

Date 23rd July, 2012



Committee Secretary
Senate Education, Employment and Workplace Relations Committee
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Canberra ACT 2600
Australia

To the Committee Secretary:

Submission to the Senate Committee on the "Fair Incentives to Work Bill" 2012

The Welfare Rights Centre (QLD) is a member of the National Welfare Rights Network and provides free advice, advocacy and legal services on Social Security (Centrelink and Employment Services) and Disability Discrimination matters. Our clients are mostly welfare recipients and a significant proportion of these are individuals in receipt of Parenting Payment Single (PPS) and Newstart Allowance (NSA).

We support those aspects of the "Fair Incentives to Work Bill" which relate to a doubling of the maximum reserve threshold of the Liquid Assets Waiting Period and the clarification of the definition of termination payment for the purposes of the income maintenance period. We wish however to express our strong opposition to the proposed revoking of the "grandfathering" provisions relating to single parents who claimed their current payment type before the introduction of the "welfare to work" changes in July 2006. The proceeding arguments cannot be separated from our view that no single parent should be relegated to the much lower Newstart Allowance when their youngest child turns eight years as is currently the case.

This proposed change will impact adversely not only on the well-being of the most vulnerable single parent families that are headed by single parents who are unemployed, but also on the significant number of single parent families who are headed by parents who are already employed. These parents will lose substantial income due to the effect of transferring off PPS and onto NSA, and may lose their entitlement to income support and associated concessions due to the lower payment rate and harsher income test that applies. These single parents may not have the opportunity or capacity to make up the shortfall by increasing the number of hours that they work.

Children from single parent families will also suffer due to this change, both financially and via the indirect impact of the psychological stress that the proposed change will place on single parents; the changes also have implications for child care. Before expanding on these points, we will provide some background regarding what is already known about the generally poorer financial and psychological well-being of single parent families.

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The well-being of single parent families in Australia

Single parent families represent about 22% of all Australian families and 87% are headed by mothersⁱ. It is well established that single parents are the poorest family type and that they access emergency relief more frequently than any other group^{ii iii}. The psychological well-being of single parents is on average below that of the general population. Recent research by Cook et al^{iv} has confirmed that for single parents "Quality of Life" scores are extremely low compared to the general population with a mean subjective well-being score of 46.72% for the single mothers in their study (who were on income support with a youngest child at school). According to Cummins "only 4.4% of the population view their subjective well-being as less than 50%. It is important to note that according to "quality of life" research "income security is one of the most powerful determinants of well-being that we have found"^{vi}. This is supported by research which shows poorer levels of psychological well-being experienced by single parents on lower incomes. According to Butterworth "the prevalence of mental disorders among lone parent recipients remains almost double the prevalence of non-recipients"^{vii}.

Stress related to single parenting exacerbates the impact of financial stress and may include conflict with the non-resident parent concerning child support, financial settlement and issues surrounding contact with children, as well as the time pressure and fatigue associated with parenting alone. This is made worse where single parents have limited supports, there are more children, the children have special needs or mothers are in poor health.

The impacts for unemployed single mothers and their children

The financial impacts of moving from PPS to NSA are substantial. For a single parent who is unemployed the current maximum payment rate on Parenting Payment Single is \$648.50 whereas the maximum payment on Newstart Allowance is \$528.90, representing a drop of around \$60 per week. This is a significant drop in income and will push many single parent families into even greater poverty, depleting parents of the resources they need to increase their capacity to find and maintain paid work and their ability to meet the needs of their children.

It makes no sense to increase the financial stress of the most vulnerable single parent families who are already struggling. Some parents will be unable to find paid work due to the multiple employment barriers that are known to be characteristic of those who are unemployed. These parents can be expected to experience severe financial strain trying to live on Newstart Allowance alone and this will place greater pressure on emergency relief services and potentially lead to single parent families accumulating unsustainable levels of debt. Financial strain will likely lead to reduced psychological well-being which may impact on the quality of parenting.

Children will be impacted by reduced expenditure on basic needs such as food and clothing and the stability of accommodation may be threatened. Peer interaction may also be negatively affected by an inability to obtain a material standard of living that not only meets children's basic developmental needs but promotes a sense of belonging.

Impacts on employed parents and their children

As most single parents on income support are women and their labour market experiences and parent identities tend to differ from that of men this section will focus on single mothers. About half of single mothers are employed at a point in time^{viii}. When single mothers are able to secure paid work however, it does not always lead to improved family well-being. Single mothers are less likely to find work financially beneficial than partnered mothers in part because they are over-represented in occupations requiring lower levels of education^{ix}. Single mothers also tend to be concentrated in jobs that are more likely to be stressful to

combine with family life^x.

Australian mothers tend to manage work and family life obligations by working part time.^{xi} Even though single parents do not have a requirement to work full time in return for their income support payment, they will effectively have to do so in order to maintain their standard of living without the financial assistance that PPS provides. A single parent with one child (non-grandfathered) earning \$1000 per fortnight on PPS currently has no entitlement to NSA and loses \$690 per month in income support payments when their youngest child turns 8 years^{xii}; they also lose the benefits associated with a pensioner concession card. Even after the reduction in income taper rates scheduled for January 2013 their income will still reduce by about \$355 per month due to the transfer from PPS to NSA. A single parent in this position may already be working many hours in a low wage job, and have limited capacity or opportunity to increase their hours.

The substantial drop in income that will occur for single parent families with a parent who is already meeting their employment requirements will lead to greater stress not only for single parents but also for their children. Many single parent families will need to move to cheaper accommodation which for their children may mean changing schools; children may have to cease recreational and extra-curricular activities as a result of these changes. Those single parent families that are able to find more paid work will face increased time pressure as they try to juggle multiple demands and in the absence of practical and emotional supports, this may lead to increased parenting stress.

Furthermore many children may be required to spend long hours in Outside School Hours Care including after school care and vacation care, or spend more hours at home alone. The impacts on children from single parent families seem to have been excluded from the analysis so far and must be included in an analysis of the implication of these changes. Ideally single mothers and their children who have already experienced this significant transition should be consulted about how the drop in payment currently experienced by new claimants since 1 July 2006 has impacted on their lives.

Conclusion

The implications of reducing the incomes of already vulnerable single parent families by transferring them from Parenting Payment to Newstart Allowance have not been adequately investigated and the benefits of extending this policy to existing "grandfathered" PPS recipients appears to lack an evidence base. However there is existing research which suggests that this change will only make life more difficult for single parents who are already struggling to cope with multiple life stressors. It is clear that reducing the incomes of families that are already struggling will only make their lives more difficult and to implement this change in 6 months time is a cost cutting exercise which fails to place sufficient importance on the human implications of this proposed policy change.

Yours sincerely,

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- ⁱ ABS. (2007). One parent families. *Australian Social Trends 2007 (Cat no. 4102.0)* Retrieved 15th July 2009, from <http://www.abs.gov.au/AUSSTATS/abs@.nsf/Latestproducts/F4B15709EC89CB1ECA25732C002079B2?opendocument>
- ⁱⁱ Marks, G. (2007). *Income poverty, subjective poverty and financial stress (Social Policy Research Paper No. 29)*. Canberra: Department of Families, Community Services and Indigenous Affairs.
- ⁱⁱⁱ Engles, B., Nissim, R., & Landvogt, K. (2009). *Under pressure: Costs of living, financial hardship and emergency relief in Victoria*. Melbourne: Victorian Council of Social Service.
- ^{iv} Cook, K., Davis, E., Smyth, P., & McKenzie, H. (2009). The quality of life of single mothers making the transition from welfare to work. *Women & Health, 49* (6-7), 475-490.
- ^v Cummins (in press) cited in Cook et al., 2009, p. 486.
- ^{vi} Cummins, R. (2006). *Australian Unity Wellbeing Index - Survey 15*, p.xii. Retrieved from http://www.deakin.edu.au/research/acqol/index_wellbeing/index.htm
- ^{vii} 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, p.61.
- ^{viii} ABS, *op.cit.*
- ^{ix} Hughes, J., & Gray, M. (2005). The use of family-friendly work arrangements by lone and couple mothers. *Family Matters* (71), 18-23.
- ^x Strazdins, L., Shipley, M., Clements, M., O'Brien, L. V., & Broom, D. H. (2010). Job quality and inequality: Parents' jobs and children's emotional and behavioural difficulties. *Social Science & Medicine, 70* (12), 2052-2060.
- ^{xi} Pocock, B. (2010). The great risk shift at work in Australia. In G. Marston & J. Quiggan (Eds.), *Risk, welfare and work* (pp. 143-164). Melbourne: Melbourne University Press.
- ^{xii} Centrelink online estimator, accessed 23rd July, 2012.