

Department of Education, Employment and Workplace Relations
Response to questions by the
Senate Community Affairs Legislation Committee
Inquiry into the Social Security and Other Legislation Amendment
(Income Support and Other Measures) Bill 2012

Introduction

The following questions were forwarded to the Department of Education, Employment and Workplace Relations (DEEWR) by the Senate Community Affairs Legislation Committee as a result of submissions received.

Grandfathering arrangements affecting sole parents

1. *The Australian Council of Social Services (ACOSS) suggested that reducing payments to a single parent when their youngest turns 12 will be hard because the child is on the cusp of beginning high school—often associated with increased costs.*

Could the Department explain why such arrangements should cease when the youngest child of a single parent turns 12, rather than ceasing when the child is 16 and could potentially obtain a part-time job themselves to support the family income?

Response:

Ceasing Parenting Payment when a recipient's youngest child turns 12 recognises the age when most children start high school is also the time when their parents' capacity to undertake work or other activities also increases. It is important that income support payment arrangements recognise this increased capacity and provide incentives for parents to re-engage in work and present a positive working role model for their children.

Building on the changes in July 2011, the changes in this Bill will better align the treatment of different income support recipients. Over time the same arrangements will apply to all Parenting Payment recipients and for those that subsequently qualify for Newstart Allowance, all parents in similar circumstances will be treated consistently. By aligning the rules earlier, these changes will make the system fairer and more transparent.

Parenting Payment recipients spend on average five to seven years in receipt of income support, meaning these parents are likely to have spent considerable time out of the workforce. The package is designed to encourage parents to engage in the workforce at the earliest opportunity. To support parents to transition to work, additional training places are available to build necessary skills, there is additional community based support through the Communities for Children program and grandfathered parents registered with a Job Services Australia provider have access to professional career advice.

2. *The Department's submission noted that the accelerated phase out of the grandfathering arrangements will encourage single parents to return to work sooner. However, ACOSS asserts that single parents are already required to seek employment of 15 hours per week under the existing Parenting Payment Single (PPS) rules. The National Council of Single Mothers and their Children (NCSMC) note that 32 per cent of PPS recipients report earnings compared to 16 per cent of Newstart Allowance (NSA) recipients.*

Could the Department explain how the accelerated phase out will encourage greater participation in employment by moving parents from PPS to NSA given the above evidence that:

- a. single parents under 'grandfathered' arrangements must already seek 15 hours of paid employment per week; and*
- b. PPS recipients currently report earnings (i.e. some employment) at twice the rate of NSA recipients?*

Response:

In 2011 there were more than 640 000 families with dependent children on income support. Some 40 per cent of these were jobless families with no reported income in the previous 12 months and the numbers of jobless families have been increasing. Research has shown that long periods in receipt of income support are associated with high levels of disadvantage, and as recipients may have spent considerable time out of the workforce they also potentially face a loss of skills.

The Welfare to Work Evaluation Report released in 2010 shows that the introduction of participation requirements for parents with school age children increased workforce participation and reduced income support reliance for some parents. In particular the evaluation report shows that the percentage of single principal carer parents on Newstart Allowance with a youngest child between 8 and 15 years who had left income support after six months increased, compared to previous years.

Single principal carer parents on Newstart Allowance will see greater rewards for their participation and increased financial benefits of working. Changes to the Newstart Allowance income test for single principal carer parents, which are also contained in this Bill, will introduce more generous income testing arrangements for these single parents allowing them to earn up to \$400 more per fortnight before they lose eligibility for payment.

This change will benefit all single principal carer parents on Newstart Allowance, 31 per cent of whom reported earnings in early 2012. It is anticipated that the financial incentives of participating and the additional supports being provided as part of the package will encourage participation and increase the percentage of recipients with earnings.

3. *ACOSS further noted that the grandfathering arrangements affect a small group of sole parents and are already being phased out, and as such the grandfathering arrangements will have no impact on forward estimates savings in about a decade whether or not the Bill is passed.*

Could the Department provide the forward estimates projection that demonstrates the increased savings under the proposed Bill as compared with the forward estimates projection of the cost of the grandfathering arrangements as they are currently planned to be phased out?

Response:

The cost of the existing grandfathering arrangements is already built into the forward estimates.

Changes to the grandfathering arrangements included in the Bill will result in estimated savings in outlays of income support of \$152.2 million over the forward estimates period.

Incentives for Young People

4. *ACOSS agrees with the Department that there should be no financial disincentive to study, but cites a Melbourne Institute Working Paper suggesting that 'unemployed young people on income support are less likely to be supported by their parents than full-time students, and more likely to be socially and economically disadvantaged than young full-time students.' ACOSS is concerned that the Bill indiscriminately affects 21 -year-olds whether or not they can fall back on parental support, and that the current rate of Youth Allowance of \$201 per week is insufficient to be extended to vulnerable young people who are unlikely to be able to access financial support from their parents, and also unlikely to be able to afford to study.*

Page 1 of the Department's submission indicates that the 'Earn or Learn' requirements have resulted in increased rates of Year 12 attainment.

- a. *Could the Department clarify whether it is suggesting that the 'Earn or Learn' requirements have had a direct correlation with the increased rate of Year 12 attainment?*
- b. *Does the Department have evidence to support the assertion that a correlation exists? If so, could this be provided to the committee?*
- c. *Does the Department have data on Year 12 attainment by age, demonstrating that more 21 year-olds without a Year 12 qualification are likely to return to study to seek a Year 12 certificate after the introduction of the Bill? If so, can it provide such data?*

Response:

The Department has conducted preliminary analysis of the impact of the Earn or Learn initiative and tracked early school leavers aged 16-20 years subject to the increased requirements for 18 months. The initial analysis found that, in comparison to previous cohorts, after the 18 months period:

- more early school leavers had completed Year 12 – the proportion of the 2009 early school leavers obtaining Year 12 was 16.9 percent compared to 8.4 per cent for the 2008 cohort;
- more early school leavers were on student payments – the proportion of early school leavers who were on student payments increased by nearly 1 percent between the 2008 and 2009 cohorts; and
- there had been an increase in study for early school leavers while on income support – the proportion of 2009 early school leavers who had studied was 34.9 per cent compared to 24.4 per cent for the 2008 cohort.

There is a correlation between the completion of Year 12 or an equivalent qualification and the engagement of young people in education, employment or training. In May 2009 those young people with Year 12 or equivalent were four times less likely to be disengaged with education or employment – 8.6 per cent compared with 34.1 per cent for those without such qualifications. Also in May 2009:

- 62.6 per cent of young people who had completed Year 12 went on to further study compared to 33.4 per cent who had not completed Year 12; and
- 36.5 per cent of young people who had not completed Year 12 were unemployed, compared with 23 per cent for those with Year 12.

The Department is unable to provide data on the number of 21-year-olds without a Year 12 or equivalent qualification that are likely to return to study to seek a Year 12 certificate as a result of this Bill. However, the agreed COAG national target for Year 12 attainment – the attainment rate of Year 12 or a formal qualification at Certificate II or above for 20-24 year olds – has been steadily increasing and in 2011 the proportion was 84.1 per cent.