



Date: 26 July 2012

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

By email: eevr.sen@aph.gov.au.

***Submission to the Senate Standing
Committee on Education, Employment and
Workplace Relations
Inquiry into the Social Security Legislation Amendment (Fair
Incentives to Work) Bill 2012***

Contents

1. Introduction..... 3
2. Background..... 3
3. The liquid assets test 4
 3.1 The Society welcomes the increase in the liquid assets test4
 Recommendation 1 4
4. Removal of parenting payments.....4
 4.1 The removal of the parenting payments will not achieve the policy objective
 of the Bill4
 4.2 Sole parents on parenting payments are working and the removal of the
 parenting payment will not encourage them to re-engage with the workforce.....5
 Parents are already working 5
 Parents do not need to be “encouraged” to work – they want to work5

The Bill does not have the effect of “encouraging” parents to work	5
4.3 The removal of the parenting payment is a cost-saving measure	5
4.4 Other effects the cuts to parenting payments will have on sole parents	6
Inadequacy of Newstart	6
Single parents are the most disadvantaged members of the Australian population	6
The effect of this Bill on single parents.....	6
Conclusion	7
Recommendation 2.....	7

1. Introduction

1. The St Vincent de Paul Society is a respected lay Catholic organisation operating in 148 countries around the world. In Australia we operate in every State and Territory with more than 50,000 members and volunteers committed to our work of social assistance and social justice. We are accountable to the people in our community who are marginalised by structures of exclusion and injustice.
2. On 26 June 2012, Mr Tim Watling, Inquiry Secretary invited written submissions from interested organisations on the Social Security Legislation Amendment (Fair Incentives to Work) Bill 2012 (“the Bill”), before the inquiry tables its report on 22 August 2012.
3. The National Council of the St Vincent de Paul Society (“the Society”) takes this opportunity to make comment on the Bill.

2. Background

4. We wish to preface the importance of this legislation and its policy implications in the greater context of income inequality and poverty in Australia.
5. The gap in income inequality in Australia is well documented, as is the fact that most welfare recipients in Australia struggle with the basic costs of living. The people targeted in this bill are single parents, 70% of whom are in the poorest 20% of the population.¹
6. The effect the removal of the parenting payments in this legislation will be to write the future impoverishment of parents, relative to the rest of the population. The legislation will effectively punish the poorest members of the Society who already struggle with the basic costs of living.
7. Parenting payment recipients have previously reported their struggles to afford the cost of living. An ACOSS study has found that parenting payment recipients could **not**:
 - (a) Afford dental services when needed (47%);
 - (b) Afford home contents insurance (44%);
 - (c) Raise \$500 in an emergency (37%); and
 - (d) Afford to purchase up to date school books and clothes for their children (28%).²
8. Indeed, the impoverishment of parents should not be seen as a stand-alone problem relative to them alone. Poverty and inequality come at a huge cost to all of us, including costs in the areas of health, welfare, crime, productivity and economic growth.³

¹ Evidence to Parliamentary Joint Committee on Human Rights, Social Security Legislation Amendment (Fair Incentives to Work) Bill 2012, Parliament of Australia, Canberra, 21 June 2012, 7, (Professor Whiteford, Social Policy Research Centre, University of New South Wales).

² Australian Council of Social Services, *Who is missing out? Material deprivation and income support payments* (2012), <http://acoss.org.au/images/uploads/Missing_Out_2012_ACOSS.pdf>.

³ See for example: Terry McCarthy and John Wicks, ‘Two Australias: addressing inequality and poverty’ (Research discussion paper, St Vincent de Paul Society, 2001).

9. The effect of this legislation must be considered holistically and in the context of the future of social progress in Australia.
10. As noted by us previously, we also believe that the removal of parenting payments is a matter of human rights.⁴

3. The liquid assets test

3.1 The Society welcomes the increase in the liquid assets test

11. The Society welcomes the increase in the liquid assets test, and agrees with the proposition that the changes to the threshold will in some instances mean that students and the newly unemployed can preserve more of their savings before receiving Government assistance.⁵

Recommendation 1

12. That the Committee support the increase in the liquid assets test.

4. Removal of parenting payments

4.1 The removal of the parenting payments will not achieve the policy objective of the Bill

13. The Explanatory Memorandum to the Bill says that the removal of the parenting payment “will encourage parents with school age children to re-engage with the workforce and provide strong working role models for their children”⁶. Encouraging parents to work appears to be the policy objective of the legislation.
14. There is an absence of explanation in the Explanatory Memorandum as to how the removal of the parenting payment will have the effect of encouraging parents with school age children to re-engage in the workforce. Presumably, the Government believes that an inference of this kind is self-evident.
15. It seems that the justification for this legislation is based on the following premises:
 - (a) That sole parents on parenting payments are currently not working;
 - (b) That parents need to be “encouraged” to work; and
 - (c) That the removal of the parenting payment will have the effect of encouraging parents to re-engage with the workforce.
16. These premises are incorrect and are addressed below.

⁴ Australian Council of Social Services, Submission No 1 to Parliamentary Joint Committee on Human Rights, *Social Security Legislation Amendment (Fair Incentives to Work) Bill 2012*, 25 June 2012.

⁵ Explanatory Memorandum, page 8.

⁶ Explanatory Memorandum, page 2.

4.2 Sole parents on parenting payments are working and the removal of the parenting payment will not encourage them to re-engage with the workforce

Parents are already working

17. Approximately or 45%⁷ of the estimated 100,000 parents that are likely to be affected by the changes are in fact employed. Effectively, this means that for that almost half of the people targeted in this legislation, it is not necessary to “encourage” them to re-engage with the workforce, as they have already taken up employment at their own volition.

Parents do not need to be “encouraged” to work – they want to work

18. The vast majority of parents that are not employed prefer to be in the workforce but are not working due to a variety of reasons including: limited vocational skills, they are located in areas with low employment opportunities or poor access to public transport, due to their ill health or disability, due to caring responsibilities for a child/children with a disability and the nature of the casual or short-term nature of jobs available to low-skilled parents.

The Bill does not have the effect of “encouraging” parents to work

19. Furthermore, if the policy intention of the legislation is to encourage parents to work, then it does not explain why almost half of the parents that are currently working will stand to lose the greatest proportion of their income under the legislation, including an up to 12.8% cut to their income or approximately \$223.33 a fortnight.⁸ While the policy intent appears to be about “encouraging” parents into work, the real effect of the legislation may be that, due to the nature of the cuts, there is a disincentive to work (or incentive to work less) if a person is being penalised for working more, particularly, for example, where the trade-off may be spending more time caring for a disabled child.
20. Finally, it should be noted, that there seems to be a general presumption that if parents are “encouraged” to move into the workforce, that there are enough jobs available for them, and more importantly, that the jobs available are flexible and cater to their child caring responsibilities.

4.3 The removal of the parenting payment is a cost-saving measure

21. In the absence of an explanation as to how this Bill will have the effect of encouraging parents with school age children to engage with the workforce, and with evidence to the contrary (discussed above), this measure must have been included for some other purpose.
22. We are concerned that sole purpose of this measure is a cost-saving exercise in the welfare system, and more broadly a cost-saving exercise in the 2012-2013 Federal Budget. The Explanatory Memorandum to the Bill notes that the projected savings of the abolition of parenting payments will be \$727.9 million.⁹

⁷ Patricia Karvelas, ‘Labor in revolt over welfare cuts’, *The Australian* (online), (12 May 2012), <<http://www.theaustralian.com.au/national-affairs/treasury/labor-in-revolt-over-welfare-cuts/story-fndfjxsi-1226353386163>>.

⁸ Patricia Karvelas, ‘Budget crackdown will penalise single working mums’, *The Australian* (online), (2 June 2012), <<http://www.theaustralian.com.au/national-affairs/industrial-relations/budget-crackdown-will-penalise-single-working-mums/storyfn59noo3-1226380955711>>.

⁹ Explanatory Memorandum, page 3.

23. As noted above, income inequality and poverty come as a cost to us all and a saving at the expense of single parents is unacceptable. The far reaching and negative implications of this measure for single parents are discussed below.

4.4 Other effects the cuts to parenting payments will have on sole parents

Inadequacy of Newstart

24. From 1 July 2013 single parents on parenting payments will be shifted onto the Newstart Allowance.
25. The inadequacy of the Newstart Allowance was aptly described by Professor Whiteford of the Social Policy Research Centre before the Parliamentary Joint Committee on Human Rights:

... Newstart recipients, apart from the very small increase in payment they got in the last budget, have not had a real increase in their incomes since 1994. In that time, people on average in Australia have become a lot better off. If you are somebody in the middle, you would literally be 60 per cent better off in real terms since 1994. The people on Newstart are different people than they were in 1994 but they are zero per cent better off...¹⁰

Single parents are the most disadvantaged members of the Australian population

26. It is well established that single parents make up the majority of the poorest 20% of the Australian population, approximately 95% of whom are women. Furthermore, single mothers have a significantly worse quality of life than the general Australian population¹¹. Single mothers have been found to have lower quality of life than the general population in terms of satisfaction with their subjective wellbeing, standard of living, health, achievements, relationships, safety, community connectedness, future security and life as a whole.¹²

The effect of this Bill on single parents

27. The financial effect of this Bill on single parents is described below.
28. For an unemployed single parent, the current maximum payment rate on the parenting payment is \$648.50 per fortnight, while the maximum payment on the Newstart Allowance is \$528.90 per fortnight; this is approximately a \$120 per week decrease in income. The amount that any given single parent might lose varies depending on whether they transfer to the Newstart allowance of a higher payment, how much they are earning from wages and whether they are studying.
29. For example, those parents that study full-time to improve their future job prospects and who commence their course after they lose eligibility for parenting payments, would also

¹⁰ Evidence to Parliamentary Joint Committee on Human Rights, Social Security Legislation Amendment (Fair Incentives to Work) Bill 2012, Parliament of Australia, Canberra, 21 June 2012, 7, (Professor Whiteford, Social Policy Research Centre, University of New South Wales), 8.

¹¹ Kay Cook, Elise Davis, Paul Smyth and Hayley McKenzie, 'The quality of life of single mothers making the transition from welfare to work' (2009) vol. 49, no. 6-7, *Women and health*, 486.

¹² *Ibid.*

miss out on the Pensioner Education Supplement. This means that they would not have the same financial resources to pursue study in order to improve their work prospects.

30. In general, ACOSS¹³ estimates the overall loss of income for a sole parent family with no earnings and one primary school age child would average \$41 per week and the loss for the same family with a high school age child would average \$33 per week. This means, that those parents that could previously not afford basics such as dental care services, home contents insurance, paying for emergency expenses, or children's school books, will be even more vulnerable to financial stress.

31. Additionally, almost half of the parenting payment recipients that currently work part-time would face the highest losses as a proportion of their income.

Conclusion

32. The inadequacy of the Newstart allowance, the fact that single parents are some of the most disadvantaged members of the Australian population and the effect of pushing single parents onto the Newstart Allowance will have on them financially, in the Society's view, makes this an unacceptable measure. The hardship that will be placed on single parents far outweighs any policy objective of the measure, particularly if that measure is merely a cost-saving exercise.

33. If the Government declines to view this measure in terms of the hardship caused to single parents, then this short-sighted outlook in costs saving must be viewed in terms of the cost of creation of further poverty in Australia in the long-term.

Recommendation 2

34. That the Committee make a finding that the Bill in its current form does not meet its policy objectives and that the effects of the cuts to parenting payments are unacceptable.

35. That the Committee reject Schedule 1 to the Bill.

Contact:

¹³ Australian Council of Social Services, Submission No 10 to Senate Standing Committee on Education, Employment and Workplace Relations, *Inquiry into the Social Security Legislation Amendment (Fair Incentives to Work) Bill 2012*, July 2012, 9.