>4</sup>. Implementing the amendment in January would therefore further compound the already substantial financial pressure experienced by many individuals, particularly parents who would experience a subsequent reduction in allowance associated with a transition from Parenting Payment to Newstart<sup>5</sup>.

The timing of the introduction of the amendment is also problematic in relation to employment more generally. We know, for instance, that the level of earned income from casual employment can be expected to decrease for the first fortnights in January given the post-Christmas holiday effect on the receipt of earnings<sup>6</sup>. The number of unemployed people also generally peaks in the March quarter and troughs in the December quarter as people move out of unemployment due to calendar related influences such as the end of the academic year and increase economic activity at Christmas<sup>7</sup>. In effect, the proposed timeframe will result in the transfer of parent payment recipients onto a payment with the effect that they become jobseekers during a time where rates of unemployment peak. It seems illogical to increase the participation requirements for this group at such a time as they are less likely to be able to engage with employment – particularly given the barriers they experience which are outlined in more detail below.

More detailed comments in relation to the first two amendments are provided below.

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<sup>3</sup> [http://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate\\_Committees?url=humanrights\\_ctte/activity/index.htm](http://www.aph.gov.au/Parliamentary_Business/Committees/Senate_Committees?url=humanrights_ctte/activity/index.htm)

<sup>4</sup> [http://www.acoss.org.au/media/release/Inequality\\_is\\_growing\\_in\\_Australia\\_ACOSS](http://www.acoss.org.au/media/release/Inequality_is_growing_in_Australia_ACOSS)

<sup>5</sup> The maximum PPS rate is currently \$648.50 per fortnight (which includes the supplement) whereas NS single with dependent is \$529.80 - [http://www.aph.gov.au/Parliamentary\\_Business/Bills\\_Legislation/bd/bd1112a/12bd164#\\_ftn23](http://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/bd/bd1112a/12bd164#_ftn23) .

<sup>6</sup> Flatau, P & Dockery, M (2000). How do income support recipients engage with the labour market?, *Policy Research Paper No. 12*, Canberra: Department of Family and Community Services

<sup>7</sup> ABS (2009) Australian Labour Market Statistics, January 2009 - Comparing unemployment and the claimant count. <http://www.abs.gov.au/ausstats/abs@.nsf/featurearticlesbytitle/F711033AD22EB48BCA2576A40014FA02?OpenDocument>

**Amendment 1 – Remove the ‘grandfathering’ transitional arrangement from the parenting payment from 1 January 2013**

Mission Australia is concerned about the proposed transitioning of existing grandfathered Parenting Payments recipients to Newstart Allowance from 1 January 2013. This action will leave people affected by the transition considerably worse off financially given the Newstart Allowance base payment is significantly lower than the rate of Parenting Payment Single (PPS). It is estimated the removal will affect some 72,000 recipients of PPS and PPP on January 1, with a further 36,000 becoming progressively ineligible over the forward estimates (2012-12 to 2015-16)<sup>8</sup>.

Mission Australia welcomes the additional assistance the Government intends to provide for single parents moving from Parenting Payment to Newstart Allowance – such as access to professional career counselling and advice to help build motivation and confidence. We also welcome the continued access affected individuals will have to the more generous income test for single principal carer parents on Newstart; particularly as it allows them to earn around \$400 more per fortnight before losing eligibility while remaining eligible for the Pensioner Education Supplement and the Pensioner Concession Card and its associated benefits. However we note it is not enough given how significant the barriers are for many in this cohort.

Our Job Services Australia (JSA) employment services already work with unemployed Parenting Payment recipients who move onto Newstart as their eligibility for allowances change. As such we know that this cohort faces significant barriers to taking up employment including: low self-esteem; lack of foundational education skills and vocationally relevant skills; erosion of existing skills; loss of networks; and poor mental health. These barriers are further compounded by reliance on public housing and additional challenges associated domestic violence and family breakdown

The time spent on Newstart Allowance is indicative of the impact of these barriers. Even though the average duration of time spent on Newstart Allowance is 178 weeks (and predicted to rise to 213 weeks by mid-2014), single parents in general are unemployed longer than most long-term unemployed. Given this Mission Australia believes the Parenting Payment recipients who will be transitioned to Newstart need further additional supports than those currently proposed to help them transition into work.

We believe that the provision of Stream 1 services – which this cohort would automatically access in moving onto Newstart under the proposal – will be insufficient to meet the needs of this group. We recommend this cohort be immediately placed in Stream 2 services as a minimum given such a placement will enable this cohort to receive immediate assistance to secure employment through intensive case management. In contrast, if the proposed arrangements go ahead and those transitioned onto Newstart are placed in Stream 1, they will not receive any intensive assistance until 26 weeks. Intensive case management support will also ensure an accurate assessment is

<sup>8</sup> Department of Parliamentary Services (2012) Social Security Legislation Amendment (Fair Incentives to Work) Bill 2012, *Bills Digest No 164, 2011-12*, 20 June 2012. Canberra: Parliament of Australia

undertaken which may result in many individuals being placed in a higher stream with responses that are better able to meet their needs.

Mission Australia recognises providing this cohort with Stream 2 services poses a significant cost for Government. However, the public savings associated with an increase in this cohort's employment would significantly outweigh these initial costs, especially over the longer term. Without the level of assistance provided under Stream 2 or higher, there is a risk that unemployed parents who have exited from Parenting Payment will fail to make a successful transition into work and remain languishing on Newstart and JSA caseloads, increasing and compounding the financial vulnerability of them and their family.

**Amendment 2 – Reduce the length of the liquid assets waiting period by doubling the maximum reserve threshold for liquid assets to \$5000 for singles without dependants or \$10,000 for others from 1 July 2013**

Under the current Liquid Assets Waiting Period arrangements, a single person without dependants can hold up to \$2500 in liquid assets, and a person who has dependants can hold up to \$5000 before they are subject to a waiting period to receive Newstart Allowance, Sickness Allowance, Youth Allowance or Austudy. The Government's proposed amendment will double the liquid assets amount that income support applicants can hold before being subject to a waiting period (i.e. up to \$5000 for singles and \$10,000 for others).

This means that unemployed people will be able to access income support more quickly after losing their job while also allowing them to keep more of any savings they might have. As a result of this measure, the Government estimates approximately 21,000 people each year – 14,000 single and 7,000 partnered and/or with dependants – will begin receiving payments up to five weeks earlier than under current arrangements. Mission Australia supports this amendment but we are concerned that the amendment is not scheduled to take effect until six months after the proposed amendment to remove the grandfathering transitional arrangement. As already noted, we would like consideration to be given to postponing the amendment relating to the removal of the grandfathering transitional arrangement.

One such benefit of the proposed amendment is that it could help to reduce disincentives to take up employment. At present there is little incentive for jobseekers to take on insecure or casual employment particularly given the likelihood they could lose the job then have to return to income support but only after they have reduced their liquid assets below the reserve threshold. By increasing this reserve amount the risk of re-entering the workforce is reduced as individuals who do fall back in unemployment will be eligible for access income support more quickly and without sacrificing a large chunk of their savings in order to gain the allowance.

Raising the reserve amount will also be beneficial to those who have a small amount of savings but need income support to be able to properly support themselves while they are out of work. Allowing

those jobseekers with savings to retain a greater amount of their savings will help to reduce their financial vulnerability, likely to be particularly acute given the low rate of Newstart Allowance.

Both the OECD and the Henry Tax Review have recognised the rate of Newstart Allowance is too low and should be increased – something the current review into the adequacy of Newstart may concur with. We would therefore reiterate our call made at the outset of this submission, that any proposed amendment to the Social Security Legislation Amendment (Fair Incentives to Work) Bill 2012 – but particularly the amendment removing the grandfathering transitional arrangement from Parenting Payment - be postponed until this concurrent inquiry is complete.