

# Council of Single Mothers and their Children

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Committee Secretary  
Senate Standing Committee on Community Affairs  
PO Box 6100  
Parliament House  
Canberra ACT 2600  
Australia

18<sup>th</sup> June 2009

Dear Secretary,

**Re: Inquiry into Social Security and Other Legislation Amendment (Pension Reform and Other 2009 Budget Measures) Bill 2009.**

Please find enclosed a submission to this Senate inquiry from the Council of Single Mothers and their Children, Victoria. CSMC welcomes the opportunity to provide input into this inquiry, however we are disappointed at the extraordinarily short timelines for providing this input and for consideration of the issues. We hope that this does not reflect the importance of these issues to the Parliament.

The Council of Single Mothers and their Children (Vic) is a community-based organisation that has provided support, information and financial aid to single mothers and their families in Victoria for nearly 40 years. Our telephone information and support service handles an average of 20 calls a day, and we have a membership of approximately 2,000 single mothers and 120 organisations.

The Council of Single Mothers and their Children (CSMC), along with sister organisations in other states and the National Council of Single Mothers and their Children (NCSMC), is well recognised as a source of expert advice on issues of relevance to single mothers. Our expertise is grounded in the concerns expressed to us by single mothers calling our telephone contact line, putting us in an ideal position to respond to this review on behalf of these callers. Individuals, academic institutions, community support/welfare organisations, government departments and members of parliament are some of the bodies seeking our expertise.

If you would like further information relating to this submission or the work of CSMC, please contact us on **(03) 9654 0327**.

Yours sincerely

Jane Stanley  
*Coordinator*

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## Social Security and Other Legislation Amendment (Pension Reform and Other 2009 Budget Measures) Bill 2009

### 1. Impact for single parents/restrictions on who receives the increase

The Council of Single Mothers and their Children, Vic (CSMC) welcomes the bipartisan support for increasing the rate of Aged, Disability and Carers pensions (among others). This rise rightly recognises the struggles faced by people living on low incomes, particularly in light of rapidly escalating costs of living. Disturbingly, the needs of some of Australia's poorest and most vulnerable groups were overlooked in this budget (and this Bill), with the pension increase not being extended to single parents in receipt of Parenting Payment Single or Newstart Allowance. CSMC calls on the government to extend the same fairness to those in receipt of Parenting Payment Single and Newstart Allowance.

The Australian Bureau of Statistics recognises that single parent families are the most disadvantaged families in Australia<sup>1</sup>, and that this gap has been widening over time. In 2003-2004, single mother families had an average income of \$364 a week<sup>2</sup>, putting them at or below the poverty line at that period of time<sup>3</sup>. The Australian Government, in the publication "Families in Australia: 2008"<sup>4</sup>, recognises that one-parent families experience "poor economic outcomes" and "are more reliant on government payments as a main source of income, [and] they have generally worse economic outcomes even when they work, largely due to the lack of a second partner to complement and support them in both the home and labour market" (p61).

Time and again research has confirmed this situation. A recent ACOSS report<sup>5</sup> further demonstrates that nearly half of all sole parents and their children experience multiple deprivation. 43% of recipients of Parenting Payment Single lack a decent and secure home, 57% were unable to pay utility bills and nearly one quarter, 24%, could not afford up to date schoolbooks and clothes for their children. It must also be remembered that since the introduction of Welfare to Work many single mothers are now raising families on the much lower Newstart Allowance, placing them and their children at even greater risk of poverty and deprivation.

These figures are reflected every day in the calls to the CSMC telephone support line from women seeking financial assistance just to meet the escalating costs of living. Single mothers report budgeting to the last cent, with any unexpected, or greater than expected, expenses being impossible to meet. A sick child preventing them from attending casual work; purchasing medications; car or essential white goods repairs; school excursions and additional books, are just some of the expenses that can throw into turmoil a family's careful budgeting.

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<sup>1</sup> ABS Australian Social Trends 2007. Article: One parent families. Catalogue number 4102.0

<sup>2</sup> *ibid*

<sup>3</sup> MIAESR (Melbourne Institute of Applied Economic and Social Research) (2004) *Poverty Lines: Australia, June Quarter 2004*. Downloaded 24/10/08 at: <http://www.melbourneinstitute.com/labour/inequality/poverty/June2004.pdf>

<sup>4</sup> Department of Prime Minister and Cabinet, *2008 Families in Australia: 2008*, Commonwealth of Australia

<sup>5</sup> ACOSS, 2008 *Who is Missing Out? Hardship among low income Australians*, Australian Council of Social Service Info Paper 8 December 2008

### ***Rationale for exclusion of payments to single parents from the increase***

The rationale for not increasing support payments for single mothers was reported by a number of media outlets following the Federal Budget (ABC 7.30 Report and Sky News 12<sup>th</sup> May, The Age newspaper (Victoria) 14<sup>th</sup> May).

In these reports the Treasurer was quoted as saying that the reason for not increasing payments to single parents was because the Harmer (Pension) Review ‘had not advocated they be treated the same as other pensioner groups’. The Age report further quoted him as saying “Harmer did not recommend a change to the single parent payment and that weighed very heavily on the cabinet’s decision”.

The Harmer review report, the background paper, and the Terms of Reference for the Pension Review are very clear:

*“The Pension Review was commissioned by the Hon. Jenny Macklin MP, Minister for Families, Housing, Community Services and Indigenous Affairs, to investigate measures to strengthen the financial security of seniors, carers and people with disability.”*

On page 83 the exclusion of the Parenting Payment Single is even more explicit:

*“Although also currently paid at the same pension rates and subject to the pension income test, but a different assets test, Parenting Payment Single is out of the scope of the Review.”*

Nowhere in the Pension Review was the adequacy or otherwise of Parenting Payment Single (or Newstart Allowance, the woefully inadequate payment many single parents are now having to raise their children on) considered, and nowhere in the report were there any recommendations about the payment. At several points the report stated that these were matters to be considered under the Tax Review, which is still under way.

Given this, and the clear level of disadvantage experienced by single mothers, CSMC is at a loss to know where the information about the supposed adequacy of payments to single parents has come from. The experience of single mothers in contact with this service, and confirmed by other welfare providers, is that a huge proportion of single mothers are struggling to even provide the basic necessities for their children. The recent increases in the costs of necessities – rent, fuel, food and utilities – have only exacerbated this situation.

It appears that many of the public policy decisions that impact on single parents are not being made on the basis of a comprehensive understanding of their circumstances and the flow on effects of any changes. While the Harmer Review was specifically constituted to examine the Aged, Disability and Carer pensions, no similar specific review to determine the circumstances of single parents has occurred. This runs the risk of public policy, and legislation, being made on the basis of stereotypes and assumptions rather than an accurate and comprehensive understanding of the situation of single parents in Australia today.

## ***Breaking the historical nexus between Parenting Payment Single and other pension payments***

The Supporting Mothers Benefit was introduced in 1973 by the Whitlam government to provide support for women raising children alone. The introduction of this payment has had an enormous positive impact on the women and children of Australia. Women who previously had no option but to relinquish children for adoption or to an orphanage were now able to keep their family together, raising their own children. Women and children subject to violence and abuse finally had the means to escape these situations and the opportunity to gain safety and stability in their lives.

Historically the Parenting Payment Single and its predecessors have been connected to other pension payments. This has recognised that there are additional burdens and responsibilities associated with raising children alone, along with significant barriers to finding and maintaining paid employment. These difficulties are not related to a single parent's level of willingness or motivation to undertake work, rather the numerous barriers to doing so, including:

- A lack of family friendly, secure, part time work that allows them to meet their parenting responsibilities, particularly jobs that are during school hours and allow parents to care for children when they are unwell, have curriculum days from school or during the 12 weeks of school holidays each year.  
Many of the part time jobs during school hours are in the increasingly casualised retail and hospitality sectors. The lack of security in these jobs can make it very difficult to meet their parenting responsibilities. For example, single mothers report losing shifts, or the threat of this, if they have to take time off work to care for a sick child.
- Specific health or disability needs of themselves or their children;
- Lack of availability of child care and/or out of school hours care, and the cost of such care; and
- The greater responsibilities and reduced flexibility associated with parenting alone.

By removing the connection between Parenting Payment Single and other pension payments, this Bill removes a nexus that has been in existence for many years.

### ***Recommendation:***

*The Council of Single Mothers and their Children, Vic, calls on the Government to:*

- *extend the increases to the pension announced in the 2009 Federal Budget to recipients of Parenting Payment Single and Newstart Allowance.*
- *undertake a comprehensive review of the status of single parents, and the complex interactions of the different legislation that impact on them (including, but not limited to the interplay of social security, workforce, taxation, child support and family law); to ensure that single parent families are able to achieve a fair standard of living, and that their children have a fair start in life.*

## **2. Taper rates and income thresholds.**

While announcing increases to the rates of pension payments for some classes of recipients, this Bill imposes harsher taper rates and income thresholds for these payments. The taper rate is being raised from 40 to 50 per cent, so for every dollar of private earnings a recipient receives, they will now lose 50c of their payment rather than 40c. For recipients who are in the paid workforce, this will result in a reduced level of financial return from their work.

This change has been justified on the grounds that this will reduce the level of payments that are directed to more well off recipients of the pension. However, some categories of recipients (eg Disability) can be subject to the requirements of the Welfare to Work regime introduced under the Howard government. Subject to their work capacity, they are required to seek paid employment. However, under these proposed changes, when they do enter paid employment they will retain less of the income from this effort.

Raising the taper rate runs counter to the espoused aims of supporting people with disabilities (and others subject to this provision) back into the workforce as a means to assisting them out of poverty and promoting 'social inclusion'.

Another provision of the Bill removes the additional income test 'free area', or amount of income that can be earned before the pension payment starts to be affected, for dependant children. This additional 'free area' recognises the additional costs associated with raising children, and the increased costs associated with paid work for those with dependent children. As with the proposed changes to the taper rate, this cut to the 'free area' for people with dependant children will reduce the amount of income retained from employment, running counter to policies designed to assist some categories of pension recipients out of poverty.

### ***Recommendations:***

*CSMC calls on the Government to remove the changes in this Bill to the taper rate and income free area, and recommends that:*

- the taper rate remain at the current rate of 40 cents in the dollar above the free area;*
- and*
- the additional income test free area for dependent children be retained.*