

Council of Single Mothers and their Children, Inc

Committee Secretary
Senate Education, Employment and Workplace Relations Committees
PO Box 6100
Parliament House
Canberra ACT 2600

24 July 2012

Dear Secretary,

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

CSMC is a state-wide community organisation run for and by single mothers and their children, providing telephone support and counselling, referral, advice and emergency relief to single mothers throughout Victoria. Our work is directly informed by the experiences we hear from the women contacting us.

This submission is being made in reference to Schedule 1 and Schedule 2 of the bill.

- *Schedule 1* – The bill will remove the “grandfathering” transitional arrangements from Parenting Payment from 1 January 2013. **CSMC recommends that sole parent payment cuts be opposed.**
- *Schedule 2* – Doubles the maximum reserve threshold for liquid assets to \$5000 for singles without dependants or \$10 000 for others. **CSMC recommends that changes to the liquid assets waiting period be supported.**

CSMC is gravely concerned about the removal of grandfathered status facing Parenting Payment Single (PPS) recipients when their youngest child turns eight, a change that will have a serious impact on some of the most vulnerable members of the community. Most of these parents will then only be eligible for the significantly lower Newstart Allowance (NSA) which will negatively impact family income in many ways:

- NSA has much lower financial return for work
- It is paid at a lower rate
- There is only a ‘Single, with dependent child(ren)’ rate – taking no account of the additional costs of raising more than one child
- The NSA ‘with child(ren)’ rate is only \$20 per week higher than the rate of NSA for a single with no children.
- NSA recipients can only earn \$31 per week before payment starts to withdraw, compared to \$88 per week with PPS (which increases by \$12 per week for each additional child, a benefit also not extended to NSA recipients).
- NSA recipients undertaking study are not eligible for the \$32 per week Pensioner Education Supplement available to PPS recipients.

Rural Callers 1300 552 511
csmc@csmc.org.au



www.csmc.org.au

Council of Single Mothers & their Children (CSMC) Victoria
Ground Floor, 210 Lonsdale Street, Melbourne, 3000

ARN: A0014618W

We are at a loss to understand how these significant cuts can even be considered, particularly during a time of rapidly increasing costs of living. The *Federal Budget 2012 -2013* contains a number of measures which acknowledge this rise, including the increase to Family Tax Benefit and the introduction of the Supplementary Allowance; yet the removal of grandfathered provisions will simply plunge up to 100,000 families into further hardship.

Effect on the income of single parents

Parents whose sole source of income is Newstart Allowance will be more than \$40 a week worse off (even with the additional payments announced in the Budget), those working 15 hours/week at the minimum wage will lose \$80 a week and those working more hours or at a higher wage rate stand to lose over \$100 per week. Those parents whose earnings lie within the range between the 'cut out point' for Newstart Allowance (\$25,000 pa) and that for Parenting Payment Single (\$47,000 pa) would lose their remaining entitlement to income support.

Research has time and again demonstrated that many single parent families are already living below the poverty line¹, and suffer multiple deprivation².

Many of our members are distraught at the thought of having to survive on significantly reduced incomes – a number anticipating being unable to make mortgage repayments or pay rent. Many of these women are already working, and meeting their participation requirements, yet they will suffer the greatest financial losses. Poverty is already the primary reason for many of the women calling CSMC. Single mothers reliant on Parenting Payment Single are already struggling to:

- Adequately feed themselves and their children
- Adequately clothe themselves and their children, including school uniforms
- Pay rent - increasingly women and children are living in insecure and unsafe housing
- Pay the costs of utilities
- Pay for school and work related costs for themselves and their children such as books, transport, excursion fees and child care
- Pay for other activities for their children, including sport
- Pay for medication for themselves and their children
- Pay unexpected bills such as car or home repairs or emergency dental work³

Single parents applying for income support payments since 2006 have already faced these massive drops in income when their youngest child turns 8. The proposed cuts will mean a further 100,000 already disadvantaged families will join them. The government's claim that this makes the income support system 'fairer' ignores the fact that it was the original decision to move sole parents from PPS to the lower NSA Allowance in 2006 which was unfair.

As Senator Chris Evans, [then] Shadow Minister for Social Security said in a media release (May 2005):

"Simply cutting payments for people on welfare does nothing to help them get paid work, which is the best way out of poverty. By cutting payments to vulnerable Australians who are already

¹ OECD, 2011, *Doing Better for Families*, Paris

² ACOSS 2012, *Who is missing out?* ACOSS Paper 187.

³ *ibid*

financially disadvantaged, the Howard Government's budget will increase income inequality rather than reduce it"

Many single mothers have contacted us expressing concerns about how this legislation will affect their families. One of our members wrote to us after the budget announcement, having just become ineligible for PPS six weeks earlier:

"It's been a huge squeeze for my budget, my income is now \$100 less a week and I've had to be really clever at making budget changes. I'm great at budgeting anyway but unfortunately the area the money has to come from has been things like food and everyday spending because I can't change my bills and my overheads so we've noticed a great difference over the last six weeks. It has been really difficult because a lot of the flexibility is in my food spending. I've had to really look closely at what we eat each week and really go through the cupboards to see what I can creatively make into something that'll be nutritious because it's just really difficult to buy those sorts of things we always had bought with the income that I had prior to becoming ineligible for parenting payment.

I can see where it's difficult but I think the government is really aiming at the lowest of income earners because there's just not a lot of room to move for people who are single parents, single families. I've been anticipating these changes and I'm retraining for another position that's a bit more family friendly that can give me a regular income but I just find that around this area, and I think this is true of a lot of regional areas, that the kind of work that I do, and maybe in many jobs, there's not so great a choice of employers so it's tricky to get work that is family friendly, and the things that I'm always challenged by are what about child care? What about dropping off to school? And while there's after school care it's just really difficult to hold down a regular job when there's no child care.

Even though I'm trying to work at extra work, casual work that's insecure employment as well, that's not regular income. The amounts of money that I no longer get, I just don't see that they're made up with the extra payments the government has talked about in the budget. Single parents aren't a homogenous group. I've actually got a great job and I'm in work already.

I took very little time off when my daughter was born so for me it's not about getting into work, I've got work, it's just that it's not family friendly and child care is only after school and the other thing is that actually I became a parent to be a parent and I work with families and children and I know how important parents are to children and I would like to be with my daughter and I want to be able to blend parenting and working but in regional areas with the lack of choice in jobs it's just not really possible to do that and cheaper child care's great but I can't leave my daughter in the playground at seven in the morning when I drive off to work."

Newstart Allowance is inadequate for all Australians but particularly to meet the cost of raising children. Many single parents are unable to undertake full time work when their youngest child turns eight without compromising their parental and legal responsibility to protect and care for their children. Instead, most take up part time work and the suitability of this is already acknowledged by the legislation not requiring single parents to seek full time work.

Indeed, when the *Welfare to Work* legislation was introduced in 2006, the ALP opposed the provisions:

“1.91 Furthermore, the planned expanded use of Newstart Allowance in place of specific payments for particular need groups – single parents and people with disabilities – will erase the specific provisions which have enhanced the effectiveness of Australia’s social security safety net. Newstart Allowance was designed for the short-term income support of individuals without significant caring or health or disability issues seeking full-time employment. We consider that trying to make the payment fit the needs of people with family obligations, health and/or disability issues and with part-time or intermittent availability linked to these circumstances is going to be a continuing problem that will be played out across the lives of people who are already experiencing disadvantage and hardship.”

(Dissenting report of ALP, Democrats and Greens, Senate Community Affairs Committee Inquiry into the *Welfare to Work* legislation 2006).

Effect on workforce participation

The Explanatory Memorandum for the Bill states that “As part of the removal of grandfathering, formerly grandfathered parenting payment recipients will have participation requirements from when their youngest child turns 6 years old, making the participation requirements the same for all recipients”. In reality, these recipients already have participation requirements, under changes introduced with the ‘Welfare to Work’ legislation in 2006. Despite the government’s claims that this change will provide an ‘incentive’ for parents to return to work, the reality is that these parents already have compulsory requirements to undertake work or training. Cutting payments will not assist parents into the workforce, and certainly doesn’t address Australia’s lack of secure, family friendly jobs or the lack of appropriate childcare.

Another member has a child who has turned 8 since the budget announcements. She wrote to us about the affect these changes have already begun to have:

“I just don’t know what to do. I was doing ok up until now and the worry is literally making me sick. I’ve worked so hard to keep going forward and now I feel totally betrayed, I’ve been given this huge kick backwards. My child’s father wouldn’t pay child support, he didn’t even meet her until she was six and that was only because I tracked him down because she was really wanting to know him.

I put her in child care and did a degree full time from when she was two years old, even though she didn’t like it and was probably a little young. I always said I still wouldn’t change a thing because I needed that education for us, so I could get a decent job and support us. I got a job the same month I was completing Uni, November 2008, and have been in the same permanent part time position ever since. I already do ten hours more a fortnight than the work requirements expect of me. I have always felt like one of the lucky ones. Sure we’ve only been able to save up for one driving holiday since she was born in 2003 but I can afford clothes, most school expenses, food and being lucky enough to have social housing, our rent and bills.

These changes make me feel like I did before we managed to get into a housing cooperative and we had to move from private rental to private rental every couple of years. When we finally got

the place in the coop my daughter and I had lived in 4 different houses before she was six years old. I feel like the security we gained has now been taken away.

I work for a small community organization and I'm not the only staff member here who will be affected as of January 1st 2013. This agency does not have the capacity to increase our hours of work, or our pay, so now we have to look for a second job or another job entirely. What are the ramifications of this for agencies like ours who employ so many women, many of them part time?

Those of us lucky enough to have permanent part time positions will find we now can't make ends meet. We can't manage full time work so we'll end up in and out of casual employment and actually more welfare dependant than we are now, often needing full benefits and having no security, instead of the current small top up the Parenting Payment gives to our income.

Every school holidays my child gets upset and complains that I'm not there for her while she is shunted around to family and parents of her friends as I juggle work and caring for her. I always feel guilty and stressed at these times as it is but we were getting by. I'm lucky enough to have some family support. Now I just feel sick. I cry all the time because everything is so uncertain every little and big thing, from a treat of going out for ice-cream to keeping up with the costs of her schooling.

Ever since the announcement I have been looking for a second job so that we can afford to live from next year. Who even knows how I'll juggle the child care? I can't go there, I'm just terrified. I've had one interview since May and it's July. So where are these jobs they're talking about? I am educated and already employed yet I'm still finding it difficult. I can only imagine how desperate someone suffering after a difficult divorce, with a few children, no recent work history and little education must be feeling. It's hopeless and hopelessness does not help people work and raise their children."

Two thirds of single parents with school aged children are already in paid work, including half of single parents receiving income support. For those who do not work it is not from a lack of motivation, rather the many barriers that exist for those raising children alone, with only one parent to fulfil both the caring and providing roles. Many actually do work but lacking secure employment, cycle on and off income support or fall below the required 15 hours per week while continuing to maintain paid employment. Single parents face some particular barriers in seeking and maintaining paid work, due to being the only parent to care for their children and the limited flexibility resulting from this. These include:

- Very few truly family friendly jobs exist in Australia
- Very few jobs that are within school hours are available in Australia
- Australian's lack affordable and appropriate child care. There is no shift work child care and for what child care there is there are long waiting lists. Sometimes there is simply no care available at all.
- Australia has no formal child care for children 12 years old and over
- Parents need to care for sick children.
- Parents need to care for children on curriculum days and school holidays
- Job security is increasingly rare

In fact the budget's effective cut to Jobs, Education and Training (JET) childcare fee assistance payments by tightening eligibility, combined with a \$50 million a year cut to Job Services Australia (only fractionally offset by a \$3 million telephone career counselling service), will make the barriers to getting into paid work much harder to cross.

Introduction date

The proposed date of introduction for this legislation is of grave concern. January is a time of year when we experience a dramatic spike in calls to our Support Line from mothers needing financial assistance. The large and increasing costs of paying for school requirements – books, uniforms and fees – already place a severe financial burden on low income parents. An increasing proportion of parents have no option but to seek emergency relief assistance simply to ensure their children can start the school year. To suffer this loss of income at an already difficult time of year will compound the hardship families will suffer.

We also do not believe that the hasty introduction of the legislation gives enough time for the government to adequately alert income support recipients of this drastic reduction in income. Many who are already worrying about covering the costs of Christmas and meeting the costs of 'back to school' will not be aware that their income is also going to drop dramatically at this time. Past experience has shown that many families are not adequately informed about changes that will have a detrimental effect on them.

Recommendation

CSMC calls on the Senate to take a responsible position and oppose *Schedule 1 of the Social Security Legislation Amendment (Fair Incentives to Work) Bill 2012*. We also call on Parliament to return all single parents to Parenting Payment Single until their youngest child is 16. Raising the income support levels of Australia's poorest families is the only way to ensure that the most disadvantaged families are not thrust further into poverty, and ensuring there is real incentive and capacity to participate in the workforce.

Yours faithfully

Jane Stanley
Executive Officer