

## Income Inequality in Australia

### The Hidden Cost

# The National Council & of Single Mothers Their Children Inc.



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*Eliminate and respond to violence, hardship and inequality for single mothers and their children.*

## Who we are

The National Council of Single Mothers and their Children Incorporated (NCSMC) is an organisation dedicated to single mothers. The Council has become a platform whereby both the community and the government can communicate; it has led the way in obtaining a range of beneficial outcomes; has actively sought to reduce systemic prejudice; continually challenges existing norms, and over many years has achieved improved opportunities and outcomes for single mothers and their children.

One of our greatest strengths is our expertise and commitment in working with and for the advancement of women and children due to poverty, violence, exclusion and gender inequality.

“Single parent families are over-represented in poverty, hardship, deprivation, and Income inequality”

## Income inequality in Australia

We welcome the Senate referring the matter of *Income Inequality* to the Community Affairs Reference Committee. It is a critical issue in itself but its importance has been elevated due to the proposed changes announced in the 2014-15 Budget.

Despite access to the Henderson Poverty Line since the 1970's, as a nation we have abrogated our responsibility to measure and understand the implications of poverty; it's associated loss of productivity; how it increases inequality and fractures our community. Furthermore, we have failed to recognize that some population groups such as single mother families are over represented in the areas of poverty, hardship, deprivation, violence and inequality. This overrepresentation has occurred throughout our prosperous periods indicating that we have the policy settings wrong. The trending of this issue has serious ramifications for our current health and well-being as well as our nation's future.

# *O*ur Recommendations

Reducing inequality may appear overwhelming and costly. We argue that it is achievable and the benefits far exceed the cost. We present the following recommendations as a practical way forward.

1. The committee to recognise that sole parent families which are predominantly headed by mothers, have limitations and time restrictions which impedes their capacity to undertake full-time paid employment. Available evidence indicates that capacity is aligned to the needs of the child. Sole parent families with children in primary school, transition to and secondary school and/or special needs are particularly vulnerable. These families require access to an adequate social security system to reduce inequality and alleviate financial hardship.
2. The 2014-15 budget measures will further entrench hardship and increase income inequality for single mother families, a population group who are already faring poorly. Particular concern centres on the proposal that seeks to limit Family Tax Benefit Part B. The committee must not be misled that the suggested 'Single Parent Supplement' can offset the harsh impact of this measure. The suggested 'Single Parent Supplement' is only available for single parent families on the maximum rate of FTB Part A with access until the child turns 12 years (currently its up to 18 years). The supplement is \$750 per annum per child aged 6-12 years. Sole parents with youngest child between 6-12 years will lose \$37 per week and those with youngest child over 12 years to lose \$58 per week<sup>i</sup>.
3. A stepping stone to reducing inequality is through education. A qualification can be the foothold into the labour market and an opportunity to cycle out of the low skilled, insecure and low paid employment. The proposed changes announced in the 2014-15 Budget which seeks to abolish the pensioner education supplement and the education entry payment from 1 January 2015 is counterproductive to reducing income inequality.

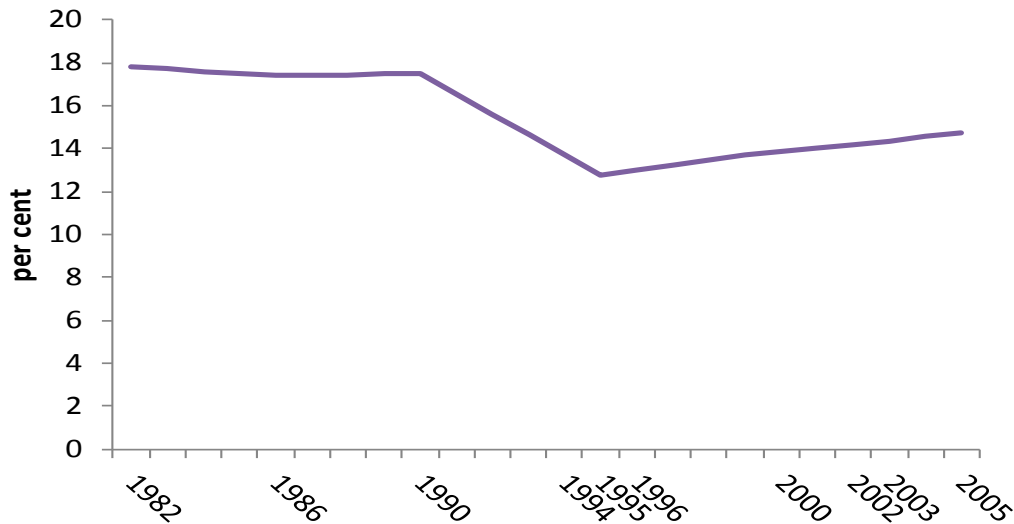
4. Recognise the value and economic contribution of unpaid care and understand that this in itself can be a barrier to employment. Mothers performing this role should not be punished and or their children miss out on the 'essentials', rather their economic contribution is acknowledged. It is estimated that unpaid component of the care sector 50% of GDP, bigger than the property industry (35-40%)<sup>ii</sup>. If the economic contribution was measured, government assistance would be viewed as an 'investment' and not be a place to 'locate' budget savings. Adequate acknowledgement and investment would reduce financial and gendered inequality, noting that the majority of unpaid care is provided by women.
5. The simplistic and convenient response that sole parent families can work their way out of poverty and bridge the income inequality gap is not based in the reality of the lived experience. This is particularly salient for sole parents who are denied a parenting payment and in receipt of Newstart allowance.
  - 5.1 Newstart restricts financial gain for a sole parent who haven employment. For example a single mother with three children can earn and retain \$113 per week on the modest Parenting Payment Single. Currently on Newstart, it reduces the financial gain to \$50 per week. Families forced onto Newstart once the youngest child turns eight have suffered under recoupable losses of up to \$140 per week. Newstart immediately increased income inequality in Australia.
  - 5.2 Newstart is out of step with obtainable employment such as casual, insecure, contract and or seasonal work. The end of an employment contract should not signal the loss of the family home.
  - 5.3 Newstart is odds with a targeted and sustainable social security system that quarantines Australian families from poverty. Consequently, we miss an opportunity for all children to have access to the 'basics' whilst increasing income inequality for them and their family.
6. The cost and implications to women, mothers and children impacted and subjected to family and domestic violence is completely absent from the debates and policy responses regarding welfare reform, inequality and poverty. We fail to grasp the intersection of poverty and violence and the impact of post-separation violence. The protective mechanisms provided by the government (DHS) include

‘exemptions’ (which are not well known and accessed), a once off ‘crisis payment’ (which has severe time restrictions and the equivalent to one income support payment). Seeking safety and staying safe requires support and assistance otherwise we risk forcing these families into a lifetime of income inequality. Newstart is inadequate for these families and the Committee should recognize that the proposal to ‘extend and simplify’ the ordinary waiting period for all working age payments from 1 October 2014 will impact upon women and children who are unsafe.

## ***Income inequality & single mother families***

It is our concern that the important notions of income inequality, relative poverty and deprivation are derailed, sometimes conveniently, as we search for an agreed methodology to measure them in contemporary Australia. However, there are reputable experts in these areas who have eloquently demonstrated that it can be done, it has been achieved by other countries, and we welcome that income inequality is now before the Committee.

I bring to the Committee’s attention the issue of child poverty which gained a level of notoriety in the late 1980’s when the then Prime Minister Bob Hawk made this issue a national concern. The focus reduced poverty by 30% with progress continuing into the mid 1990’s. Primarily, this was achieved through a new and targeted approach to family assistance. However, over time the gains have been eroded; matters that had attracted the public interest and attention have not featured for decades. Sadly and to the detriment of Australia, we have not instituted an Anti-Poverty Plan or set national targets and child poverty has increased. We have failed to understand the implications of poverty; it’s associated loss of productivity, how it increases inequality and fractures our community.

**Child Poverty: 1982-2005<sup>iii</sup>**

Largely, poverty and its impacts have remained silent to the mainstream and the solution for single parents was to ‘get a job’. This simplistic and convenient response prevented any real exploration; it denied the gendered reality, the role and impact of unpaid care and it silenced the knowledge gained from the lived experience. Joint research led by the Australian Institute of Family Studies found that equalised household income after divorce declined for women but not for men. The research found that some women were able to recover their income after six years through re-partnering, increased labour force participation, and an increased proportion of income coming from government benefits. However, this is not the case for divorced women with dependent children. Divorced women with dependent children found it difficult to recover their income post-divorce and that sole mothers with dependent children experienced difficulties combining paid work and family responsibilities and for some, they never recover.<sup>iv</sup>

Sole parent families which are predominantly headed by mothers, have limitations and time restrictions which impedes their capacity to undertake full-time paid employment. Available evidence indicates that capacity is aligned to the needs of the child. Sole parent families with children in primary school, transition to and early secondary school and/or special needs are particularly vulnerable. These families require access to an adequate social security system to reduce inequality and alleviate financial hardship. The Australian

Institute of Family Studies found that 67 % of sole mums who had a child 6 to 9 years were employed which increased to 74% for children 10 to 14 years. Indicating employment capacity increases with the child's age (this includes sole parents who are not on payments). However, a sole parent is denied a parenting payment once their youngest child turns eight years. The decision to restrict parenting payments beyond the age of eight years is an obvious pathway into income inequality.

Our inability to undertake any sophisticated analysis has failed the growing population of single parent families, overwhelming mothers, which is a concern given the projected growth from 838,000 (2001) to almost 1.2 million households in 2026 or 46% growth<sup>v</sup>. The dominate discourse, 'get a job or suffered the consequence' persisted in its entirety until the Fair work Incentives Bill came into effect on 1st January 2013. A consequence of this Bill has been the forced moving of sole parents from the Parenting Payment Single (PPS) to the Newstart Allowance. Subsequently, denying access to a parenting payment once their youngest child was eight, or in their third or fourth year of primary school.

A quarter of children living in single parent household will be impacted by poverty

The reaction to this outcome has put a spotlight on the circumstances of low income single mother households. Sole parents face a much higher risk of multiple deprivation with 49% of all sole parents experiencing multiple deprivation. This level of deprivation was significantly higher for sole parents than any other family type.<sup>vi</sup> Poverty impedes productivity and community inclusion.

The most recent Household, Income and Labour Dynamics in Australia (HILDA) survey found that '24 per cent of children in single-parent households are living in poverty, compared with 7.6 per cent of those living with two parents'.<sup>vii</sup>

## The lived impact of income inequality

Experts with a long and reputable history in measuring and advocating against poverty and deprivation continued to find that single-parent families were always over represented and this occurred despite what measures, snap-shot or approach was used.

Contemporary research conducted by ACOSS such as the Poverty Report, Anglicare's State of the Family Report, research by NATSEM and or the work undertaken by the Social Policy Research Centre (SPRC) presented a consistent and bleak picture.

'Newstart itself now presents a barrier to employment and risks entrenching poverty'  
Business Council of Australia (Aug 2012)

In November 2012 The National Council of Single Mothers & their Children Inc instituted an 1800 'hot line' called 'Tell it like it is'. 103 calls were received in three weeks, women broke down when articulating what this means for their family. Mothers spoke about their incapacity to quarantine their children from the harsh and lived reality of poverty. NCSMC received recurring reports of utilities cut-offs, housing evictions, abandoned studies and going without food and medication. Services that were once identified as 'standard' now fell onto the luxury and unaffordable side of the ledger; such as maintaining a workable family car, accessing preventative health treatment, children playing sport and having access to the internet.



We bring to the committee the lived impact of income inequality in Australia. The source is lifted from a recent sole parent alliance survey.

Welfare Review & Sole Parents		
Which of the following have affected you in the last 12 months?		
Answer Options	Response Percent	Response Count
Have difficulty paying the mortgage	14.1%	99
Have been evicted	3.9%	27
Have difficulty in buying groceries each week	66.2%	464
Skipped meals or poor nutrition	48.6%	341
Child/children can no longer participate in sport or other activity as I cannot afford uniform/equipment/fees	58.5%	410
Have difficulty in paying utilities and had late payment fees	74.3%	521
Utilities have been disconnected	13.6%	95
Child/children missed medical appointments or other healthcare needs	26.8%	188
Struggle with school fees, books & uniform	63.9%	448
Cannot afford school camps or other school costs	44.7%	313
Inadequate clothing eg coat in winter, inappropriate footwear	37.2%	261
Reduced or ceased internet access	31.5%	221
Reduced or ceased mobile phone	30.1%	211
Difficulty in running and maintaining a roadworthy car	57.3%	402
Cannot afford health or household insurance	62.6%	439
Forced to change schools	7.3%	51
Other (please specify)		59
<b>answered question</b>		<b>701</b>

Question 19 18<sup>th</sup> July 2014

## Seeking Safety - Staying Safe

**S**NCSMC are strong supporters of the Government's commitment to reduce violence against women and children and have taken an active role in promoting community awareness and engagement with the National Plan to Reduce Violence against Women and Children.

It is our perspective, steeped in the lived experience, that an understanding of the far-reaching impacts upon individuals subjected and impacted by family and domestic violence does not garner the attention and response that it warrants. As a community we have worked towards seeking a clearer understanding of the broader impacts and there are a several bodies that provide insights such as:

- 89 women were killed by the former or current partner (between 2008 and 2010) which equates to one woman every week;<sup>viii</sup>
- Since the age of 15, 17% of all women, or one in six, will have suffered sexual or physical violence by their partner<sup>ix</sup>;
- Overwhelmingly women are the victims (87%)<sup>x</sup>;
- The estimated cost of family and domestic violence is 14.7 billion or 1.1% of GDP<sup>xi</sup>.

It's important to note that while these figures are harrowing and concerning they do not reflect the full picture, as family and domestic violence is widely accepted to be under-reported. Furthermore, we bring to the Committee's attention an absence of a longitudinal study that seeks to understand the plight of 'individuals' including an intergenerational perspective.

This was a matter of interest to McInnes and in her research she found that single mothers' access to non-market income and assets after separation was extremely limited, however survivors of violence were likely to experience deeper, longer-term economic disadvantage than other single mothers and that

the income support system was single mothers' primary source of non-market income<sup>xii</sup>. As this primary source continues to decline we are confronted with the concern that there is a high likelihood that single mother families subjected to family and domestic violence will experience long-term disadvantages including income inequality.

In 2012 and presenting an arguments against the Social Security (Fair Work) Incentive Bill we discovered that an estimated 37,811 sole parent families were claimants of Newstart and within the past 12 months, one in four was a victim of domestic violence. At that time, and despite high level scrutiny, the Department who had carriage of this bill could not provide any comfort that women subjected to violence would not be 'stranded' on the inadequate Newstart Allowance. Furthermore, it was reported that the average time people spend on Newstart will rise steeply by nine weeks annually over the next four years. In 2011, the average time people spent on the Newstart was 178 weeks. This is projected to rise to 213 weeks by mid-2016, an increase of 35 weeks according to figures from the Department of Education, Employment and Workplace Relations, the increase fuelled by the forcing of more single mother families onto Newstart<sup>xiii</sup>.

## Seeking safety

Exemptions are the key protective strategy for victims of family and domestic violence in both child support and family payment assistance. Despite the passage of laws aimed to assist women experiencing family and domestic violence they have not been applied. Laws allow for an extended exemption from the stated participation obligations if a person has experienced domestic violence. Under social security law, exemptions from activity test or participation requirements can be granted for a specified period. The maximum exemption for domestic violence is 16 weeks.

“Domestic violence and relationship breakdowns accounted for just 0.086 % of all activity test exemptions”

In March 2011, 61,590 social security recipients were exempt from the activity test for a variety of reasons. The main reason for an exemption was a temporary illness or injury, which accounts for around 38,000, or 62% of all exemptions. Domestic violence and relationship breakdowns accounted for just 0.086 % of all activity test exemptions<sup>xiv</sup>. This low level of activity test exemptions for domestic violence is out of step with the prevalence of family and domestic violence. NCSMC views this as a long standing issue and despite raising these concerns for several years the figures indicate little progress.

NCSMC, is further alarmed that the announced proposal in the 2014 budget seeks to 'extend and simplify' the ordinary waiting period for all working age payments from 1 October 2014. This proposal is not only out of step with obtainable employment such as casual, insecure, contract and or seasonal work but it will greatly disadvantage women who are seeking safety who require immediate access to income support.

## ***Income Inequality and human rights***

In recent years there has been a concerning trend that high level political processes that provide great scrutiny, analysis and findings have been ignored because it has been inconvenient for the government of that time. I make particular mention to the findings of the Joint Parliamentary Human Rights Committee. There is a belief that the forcing of single mothers from a parenting payment and onto Newstart could breach possible human rights. The Joint Committee on Human Rights report on the Bill recommended it be delayed.

It accepted the then government claims that it seeks to provide greater incentives and opportunities for Parenting Payment recipients, particularly for single parents, to reengage in the workforce and to provide greater equity and consistency in the eligibility rules for Parenting Payments, but questioned whether the cuts in payments really provides the answer. It stated clearly: 'However, the committee notes that it does not necessarily follow that the measures seeking equity are justified as it is not apparent to

the committee that the government has considered any alternative options in this regard.’

**1.55** ‘The committee considers that these are legitimate objectives. However, the committee notes that it does not follow that the measures seeking to achieve equity are justified as an alternative and ostensibly fairer approach would be to give later recipients the same benefits as earlier recipients, rather than reducing the benefits of earlier recipients. It is not apparent to the committee that the government considered any alternative options in this regard’.

They conclude: ‘The committee notes, but is not convinced by, the department’s assertion that this measure is fair and would promote workforce participation’<sup>xv</sup>. These findings are a flag for a Committee who are wishing to understand and respond to the matter of income inequality.

Furthermore, at the time of presenting this submission we are aware that there remains unanswered correspondence from the Special Rapporteur on extreme poverty and Human Rights the United Nations, to the Australian Government on regarding the plight of single mothers (dated 19<sup>th</sup> October 2012)<sup>xvi</sup>.

This context must be understood as part of the income inequality picture in Australia. We trust that the committee will recommend that any proposed budget announcements 2014-15 that further diminish the financial resources for single mothers be rejected outright, and that strategies to measure and redress income inequality in Australia be presented and pursued.

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<sup>i</sup> Australian Council Of Social Service, July 2014, Changes To Family Tax Benefit (Parts A And B), SOCIAL SERVICES AND OTHER LEGISLATION AMENDMENT, (2014 BUDGET MEASURES No. 1) BILL 2014

<sup>ii</sup> Economic Security 4 Women, April 2012, Counting on Care Work in Australia, National Women Alliance

<sup>iii</sup> Associate Professor Gerry Redmond, 12 November 2013 Beneath the surface: National trends and the lived experience of child poverty in Australia, Flinders University.

<sup>iv</sup> The Australian Institute of Family Studies, 2012, The financial impact of divorce  
<http://www.aifs.gov.au/institute/media/media120724.html>

<sup>v</sup> Elly Robins, *Sole parents: Changes and challenges*  
<http://www.aifs.gov.au/afrc/pubs/newsletter/n10pdf/n10c.pdf>

<sup>vi</sup> ACOSS, 2012, Who is missing Out.  
[http://acoss.org.au/images/uploads/Missing\\_Out\\_2012\\_ACOSS.pdf](http://acoss.org.au/images/uploads/Missing_Out_2012_ACOSS.pdf)

<sup>vii</sup> Household, Income and Labour Dynamics in Australia (HILDA) Survey, 2013 Sounds the alarm on child poverty, Melbourne Institute.

<sup>viii</sup> Australia`s National Research Organisation for Women Safety, PP 1 *Rates of violence against women and men since the age of 15, ANROWS*

<http://anrows.org.au/sites/default/files/Fast%20Facts%20-%20Violence%20against%20women%20key%20statistics.pdf>

<sup>ix</sup> Australian Bureau of Statistics, 2012, personal safety survey starter

<sup>x</sup> Australia`s National Research Organisation for Women Safety, PP 1 *Rates of violence against women and men since the age of 15, ANROWS*

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<sup>xi</sup> Access Economics, 2014, The cost of domestic violence to the Australian economy, The Australian Government.

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<sup>xii</sup> McInnes, E., (2001), 'Public Policy and Private Lives: Single Mothers, Social Policy and Gendered Violence', Thesis Collection, Flinders University of SA.

<sup>xiii</sup> Patricia Karvelas, 3rd July 2012, Sole parents marooned on dole, The Australian.

<sup>xiv</sup> Rights Review, September 2011, Domestic Violence Exemptions Not working, National Welfare Rights.

<sup>xv</sup> Parliamentary Joint Committee on Human Rights, 21 June 2012 Hansard , Social Security Legislation Amendment (Fair Incentives to Work) Bill 2012, Commonwealth of Australia.

<sup>xvi</sup> Special Procedures Of The Human Rights Council, 19th of October 2012, REFERENCE: UA Poverty (1998-11) AUS 2/2012, The United Nations.  
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