

5 July 2012

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

Dear Mr Watling

The Brotherhood of St Laurence welcomes the opportunity to respond to the inquiry into the Social Security Legislation Amendment (Fair Incentives to Work) Bill 2012. The Brotherhood of St Laurence works to prevent poverty through focusing on those points in the life transitions where people are particularly at risk of social exclusion, including the working years and welcomes efforts by the Government to provide incentives to work. Below we set out our response to three aspects of the Amendment Bill, namely the:

1. removal of the 'grandfathering' transitional arrangement from the parenting payment from 1 January 2013
2. reduction of the length of the liquid assets waiting period by doubling the maximum reserve threshold for liquid assets
3. clarification of the definition of termination payment for the purposes of the income maintenance period.

1. Amendments to the parenting payment

The experience of Brotherhood of St Laurence leads us to conclude that enabling and encouraging low income parents to enter and remain in employment is generally beneficial for them and their families. Further, as soon as their youngest child is well established in school, it is the aspiration of the vast majority of parents to do so.

We believe the Parenting Payment should be thought of as a working age payment. We agree with the equity argument in bringing all Parenting Payment recipients under the same payment structure and as a consequence, support this amendment. That said, we recognise that a fundamental problem in the social security system is the inadequacy of the Newstart Allowance. That is the issue that needs to be addressed rather than perpetuating inequities by piecemeal changes to the Parenting Payment.

Ensuring recipients of social security payments are resourced to a level commensurate with the expectations made of them is a critical test of fairness and ultimately the effectiveness of the system.

Here we commend the recent efforts of the government to 'make work pay' through the creation of more generous taper rates for single parents receiving Newstart Allowance. And we welcome the \$3 million investment in the provision of professional career advice and the \$225.1 million dollars that will be applied over four years to meet growing demand for Jobs, Education and Training Child Care Fee Assistance. There is, however, still a longer term need for more to be done to enable low income parents to move into and sustain ongoing employment, particularly in relation to the affordability of childcare, access to flexible hours of childcare including school holiday care and access to flexible forms of work which allow for the combination of care and paid work. Further, greater assistance could be provided to the most disadvantaged parents, including those with limited education and who have been out of paid work for the longest time, through reforms to the mainstream Job Services Australia system<sup>1</sup>.

## 2. Reduction of the liquid assets waiting period

The Brotherhood welcomes the doubling of the current maximum reserve amount in liquid assets a person can have before they are subjected to a waiting period for Newstart Allowance, Sickness Allowance, Youth Allowance and Austudy. This measure will enable some people to keep a small buffer against further vulnerability and hardship and, in part, reduce disincentives to save. However, we note that the test itself still unfairly impacts on highly disadvantaged people as it does not apply to other forms of assets. People suffering from various forms of disadvantage are more likely to have assets in the form of liquid savings in a bank account than other forms such as property. We would like to see the amount threshold be further or abolished altogether, as was recommended by the Henry Tax Review.

## 3. Definition of termination payment for income maintenance period

Under the Income Maintenance Period (IMP), any leave and/or redundancy payments received by a person or their partner are treated as ordinary income and apportioned evenly across the period covered by the IMP. This income is then assessed under the relevant income test to determine the person's rate of payment. It appears that this measure clarifies the type of payments referred to in relation to termination. Insofar as this measure provides further clarity for income support recipients regarding their entitlements and obligations, the Brotherhood supports the measure.

Yours sincerely

Tony Nicholson  
Executive Director  
Brotherhood of St Laurence

For further enquiries regarding our response, please contact:

Michael Horn  
Senior Manager  
Research and Policy Centre  
Brotherhood of St Laurence

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<sup>1</sup> Brotherhood of St Laurence 2011, *Line of sight: better tailored services for highly disadvantaged job seekers: Submission to the Australian Government on future employment services from 2012*, Brotherhood of St Laurence, Melbourne.

[http://www.bsl.org.au/pdfs/BSL\\_subm\\_Future\\_employment\\_services\\_from\\_2012\\_Jan2011.pdf](http://www.bsl.org.au/pdfs/BSL_subm_Future_employment_services_from_2012_Jan2011.pdf)