

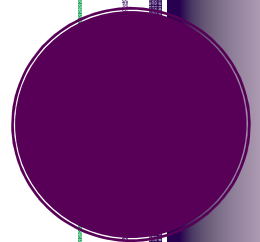
THE ADEQUACY OF NEWSTART  
AND OTHER ALLOWANCES AND  
CHANGING LABOUR MARKET

AUGUST 2012

**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 lead 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.

“We advocate for equality of opportunity, financial security and access to justice, legal and human rights”.

## Statement

NCSMC welcomes an Inquiry into *The adequacy of Newstart and other allowances and changing labour market*. NCSMC along with advocates who are concerned about poverty, hardship and inequality are fully aware that the Newstart Allowance is inadequate it is not an effective unemployment payment it is not kept pace with the changing labour market and Allowances are not equally accessible and eligibility can be denied even to those with the greatest need. Newstart increases financial hardship, barriers and exclusion for the Australians who are forced to survive on this payment. A minimum expectation of the Social Security System is its capacity to shield Australians from the harsh impact of poverty and to provide a modest but adequate level of assistance.

NCSMC remains convinced that a Social Security System is most effective and functions as expected by the community, when payments are aligned to the population that they are designed to support. It does not serve its purpose when families are forced from a Parenting Payment to an Unemployment Benefit. Newstart commenced as an unemployment benefit and therefore it is structured accordingly which does not accommodate the needs of single mother families. NCSMC supports a review that will lead to an effective Unemployment Allowance and that it will provide the level of assistance that is required for an unemployed Australian to have the means to meet the essential costs of living, that they can do so with dignity and that it will cease to be used as an unsatisfactory Parenting Payment.

## **O**ur Recommendations

1. NCSMC strongly urges the Committee to ensure that all families have access to a Parenting Payment and not an Unemployment Benefit and that this will be available until the youngest child is 16 years of age.
2. NCSMC is concerned for unemployed Australians who contend with financial hardship and poverty on a day to day basis and urges an increase in the Newstart Allowance, and that such an increase ensures that the Allowance is above the Poverty Line. Newstart to be indexed in line with other Pensions.
3. The Committee recognizes that Newstart Allowance is not structured to assist unemployed Australians to gain a foothold in the labour market such as casual or part-time employment due to the harsh earning thresholds and that \$62 per fortnight is a disincentive to work. The Allowable Earning Threshold to be increased, at a minimum, to that of the Parenting Payment Single but then followed by a formal review to ensure that the threshold is conducive to the dynamics of the current labour market.
4. The Committee to review the barriers to education, and at a minimum, recommend access to the Pension Education Supplement.

5. The Committee acknowledges that the genesis of an unemployment payment was for the provision of assistance for short intervals between employment. The change in the labour market such as increased casualisation and stable low unemployment has resulted in people requiring assistance for longer periods and that this is projected to increase. Further illustrating the need for an increase in the payment.
6. The Committee recommends a full review of the Social Security System and its Allowances with the aim of reducing complexity and increasing equity. The Productivity Commission is well placed to undertake such a review. For example there is no rationale for a recipient of Parenting Payment Single and or Newstart not to have access to the *Utilities Allowance* given the known difficulties associated with the cost of utilities and disconnection.
7. The Committee to work towards preventing entrenched hardship and that consideration is given to the establishment of an Independent Body to ensure that all Social Security Payments provide a basic standard of living.
8. The Committee to ascertain the use, knowledge and access of the Financial Suitability Test. This should include clear evidence that Job Providers, the Department and Job Seekers are informed and that it is applied as per the Social Security Guide. Such indicators would be the disclosure on the Employment Pathway Plan. Furthermore, the \$25.00 per week to be increased to reflect cost increases since its implementation in 2006.
9. The Committee recommends the establishment of an Independent Body to monitor and review the access and granting of Exemptions on the grounds of Domestic Violence. It is currently underutilised and does not provide the assistance as intended or needed.

## ***P*** ***olicy ramifications & concerns***

NCSMC is concerned that as a result of recent reforms more single mothers will be transitioned to Newstart Allowance unless there is a realisation that this practice further impoverishes families and that it should cease.

Newstart Allowance, an Unemployment Benefit, does not address the complexity of single mother families, the economic ramifications of sole parenting, the gendered nature of the sole parent population and or the labour market; it is silent on the provision of unpaid care or the high demands placed upon one parent within a sole parent family. Furthermore, Newstart is based upon the assumption that there are available jobs and those jobs are parent friendly with access to paid leave and that retained earnings will be at a level that increases the families' disposable resources.

The Business Council of Australia, in their call for welfare reform, identifies the need to balance between incentivising people to work and supporting those who are unemployed or not able to work. There is a growing feeling from the business community that a relatively low Newstart payment does not incentivise people to work and could be counter-productive and that Newstart is too low. The current rate of unemployment in Australia is around 5.2% which compares very favourably to the vast majority of developed economies around the globe. Indeed the rate of unemployment fell between June and July from 5.3% to 5.2% and many believe that the employment market in Australia should remain relatively strong for the foreseeable future.<sup>i</sup>

Moreover, there is limited consideration to the access of affordable child support and it is silent on the matter that childcare cost has increased from 10c to \$1 per hour<sup>ii</sup>. There is no acknowledgment that single mother families may not have the support of the other parent or access to both extended families, all of which play a critical role in meeting the demands of care and paid work.

Once in receipt of Newstart Allowance there is an assumption that single mothers will have the capacity to be immediately engaged in the labour market, or endure increased financial hardship; it does not account or offer additional services to respond to the impact of domestic violence.

Newstart Allowance is indifferent to the low levels of education for single mothers and as a consequent it increases barriers in accessing education, as it is financially unmanageable to meet the cost associated with studying on such an inadequate payment. Furthermore, The Pension Education Supplement which

is paid at \$32 a week to assist with the cost of study and training is not eligible for recipients of Newstart Allowance.

Upon transferring to Newstart Allowance there is a belief that single mother families already have safe, secure and affordable tenancies and access to transport and that this can be maintained on a reduced income; these assertions are incorrect and refuted by evidence. Homelessness Australia reported that women make up 44% of the nation's 105,000 homeless people, and many of them are mothers with young children<sup>iii</sup> whilst Equality and Rights Alliance stated that there are more than 44,000 women in Australia every night who "couch surf" because they can't afford a safe place to live.<sup>iv</sup> The recently released annual survey of Australia's community sector reveals housing and homeless services are buckling under demand. The Australian Council of Social Service survey of almost 700 agencies around the country found that the greatest area of need is housing. It found 81 per cent of housing and homeless services reported that they could not meet demand and were forced to turn away more than 20,000 people last year who sought help<sup>v</sup>.

However, the greatest concern as expressed by women is the notion that they need to slide from financial hardship (Parenting Payment Single ~ \$324 per week) into poverty (Newstart ~ \$279 per week) in order for them to be motivated to gain employment and that this may arrive when their youngest child is eight years of age (second or third year of primary school).

## **S** *ingle Mothers and Newstart Allowance*

Overwhelmingly, the forced transition from the Parenting Payment Single to the Newstart Allowance impacts upon the families who are already faring poorly.

The financial circumstances of single mother led households and the increased risk of poverty and deprivation is well documented. The Social Policy Research Centre identified certain population groups that consistently face higher than average risk of poverty and stated that among family types, single people and

lone parents were at the highest risk. ACOSS who completed research into deprivation and multiple deprivation stated that whilst 19% of the Australian population experienced multiple deprivation, sole parents face a much higher risk of multiple deprivation with 58% 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>.

Evidence provided to the Joint Parliamentary Human Rights Committee drew upon the recent report from the National Association of Community Legal Centres. This report found that '44 of the 50' Local Government Areas in Australia with the highest rates of lone parent households are also some of the most disadvantaged areas of the country<sup>vii</sup>.

The recent Household Expenditure Survey conducted by The Australian Bureau of Statistics found that lone parents were most likely of any groups of people on benefits to experience financial stress. In addition, lone parents have low incomes and also very low assets. For example, 70% of lone parents are in the poorest 20% of the population, and they are about three times more likely than any other type of family to have both low income and low assets<sup>viii</sup>. Therefore, without additional financial assistance, single mothers will not have the disposable and required income to become work ready and participate in the job market. Newstart, its level and its structure does not address this issue.

More recently, there has been an increased focus upon the Newstart Allowance and single mothers due to the Federal Budget announcements, which seeks to move more mothers from the Parenting Payment Single to Newstart once their youngest child turns eight. Commentators have been united in their concern, *I have always been a strong advocate of sole mothers working - even if it is hard. But the federal government's four-year plan to reduce the incomes of 100,000 sole parents on the Parenting Payment - 90 per cent of whom are women - is a harsh and possibly counter-productive way to motivate more of them into jobs.*<sup>ix</sup>

The table one illustrates the dollar and percent loss per fortnight for single which is inclusive of weekly earnings.<sup>x</sup>

Weekly Earnings	\$ loss per fortnight	% loss per Fortnight
\$0	- \$114.90 ▼	- 9.6 ▼
\$100	- \$169.78 ▼	- 12.2 ▼
\$200	- \$172.09 ▼	- 11.4 ▼
\$300	- \$202.09 ▼	-12.8 ▼
\$400	-\$223.32 ▼	-12.8 ▼
\$500	-\$203.02 ▼	-11.1 ▼
\$600	-\$185.80 ▼	-9.7 ▼

Table 1

**C**urrently a single mother on the Parenting Payment Single and earning about \$200 a week would be just at the poverty line. The same mother, on Newstart, will need to earn about \$400 a week to be at the poverty line.<sup>xi</sup>

## **C**reating Equity

NCSMC seeks an equitable Social Security System and one that shields all Australians from poverty; and that it delivers similar earning thresholds, taper rates and the same treatment of indexation. It is hoped that this review will address the current disparities and complexity between Australians who access the Social Security System. A progressive outcome of the Inquiry would be a call for a full review of the Social Security System and its Allowances with the aim of reducing complexity and increasing equity. NCSMC views the Productivity Commission as well-placed to undertake such a review. For example there is no rationale for a recipient of Parenting Payment Single and or Newstart Allowance not to have access to Utilities Allowance which is available to other recipients of income support given their known struggle to meet the cost of utilities and the impact of disconnections.



Further evidence is that the Unemployment Allowance has been allowed to fall to an unacceptable level and that a \$4.00 per week increase in 2012 was the first increase in 19 years. In 2007, Australia spent just 7.4 % of GDP on social security, the seventh lowest in the OECD and below the United States. A well-targeted and well-designed Social Security System that provides the required assistance is a sound investment. Conversely, entrenched hardship rendering some segments of the population to the margins fractures our community. Such a need becomes more apparent when there is no Anti-Poverty Plan.

The National Welfare Rights points out that in 2006 the difference for parents between Newstart and Parenting Payment was \$29 per week. However, due to differential indexation arrangements the gap between the two payments is now \$59. This gap will continue to increase between both payments as the six monthly increase will continue be less for parents on Newstart.

## **E** *DU* **CATION**

NCSMC is pleased that the Pension Education Supplement, which is paid at \$32 a week to assist with the cost of study and training, will have some transferring provisions. However, the reality for women is that studying will become more tenuous on Newstart due to the lower payment. The Pension Education Supplement is not available for women on Newstart and this matter should be addressed by the Committee. NCSMC is fearful that the 40% of lone parents, who have been on benefits for a year or more, and have not finished year 10, will be left behind.

The National Welfare Rights estimates that overall there are about 26,000 parents on the Pension Education Supplement.

Unfortunately, these mothers will experience greater difficulty to maintain their study once transferred to Newstart.

*Earning thresholds: The amount that can be kept before it reduces the payment.*

**In 1973 women could earn 100%.**

**In 1987 women could earn 78%.**

**In 2012 (Newstart) women can**

Newstart Allowance reduces women`s access to education.

## **F**inancial Suitability Test

The cost to become work ready and then to participate in the labour market can be expensive. This understanding was realized in 2006 and expressed in the *Financial Suitability Test*. Essentially, recipients of Newstart (Principal Carer) would not be forced or incur penalties if they did not accept a job that would not have a net weekly gain of \$25.00. This is stated in the Social Security [guide](#) but its level of knowledge and use by the Department of Human Services, Job Network Providers and Job Seekers appears limited and information is difficult to locate. NCSMC has a copy of the ‘Fact Sheet’ produced by the Department for Employment and Workplace Relations and known as the *Financial suitability test for use with principal carer parents - Step-by-Step instructions*. NCSMC calls upon the Committee to seek out the current access and use of the *Financial Suitability Test*<sup>xii</sup>. The Committee should ascertain clear evidence that Job Providers, the Government and Job Seekers are informed. Such indicators would be the disclosure on the Employment Pathway Plan or evidence confirming that it has been discussed. Furthermore, the \$25.00 per week was implemented in 2006 and the Committee should recommend a new weekly figure taking into account cost increases since 2006.

## **D**omestic Violence

NCSMC are strong supporters of the Government’s commitment to reduce violence against women and children and have been an ally in promoting community awareness and advocating for the recent Family Law changes as well as the National Plan to Reduce Violence against Women and Children.

The understanding of the impact and the cost of violence upon victims, their families and the community is an issue that does not garner the attention that it

warrants. McInnes in her research 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>xiii</sup>

It is estimated that there are 37,811 sole parent families who are claimants of Newstart and within the past 12 months one in four claimants was a victim of domestic violence<sup>xiv</sup>. NCSMC is concerned, and given the absence of any countering research provided by the Department, that it maybe women who have been subjected to violence that will be 'stranded' on the inadequate payment. It was recently reported that the average time people spend on Newstart will rise steeply by nine weeks annually over the next four years and that the increase was contributed to the forcing of more single parents from the Parenting Payment to Newstart. 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<sup>xv</sup>. It is clear that an unemployment benefit is not an applicable payment for parents.

Exemptions are the key protective strategy for victims of family violence in both child support and family assistance contexts<sup>xvi</sup>. Despite the passage of new laws aimed to assist women experiencing family and domestic violence they have not been applied. The new 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>xvii</sup>. This low level of activity test exemptions for domestic violence is of concern given that about one in three Australian women experience physical violence and about one in five women experience sexual violence in their lifetime. NCSMC views this as a long standing issue and despite raising these concerns for several years the figures indicate little progress. Legislative changes since July 2010 make clear that a 16 week exemption must be given from activity agreements. NCSMC points to the recent and comprehensive Inquiry conducted by the Australian Law Reform [Commission](#) and is aware that that the Department of Human Services is in the process of providing a response. Irrespective of the Department of Human Service`s response NCSMC would urge the Committee to take action on this deeply concerning matter which would also include the Child Support *Partial Exemptions* and the Maintenance Action Test, and recommend the establishment of an Independent Body to monitor and review the access and granting of *Exemptions* on the grounds of domestic violence.

## **G**ender and Separation

Joint research led by the Australian Institute of Family Studies which focused upon the financial impact of separation has found that equivalised household income after divorce declined for women but not for men. The research further found that some women were able to recover their income

after six years. However, the research found that this was not typical for single mother families. Women with the responsibility of caring for dependent children found it more difficult to recover their income post-divorce and that their financial circumstances were much less and for much longer (6 years and beyond) when compared to separated fathers and women without caring responsibilities. Of further concern was the evidence that the effect of separation on assets could last into older age and therefore impacts on income in later life. Signalling that separation for women who have caring responsibilities could be negatively impacted over their life time.

Similar findings were made by Baker who indicated that it is a common practice that in the event of relationship break-down that couples usually divides their material assets. Most couples will have few assets but considerable debt; typically this is in the form of a mortgage but may also include other household debt such as credit card, motor vehicle or higher education fees.

“Separation and marriage breakdown in itself is both a cause and a contributor to problem debt and financial insecurity”

Baker’s research found that the separated living arrangement was a contrast between mothers and fathers and that they differ substantially. The level of problem debt or unmanageable debt can lead to repossession, eviction, mortgagee sales, bankruptcy and utility disconnections. However, the impact of problem debt was not equally felt between separated fathers and mothers. It is more common that the mother will have a greater role of the unpaid care and that based upon these family responsibilities their pattern of employment will be part-time, casual and intermittent. Furthermore, future earnings for separated mothers will continue to be less than that for fathers.

Baker asserts that separation and marriage breakdown in itself is both a cause and a contributor to problem debt and financial insecurity for sole mothers and that this also occurred for mothers with adequate education and employment experience. A significant contributor was not such the personal level or circumstances but influenced by gendered patterns of earning, partnering, and caring all of which can lead to problem debt. Problem debt is a debt that is directly related to the impact and living standards of the mother and her

children. Problem debt reduces the living standards it increases stress and leads to poor health all of which contributes to the growing wealth disparities at the national level.

Moreover, household combined net worth is higher in couple households where there is a male earner simply due to their capacity to have higher incomes. Men are more likely than women to occupy lucrative managerial and professional positions and men's jobs tend to receive higher remuneration regardless of qualifications or skills required. Women's financial contributions to their households are reduced by lower employment rates, shorter working hours and lower pay than their male partners (who are often older)<sup>xviii</sup>. Clearly, the financial circumstance of families headed up by women requires a different approach to what is offered by Newstart Allowance.

Single mothers are acutely aware of their circumstance, barriers and aspirations. The wisdom of lived experience and the organisations such as NCSMC who amplify this should be central in all policy deliberations. It is our hope that this Inquiry will not only result in ceasing the practice of transferring more families to the Newstart Allowance but once the full extent of the harm is realised that past policy mistakes, and the inadequacy of the Newstart, will be addressed.

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