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**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)**



By the National Welfare Rights Network

25 July 2012

## Executive summary of recommendations

The National Welfare Rights Network (NWRN) recommends:

1. That the Committee reject Schedule 1 related to the reduction of income support payments to single parent families. Alternatively, the Committee should recommend delaying the start date of the proposed changes beyond 1 January 2013 and significantly increasing both the rate of the Newstart Allowance and other allowance payments and the “income free area” of the Newstart Allowance which is currently \$31 per week (\$62 per fortnight).
2. That the Committee consider the implications of the different indexation arrangements for Parenting Payment Single and Newstart Allowance and the impact of the differential upon the future adequacy of income support for sole parents. Specifically, we urge the Committee to obtain clarification and modelling from DEEWR to assess:
  - the impact of the proposed arrangements on future payment increases and the effect of indexation arrangements;
  - the impact upon payment rates over time of a fixed Newstart Allowance income free area (at \$62 a fortnight) that is not indexed, unlike the income free area for the pension which is adjusted in July each year; and,
  - the sensible rationale of existing participation rules which provide that one of the grounds for assessing suitability of employment for a sole parent is whether their income will increase by \$25 per week or not. For some, the income support reduction and change to the ‘income free area’ may mean that they will no longer be at least \$25 per week better off due to their work, potentially raising questions regarding the ongoing suitability of the employment.
3. That additional training places for sole parents be introduced to assist successful transitions into employment. At a minimum there should be an extra 15,000 vocational training places at Certificate II level and above. Productivity Places should be set aside for single parents.
4. That the Department of Human Services, the Department of Education, Employment and Workplace Relations work with peak employment service bodies, employment service providers and other community stakeholders to develop appropriate supports for single parents and improve employment service provider awareness and capacity to deal with issues related to family and domestic violence.
5. That Schedule 2 to double the liquid assets test waiting periods be passed, with an amendment to index the Liquid Waiting Period Thresholds to the Consumer Price Index.

## About the National Welfare Rights Network (NWRN)

The National Welfare Rights Network (NWRN) is an incorporated national peak body representing community legal services across Australia which specialise in social security, family assistance and employment assistance law, policy and administration. Our member services provide direct advice, assistance and representation to clients on a daily basis. The NWRN draws on this daily casework experience to analyse systemic trends, legislation and service delivery issues and raises these with Centrelink, relevant Government Departments and Ministers in order to achieve reform and a better system for all. The NWRN also undertakes law reform activities and public advocacy.

The NWRN advocates for a social security system characterised by the recognition of the following rights:

- the right of all people in need to an adequate level of income support which is protected by law;
- the right of people to be treated with respect and dignity by Centrelink and those administering the social security system;
- the right to accessible information about social security rights and entitlements, obligations and responsibilities;
- the right to receive prompt and appropriate service and social security payments without delay;
- the right to a free, independent, informal, efficient and fair appeal system;
- right to an independent complaints system;
- the right to independent advice and representation; and,
- the right to natural justice and procedural fairness.

## About this Inquiry

This Bill has two schedules:

- Schedule 1. This schedule removes access to the Parenting Payment Single (PPS) payment for sole parents whose youngest child is over 7 years of age. That access had been preserved under ‘grandfathering’ provisions in the 2006 ‘Welfare to Work’ reforms.
- Schedule 2. This schedule eases the liquid assets test for recipients of social security allowance payments so that unemployed people who apply for income support and have limited financial assets do not have to wait as long to receive payments.

This submission mainly addresses Schedule 1. We welcome Schedule 2 (liquid assets waiting periods) and recommend that it be passed (with an amendment with respect to indexing the liquid assets test thresholds to ensure that they keep pace with inflation).

The National Welfare Rights Network (NWRN) notes there is a Senate Inquiry into the adequacy of the allowance payment system running almost concurrently with this Inquiry into the Social Security Amendment (Fair Incentives to Work) Bill 2012. The Senate Education, Employment and Workplace Relations Committee is about to investigate the allowance payment system which has direct relevance to the Bill in question because sole parents who are unable to find or sustain sufficient hours of paid work will be forced to transfer to the Newstart Allowance. We recommend and urge that any further action on the Social Security Legislation Amendment (Fair Incentives to Work) Bill 2012 be postponed in relation to the proposed amendment to remove the grandfathering arrangement at least until such time as the outcome of the Inquiry is known.

The NWRN was one of the signatories to a request for the Standing Committee on Human Rights to review the Bill’s compliance with Australia’s human rights obligations. NWRN appeared before this inquiry and with ACOSS and other organisations provided a number of supplementary submissions. This was the first referral to that Committee and the Committee is yet to release its findings. Details of that Inquiry and our submissions are at:

[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)

Given the significance of the above inquiries for both for single parent families and for better policy outcomes it would be sensible to delay passage of this current legislation.

## Overview

The NWRN supports fair and reasonable policy reforms which would assist single parents to successfully transition from income support to employment. Sustainable and secure employment is a fundamental building block of social and economic inclusion. All communities, families and individuals benefit when more people have the opportunity to fully engage in the economic and social mainstream. However, this Bill will not achieve such an outcome.

The Bill before the Committee will reduce the income of many low income and vulnerable single parent families. The Bill, as currently formulated, risks leaving over 100,000 single parents and their families with a lower income leading to a reduced standard of living.

The main issue for this Inquiry is the winding back of the 2006 'Welfare to Work' grandfathering provisions for single parents. This means that Parenting Payment eligibility will cease when the youngest child turns six for partnered parents or eight years for single parents (instead of 16). While the public rhetoric from the Government has emphasised the need for sole parents to work, it's hard to escape the view that the primary motivation behind these current changes is to reduce government outlays by shifting increasing numbers of people onto the lower paying Newstart Allowance.

Currently, the maximum rate of Newstart Allowance for single parent principal carers with a dependent child is \$529.80 per fortnight. This rate of payment is \$118.70 per fortnight less than Parenting Payment Single.

The explanatory memorandum indicates that this measure aims to save \$685 million over four years, leaving those on the maximum rate worse off by \$59 per week. A stricter "income free area" for sole parent principal carers on the Newstart Allowance will also limit the financial returns from employment.

Despite public claims that these reforms are about "activating" single parents into employment, only a very small number of 'grandfathered' single parents whose youngest child is six years old will face new activity requirements as a result of this Bill. A Department of Education, Employment and Workplace Relations (DEEWR) *Parents and Carers* fact sheet explaining these reforms recognises that most single parents already face participation requirements. This is because "the majority of parents affected by this measure (those whose youngest child is already seven or older) will already be subject to and familiar with their participation requirements".<sup>1</sup>

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<sup>1</sup> Department of Education, Employment and Workplace Relations, *Parents and Carers Fast Sheet*, <http://www.deewr.gov.au/Employment/JSA/JobSeekerSupport/Pages/parentsCarers.aspx>. Accessed on 24 July 2012.

NWRN supports reasonable activity requirements, conditional on income support recipients being provided with sufficient skills, child care and employment assistance to help them into sustainable employment.

Many of the issues of relevance to this current Bill were explored by a Senate inquiry into the *Social Security and Other Legislation Amendment (Income Support and Other Measures) Bill 2012*. This Inquiry examined the 2010-11 Federal Budget changes for parents as part of the Building Australia's Future Workforce (BAFWA) package. The BAFWA package closed transitional provisions that allowed ongoing access to the 'grandfathering' provisions with each new birth and, from 1 January 2013, reduced the age of eligibility from 16 to 12 (or 13) years for parents covered by transition provisions available under the 2006 'Welfare to Work rules.

The other significant change was a better income test taper rate for Newstart Allowance recipients who are principal carers. This change comes into effect from 1 January 2013. The Newstart Allowance will reduce by 40 cents in the dollar for all income above \$62 per fortnight. NWRN welcomed this particular change and also saw it as official recognition that the 2006 "Welfare to Work" Changes had a detrimental effect on many sole parent families. This change was a small yet welcome start to ameliorating the harshness of the "Welfare to Work".

#### Parenting Payment Single recipients - a snapshot

Before exploring our concerns with the Bill in greater detail it is helpful to look at the circumstances of single parents receiving the Parenting Payment in Australia today.

At January 2012 there were 319,977 sole parents receiving the Parenting Payment (Single). The overwhelming majority were women, 95% of those receiving the payment.

Three out of every five Parenting Payment Single recipients are aged between 30 and 50 years, with just 4.4% of single parents aged 20 and under, and only 3.8% older than fifty years of age. Just 710 single parents were over 60 years old at January 2012.<sup>2</sup>

An age breakdown of existing Parenting Payment Single recipients is provided in the following table.

Parenting Payment Single Recipients by Age		
Age	Number	%
Under 21	14,209	4.4
21-29	98,942	30.9
30-39	122,161	38.2
40-49	72,318	22.6
50-59	11,637	3.6

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<sup>2</sup> Senate Standing Committee on Education, Employment and Workplace Relations, *Additional Budget Estimates, Questions on Notice*, EW1043\_12.

60+	710	0.2
Total	319,977	100

**Table 1. Parenting Payment Single Recipients by Age<sup>3</sup>**

Indigenous single parents comprise 10.5% of all single parents, with 33,617 indicating an Indigenous background.<sup>4</sup>

Significant numbers of single parents currently work, mainly part-time. Over one in three single parents (around 34%) in receipt of the PPS reported earnings. Thus, of the estimated 320,000 single parents around 110,600 reported earnings in August 2011.<sup>5</sup>

Around half of all Parenting Payment recipients have not completed year 12. Many suffer from mental health problems and emotional stress, often caused by violent relationship breakdowns, with Butterworth reporting that the prevalence of mental health disorders amongst sole parents is twice that of non-recipients.<sup>6</sup>

**Key concerns with the current Bill**

If the Newstart Allowance for unemployed people were an adequate support payment, the Government's push to put over 100,000 additional single parents onto it would not be of such great concern. However, the Newstart Allowance is so low that these families will experience a dramatic deterioration in their standard of living. There is no evidence that reducing social security payments will have a positive effect on any sole parent's employment prospects. The new increases in family payments and \$210 per annum Supplementary Allowance starting in March 2013 are very welcome, however, they will not ameliorate the effect on families of the drastic income support cuts proposed in the Bill before the Committee.

Affordable and quality childcare is essential in assisting parents into work, so ongoing funding and some small growth in funds for the Jobs, Employment and Training (JET) Childcare Fee Assistance is very welcome. This will help overcome a major workforce impediment. Unfortunately, the Government achieved the growth funding required by altering the eligibility criteria and increasing the co-contributions.

There was no new, significant increase to employment assistance in the recent Federal Budget. In fact, there were cuts to employment services of around \$200 million in the Budget. The Government is cutting employment services at a time when larger numbers of parents and people with disabilities with greater barriers to employment are being moved

<sup>3</sup> Ibid, EW1043\_12.

<sup>4</sup> Ibid, EW1043\_12.

<sup>5</sup> Senate Standing Committee on Education, Employment and Workplace Relations, *Additional Budget Estimates 2011-12, Questions on Notice*, EW1053\_12

<sup>6</sup> Butterworth, P., Burgess, P., & Whiteford, H. (2011). Examining welfare receipt and mental disorders after a decade of reform and prosperity: analysis of the 2007 National Survey of Mental Health and Wellbeing. *Australian and New Zealand Journal of Psychiatry*, 45, 54-62.

onto the lower-paying Newstart Allowance. There are no new funds for additional intensive support programs to help single parents transition into employment. There are no new targeted training initiatives for single parents and no extra places in the popular Wage Assist scheme, the wage subsidy program for 10,000 very long term job seekers each year, over 3 years.

In the 2010-11 Federal Budget a range of changes were introduced affecting Parenting Payment Single recipients and young mothers. With these measures came significant extra resources to assist them into employment, as part of the BAFWA package. These resources included 30,000 additional vocational training places at Certificate II level. There was no increase in training places in the 2012-13 Budget.

The timing of the new rules in this Bill is also deeply troubling. Major changes will occur over the Christmas period when household budgets are often under greater stress. Even with the best of intentions to make parents aware, many will be unaware of and unprepared for the dramatic reduction in income. Our casework experience already indicates that there are significant numbers of sole parents, many of whom are already working, who have no idea of the cuts to income they will face in January 2013.

The Government recognises that many working single parents may experience reduced employment opportunities over the holiday period and hence, in 2010, it modified activity requirements to cater for holiday shut-downs. Nevertheless, it chose 1 January 2013 to begin the cuts to income support proposed in this Bill.

Additionally, parents are likely face significant practical barriers in January 2013 when they try to find out information about the changes from Centrelink's over-burdened telephone system. The Centrelink call centre service is currently under significant pressure and it will need to have greater capacity to meet the demands of these reforms. This will particularly be the case if the transition rules are not clear, transparent and fair. NWRN fears that some families will find their income support cut because they have not "claimed" another income support payment. While DEEWR argues that it has "early claim" provisions in place, our experience is that with such a short timeframe for an information and awareness campaign, many families will be placed in hardship.

We also submit that, in addition to the loss of income associated with these changes, one major impact will be the increase in stress and anxiety among single parent families and their children as they struggle to accommodate the cut in income. Some single parent families may need to move to more affordable accommodation which, for their children, may mean changing schools.

Additionally, parents may find it harder to meet the costs of school and extra-curricular activities. This change will compound the unique and considerable existing stressors faced by single parents who may be dealing with conflicts with non-resident partners over child support and issues surrounding contact with children. Parents who are isolated or who have limited social support systems may be placed at greater health risks under these reforms.

NWRN notes that the Department's analysis of these reforms is deficient as it fails to adequately consider the impacts on children from single parent families who, so far, seem to have been excluded from the analysis of the implications of these policy reforms. We urge the Committee to consider this issue in their deliberations.



## Payment cuts and the consequences for single parents

The main negative consequences for single parent's arising from this Bill are:

1. the reduction in the base rate of payment of \$59 per week for those on the maximum rate of payment;
2. the very harsh "income free" area that applies to Newstart Allowance of just \$31 per week (\$62 per fortnight);
3. the removal of the additional child "income free area" of \$12.30 per week;
4. that single parents on Newstart Allowance will be denied eligibility for the Pensioner Education Supplement of up to \$31.20 per week in most circumstances;
5. smaller twice-yearly indexation adjustments to meet rising costs; and,
6. the lack of any significant, new employment assistance to assist these parents into work.

These issues are explored in Table 2 below. This table provides a comparison of the main differences between Parenting Payment (Single) and Newstart Allowance (principal carer), taking into account the social security changes in the current legislation before the Committee. (July 2012 payment rates)

**Table 2. Comparison: Newstart Allowance & Parenting Payment Single**

Parenting Payment Single & Newstart Allowance : a comparison, July 2012		
Payment Features	Newstart Allowance (principal carer) (single) (\$ pw)	Parenting Payment Single (\$ pw)
Maximum rate	\$264.90	\$324.26 (incl. Pension Supplement of \$10.50 pw)
Income free area	\$31	\$87.30 per week
Extra "child free" income area	No	\$12.30 for each additional child
Taper rate (from 1/1/2013)	40 cents in the dollar	40 cents in the dollar
Eligibility ceases when income reaches	\$693 per week (\$36,000 pa)	\$898 pw or \$47,000 pa (plus \$12.30 for each additional child)
Pensioner Education Supplement	Not eligible (transitional arrangements may apply)	\$31.20 per week
Pensioner Concession Card	Yes	Yes
Pharmaceutical Allowance	Yes	Yes

## Table 2. Comparison: Newstart Allowance (principal carer) & Parenting Payment Single

At 30 March 2012 there were 147,000 “grandfathered” parents. Of these, 122,630 were single “grandfathered” Parenting Payment recipients, with about 25,000 receiving Parenting Payment (partnered).

Of the 122,000 Parenting Payment Single recipients 55,646 reported earnings during a fortnight in March 2012. Forty-five per cent of parents who were ‘grandfathered’ in 2006 are currently working, mainly part-time. An estimated 60,300 single parents will be forced immediately onto the lower rate of Newstart Allowance from 1 July 2013 if these reforms proceed as planned. Around 12,000 parents may lose entitlement to any payment, as the tighter earnings regime that applies to people on Newstart Allowance will reduce their entitlement to nil. The “cut-out” income limits for Parenting Payment Single is around \$47,000, compared to an estimated \$36,000 for Newstart Principal Carers from 1 January 2013 when the higher tapers are introduced.

The Government claims that these income support changes for single parents are “fairer and equitable”, but NWRN’s assessment is that these reforms do not meet the test of fairness.

One of the major reasons is that Newstart Allowance has a significantly lower threshold level at which payments are withdrawn as earnings increase. Parents will face punishingly high losses when they earn income above \$31 per week. This ‘penalty’ for working is a frequent complaint from parents who have contacted NWRN about the 2006 ‘Welfare to Work’ changes and, more recently, successive federal budget initiatives.

Newstart Allowance payments start to reduce when earnings amount to \$31 per week which is the equivalent of just under two hours of work at the minimum wage. The income free area has only ever been indexed, once in 2000 by \$1 as part of the compensation package for the introduction of the goods and services tax.

As noted earlier, forty-five per cent of sole parents who are already manage to combine caring with paid employment will also lose income because of the lower Newstart Allowance earnings thresholds. This is because earnings start to reduce at \$31 per week compared to \$87 per week under the existing Parenting Payment (Single) rules. The harsher earnings losses will be a *disincentive to work, as opposed to the incentive to work*, as the government claims.

In summary, under the Bill single parents will face a payment cut, leaving them \$59 a week worse off; they will start losing their social security payment earlier because their income free area will drop by \$112 a fortnight (i.e. at \$62 per fortnight on Newstart Allowance as opposed to \$174.60 on Parenting Payment Single); and they will not be

eligible for the extra 'child free income test' of \$24.60 a fortnight for each additional child.

Sole parents who were not "grandfathered" from the 2006 'Welfare to Work' rules qualify for what is known as Newstart Allowance (Principal Carer). In recognition of their caring responsibilities these parents have reduced participation requirements, and are generally required to look for six jobs per fortnight and find employment of 15 hours per week. There were 40,576 single parent Newstart Allowance (Principal Carers) recipients at August 2011. Of these, 3,326 were Indigenous Newstart Allowance Principal Carer recipients.<sup>7</sup>

As noted above, these parents will benefit from the changes to the taper rates for Newstart Allowance (principal carers) from 1 January 2013. Changes to the income test taper rate means that they will be able to earn up to \$400 more employment income each fortnight. DEEWR data indicates that 32% or around 13,225 single parents on Newstart Allowance who will benefit immediately by the relaxed earnings tapers.<sup>8</sup> It is likely that these new, lower tapers could encourage some of the 27,000 single parent principal carers to take-up part-time work as these parents will keep more of their earnings.

Unfortunately, analysis from DEEWR confirms that of the parents who were "grandfathered", and will be subject to the provisions of the current Bill, those who will experience the greatest financial losses are the parents currently managing to work 15 or more hours per week.<sup>9</sup> The DEEWR data examines the financial impacts of the changes upon a single parent family with two teenage children. The analysis examines the effects of the changes on a families' overall weekly income, taking into account their income support, family tax benefits and income tax. It compares what single parents currently take home compared with what they will take home after the changes begin next year.

Parents earning between \$200 and \$500 a week will see their disposable income reduced by between 11.4 and 11.1 per cent, according to the DEEWR. This effect comes about because of the low income free area of \$31 per week (\$62 per fortnight) combined with a lower rate of income support payment. The most vulnerable sole parents, those not in the workforce, will be 9.6 per cent worse off.<sup>10</sup>

A number of recent initiatives by the Government have sought to reduce the work disincentives and 'poverty traps' in our social security system. Unfortunately, the policy the Government is pursuing in relation to single parent families is punishing those parents undertaking paid work who also need access to the social security safety net.

Most of these parents are women many of whom cobble together casual shifts and work for the minimum wage. The Government has repeatedly talked to the Australian people

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<sup>7</sup> Senate Standing Committee on Education, Employment and Workplace Relations, Questions on Notice, Supplementary Budget Estimates 2011-2012, DEEWR Question No. EW0708\_12,

<sup>8</sup> Senate Standing Committee on Education, Employment and Workplace Relations, *Additional Budget Estimates 2011-12, Questions on Notice*, EW1053\_12.

<sup>9</sup> Senate Standing Committee on Education, Employment and Workplace Relations, Questions on Notice, Additional Budget Estimates 2011-2012, DEEWR Question No. EW1039\_12,

<sup>10</sup> Ibid.

about the “benefits of work” which is the critical pathway for individuals, families and society generally. However, NWRN finds it hard to reconcile these strongly held beliefs with the actions that are being proposed in relation to many single parent families from 1 January 2013.

An additional concern is the impact upon some 16 per cent of single parents living in public and social housing, who already face punishingly high effective marginal tax rates when they work. One in eight (16 per cent) single parent families are in public housing. Under the proposed arrangements parents who live in public/social housing and work part-time will keep less than 20 cents of every dollar they earn if they require income support.

These changes are clearly a disincentive to work, contrary to the Government’s claims about this legislation that is before the Committee.

### Impacts on payment adequacy in the longer-term

One critically important effect of the changes affecting single parents that has received little attention to date is that in future single parent families will receive much smaller twice-yearly “cost of living” payment increases. This is a result of different and less generous indexation arrangements for people relying on allowance payments.

Future increases to payments will be lower because Newstart Allowance is subject to less beneficial indexation arrangements than apply to pensions, including Parenting Payment Single.

Whereas the Age Pension and related pensions are indexed to the best possible outcomes from a formula that includes 27.5 per cent of Male Total Average Weekly Earnings, the Pensioner and Beneficiary Cost of Living Index, and the Consumer Price Index (CPI), Newstart is only indexed to the CPI.

Put simply, single parents on Newstart Allowance will experience lower cost of living adjustments at future indexation points (March and September each year).

The implication of the different indexation arrangements, over time, can be seen by examining the gap between the rate of Newstart Allowance (Principal Carer) and Parenting Payment (Single) since the initial 2006 ‘Welfare to Work’ changes by the Coalition administration.

In 2006 Newstart Allowance for single parents (Principal Carers) was \$28 per week less than Parenting Payment Single. Since then it has more than doubled and the difference is now \$59 a week.

NWRN urges the Committee to carefully consider the implications of the differential indexation arrangements and its impact upon the future adequacy of income support for sole parents. Specifically, we urge the Committee to obtain clarification and modelling from DEEWR to assess:

- the impact of the proposed arrangements on future payment increases and the effect of indexation arrangements;
- the impact upon payment rates over time of a fixed Newstart Allowance income free area (at \$62 a fortnight) that is not indexed, unlike the income free area for the pension which is adjusted in July each year; and,
- the sensible rationale of existing participation rules which provide that one of the grounds for assessing suitability of employment for a sole parent is whether their

income will increase by \$25 per week or not. For some, the income support reduction and change to the 'income free area' may mean that they will no longer be at least \$25 per week better off due to their work, potentially raising questions regarding the ongoing suitability of the employment.

### Adequacy of new employment assistance for 'grandfathered' single parents

Significant numbers of single parents struggle to find a foothold in the current labour market, with employers preferring job seekers with recent workforce experience. Four out of five existing Parenting Payment Single recipients have been in receipt of income support payments for more than two years to recent Senate Estimates. Centrelink administrative data confirms that 55 per cent of current Parenting Payment Single recipients (175,858) have been on income support for five or more years.<sup>11</sup> It is reasonable to anticipate that the profile of "grandfathered" single parents to be affected by the Fairer Incentives to Work Bill 2012 would mirror this profile.

An examination of data about the characteristics of people experiencing long term unemployment in Australia reveals that one in every four principal carers (10,640) who have been moved onto the lower payment have been in receipt of that payment for more than 24 months.<sup>12</sup> This data indicates that for many parents welfare "reform" is little more than a destination to a lower paying payment for long periods of time.

The level of employment assistance and support that is available to help single parents move into employment will be critical in ensuring that families are not facing extended periods of economic or social inclusion. Assistance to transition into employment is of most significance for those parents receiving the maximum rate of benefit who are currently not in paid work, as employment income will be expected to replace the \$59 per week cut to benefits (the difference between Parenting Payment Single and Newstart Allowance (Principal Carers)).

As noted earlier, there is little new assistance to help the "grandfathered" single parents find paid work, apart from some welcome, but modest extra funding to meet growth in the Jobs, Employment and Training Child Care Fee Assistance of \$227 million over four years. An additional \$3.2 million has been set aside for a professional career advisory services that can be accessed via telephone and website. While this may meet some parents' needs, many more would benefit from a comprehensive service which offered face-to-face support. NWRN supports a more comprehensive set of support services for parents regardless of the proposed changes in this Bill. If the proposed changes are to go ahead, that comprehensive set of support services will be even more urgent.

Significant new investment in education, re-skilling, training, wage subsidies, reverse

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<sup>11</sup> Senate Standing Committee on Education, Employment and Workplace Relations, Questions on Notice, Supplementary Budget Estimates 2011-2012, DEEWR Question No. EW0708\_12, Table 3.

<sup>12</sup> Senate Standing Committee on Education, Employment and Workplace Relations, Questions on Notice, Supplementary Budget Estimates 2011-2012, DEEWR Question No. EW0690\_12

marketing and paid work experience will be needed to assist single parents to find sustainable employment. Currently, only a minimum level of employment assistance is provided to many job seekers. For example, people in their second year of unemployment are only allocated the funds for an interview every two months, and other assistance, such as training, averages at just \$500 per person. A range of pilot innovative schemes are operating across the country such as Local Connections To Work, but they are only available in 25 sites across Australia.

### Higher Newstart Allowance payment rates for certain single parents

A higher rate of Newstart Allowance (equivalent to the PPS) is currently available for some single parent principal carers who are foster carers, parents who have large families of who are providing home schooling or distance education for their children. This higher rate will continue to be available.

The higher rate of Newstart Allowance payment (at Parenting Payment Single rates) is available to single parent principal carers in the following categories:

- large families, defined as four or more school-age children 6-15 years old, or 15-18 years old and still completing secondary study (N=3,340);
- foster carers (N=1,382);
- home schoolers (N=1,229); and,
- distance educators (N=190).<sup>13</sup>

The higher Newstart Allowance rate for principal carers (equivalent to \$59 per week) is currently paid to around 2 per cent of the Parenting Payment Single population, or 15 per cent of all Newstart Allowance principal carers.

At November 2011 there were over 6,100 single parents granted activity-test exemptions who were also receiving the higher Newstart Allowance payment, at the rate of Parenting Payment Single.<sup>14</sup>

The former Coalition Government introduced these changes to address community concerns about the 2006 'Welfare to Work' policies. These higher rates of payment were in put in place in response to the difficult circumstances facing these families. The higher payment was in recognition of the expectation that such families would not have the capacity to earn additional income through paid work. The decision to provide a higher rate of income to these parents could be taken as an indication that the lower Newstart Allowance rate was deemed to be insufficient to raise children in circumstances where single parent carers did not have the opportunity or capacity to earn income from employment.

NWRN notes that this higher payment rate will continue to be available to single carer parents in defined, limited circumstances. We support this approach but note that these exemptions introduce elements of inconsistent treatment.

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<sup>13</sup> Senate Standing Committee on Education, Employment and Workplace Relations, Questions on Notice Additional Estimates 2011-2012 *DEEWR Question No. EW1042\_12*.

<sup>14</sup> Senate Standing Committee on Education, Employment and Workplace Relations, Questions on Notice Additional Estimates 2011-2012 *DEEWR Question No. EW1042\_12*.

## Study options for single parents reduced

The Pensioner Education Supplement (PES) is equal to either \$64 or \$32 per fortnight, depending on whether the recipient is studying full or part-time. The purpose of the PES is to assist income support recipients with study and education costs. Generally, eligibility for the PES is not open to those on the Newstart Allowance.

There were 26,789 Parenting Payment Single recipients receiving the Pensioner Education Supplement at November 2011. Single parents accounted for 49% of all those eligible for the PES, with a total of 54,114 people receiving the Pensioner Education Supplement.<sup>15</sup>

There were 11,408 'grandfathered' Parenting Payment Single recipients receiving the PES in late 2011.<sup>16</sup> While these parents will generally be able to continue to receive the PES until their course is completed, access to the PES will be denied to sole parents who in the future only qualify for the Newstart Allowance.

NWRN notes that alternative education-related support to assist with the costs of undertaking approved study is available. These payments include the Education Entry Payment of \$208 per annum, or the Language Literacy and Numeracy Supplement of \$20.80 per fortnight. However, the quantum of financial assistance that is available is significantly less under these options. Additionally, we note that a person on Parenting Payment Single can qualify the PES and the \$208 Education Entry Payment for the same period.

Affected parents will have less financial support to study or undertake training if they are denied access to the PES while in receipt of the Newstart Allowance.

## Addressing employment for single parents, including family violence

Sole parents, the majority of whom are women, face barriers to employment. Many face multiple barriers to employment. These barriers can include: lack of skills, low self-esteem, mental health problems, the presence of a disability (of self or a child); limited educational opportunities, lack of family-friendly employers, unsuitable or unaffordable childcare, lack of transport, as well as locational issues, such as the lack of affordable housing where the jobs are located.

To effectively address these barriers specialist case management support and assistance is essential. These barriers need to be tackled in a comprehensive plan where parents are fully and genuinely engaged in developing pathways to transition back into the workforce. DEEWR and the Department of Human Services should work with stakeholders to develop appropriate employment servicing models that work for single parents.

Any serious consideration of employment barriers and opportunities for single parents must consider the impacts of family violence upon single women and their children. A recent Australian Law Reform Commission (ALRC report on *Commonwealth Laws and Family Violence*) covered a broad range of issues of relevance to the effective delivery of employment assistance. The report also highlighted a range of other issues which demand

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<sup>15</sup> Senate Standing Committee on Education, Employment and Workplace Relations, *Additional Budget Estimates 2011-12, Questions on Notice*, EW1054\_12.

<sup>16</sup> Senate Standing Committee on Education, Employment and Workplace Relations, *Additional Budget Estimates 2011-12, Questions on Notice*, EW1040\_12.

a positive response from employment service providers. The Attorney-General has requested that all Government agencies, including the Department of Human Services and DEEWR respond to the Commission's recommendations. This is a very welcome sign and indicates that the Government is serious about addressing the issues raised in the report.

The ALRC report also raised concerns over the administration of activity test exemptions for women experiencing domestic violence. There is very limited awareness of the availability of exemptions. A further concern has been that insufficient time has been allowed for women seeking these exemptions. Despite recent attempts to raise the profile of the lack of access to the available activity text exemptions, NWRN remains very concerned with the limited use of exemptions. Significant numbers of single parents experience domestic violence, but few women access the available exemptions.

Just 119 domestic violence activity test exemptions were granted in November 2011.<sup>17</sup>

Lack of awareness, along with an understandable reluctance to disclose some information, may be why the take-up of these exemptions is so low. Barriers to disclosure are made more problematic by the introduction of policies like compulsory income management because people fear that a record of vulnerability could lead in future to income management being applied. However unlikely such scenarios may be in practice, people genuinely believe that these scenarios are likely to occur.

DEEWR, Jobs Australia and community stakeholders should establish a working group to advise employment service providers on appropriate responses for dealing with issues related to family violence.

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<sup>17</sup> Senate Standing Committee on Education, Employment and Workplace Relations, *Additional Estimates 2011-12, Questions on Notice*, EW1042\_12



## Schedule 2.

### Doubling of the Liquid Assets Test Waiting Period

NWRN supports the schedule to increase the liquid assets test thresholds. However, we believe the indexation of the thresholds to the Consumer Price Index (CPI) would provide a greater degree of security to job seekers of modest means who are retrenched.

Currently claimants of Newstart Allowance, Youth Allowance, and Sickness Allowance can be subject to the Liquid Assets Waiting Period (LAWP) for up to 13 weeks if their liquid assets (such as savings, shares, term deposits, cash, etc) are above the threshold amount. In the face of the looming global financial crisis in 2008 the Government doubled the amount that a person could have in savings before they are affected by the Liquid Asset Waiting Period. At March 2011 the higher threshold reverted to the lower amount in place in March 2009.

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 \$5,000 for single people and \$10,000 for couples and single parents with dependent children).

This means that people who are retrenched 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 under the lower thresholds. As a result of this measure, the Government estimates approximately 21,000 people each year (14,000 single people and 7,000 partnered and/or with dependants) will begin receiving payments up to five weeks earlier than under current arrangements. The cost of this measure is expected to be \$40 million over four years.

NWRN has long argued that the current threshold of just \$2,500 for a single person (and \$5,000 for couples) was a deeply flawed policy that was stripping people of modest savings. Waiting periods fail to take account of the low replacement rates of benefits. Social security payments allow very little capacity (if any) to meet unexpected, emergency or infrastructure costs and denied them employment assistance in the early stages of unemployment. Research shows, for example, that most people lose their homes because of unemployment as opposed to rising interest rates.

According to the analysis of the LAWP in the *2009 Report to the Treasurer*, the liquid assets waiting period "can result in inconsistent and inequitable treatment of some people with relatively small amounts of savings. It can act as a disincentive to save, especially for people who expect to need income support in the near future. It can also encourage people to run down their savings more quickly in order to qualify for income support".<sup>18</sup>

These comments reflect our casework experience providing advice to people who have recently lost their jobs. It is also evident that if a person with modest levels of savings is

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<sup>18</sup> Report to the Treasurer, *Australia's future taxation system*, 2009, p. 551.

aware of the impact of the LAWP in delaying their access to income support, then they are able to arrange their affairs perhaps by spending limited reserves that they would prefer to keep. This is an unfair and inequitable outcome.

The most sensible approach for these waiting periods is that proposed by the 2009 report by the Tax Panel, *Australia's Future Taxations System*, which recommended that the LAWP be abolished altogether.

The thresholds have never been indexed since their introduction in 1991. Had they been indexed to CPI at that time, the single threshold would be \$8,000 and the higher threshold \$16,000 for couples and single people with dependent children.

NWRN's preference is that these waiting periods be abolished. However, the change proposed in this Bill represents very positive step which will benefits many thousands of Australians on low incomes who are unfortunate enough to lose their jobs. NWRN applauds the Government for providing a more effective safeguard for workers with modest savings who may be retrenched.

If the Government were to index the thresholds to the CPI, this would ensure that the thresholds maintained their value into the future. NWRN recommends that Schedule 1 be amended to ensure indexation of the various liquid assets test thresholds from 1 July each year in line with the CPI.