

The Women's Equity Think Tank

WETTANK

Submission from WETTANK

The WETTANK is a loose group of feminists who are committed to gender fairness as the basis of the good society.

Started in the 1980s, as an economic think tank it recently changed its E to Equity from Economic in recognition of the serious constraints materialist based economics disciplines place on good social policy

Submission to the Senate Education, Employment and the Workplace Relations Legislation Committee the Social Security Amendment (Supporting More Australians into Work)

Bill 2013,

The following submission is based both on the data produced by the government's own entities and an examination of other survey data, including studies on sole parents I have undertaken in the past. The obvious conclusions, based on both my data and the other material on offer, is that most sole parents are willing both to combine parental responsibilities with paid work and to engage in the appropriate paid work when this is available. Research I conducted in 2001¹ and 2006² showed the range of barriers to earning adequate income that are faced by sole parents. These included lack of appropriate local jobs, employer prejudice against hiring sole parents, limited access to care for older children, the way benefits tapers make difficulties for adding sufficient extras income to cover employment related costs, and often intermittent high health needs of children. None of these issues are addressed in the changes proposed, but most would have been exacerbated by the shift to Newstart.

The changes were financially drastic. Parenting Payment Single's maximum rate is \$663.70 per fortnight. However, the Newstart Allowance reduces the maximum rate for these parents to \$533.00 per fortnight, a loss of \$130.70. The allowable PP fortnightly income before the taper cut in is \$170 pf, on Newstart it is \$62 per week, so the rise to \$100 still leaves the transferred sole parents well and truly out of pocket, particularly if earning income.

While these difficulties are already in place for the 40,000 or so sole parents who have been transferred to the lower Newstart allowance since the 2006 changes, the bulk transfer of the 67,000 grandfathered ones has highlighted the difficulties most sole parents with children 8-15 are facing. The official argument for the changes appears to be that all sole parents in this situation should be treated the same way. This approach can be described as assuming it was fairer to create similar

¹ Swinbourne K, Cox E et al *The Social Economy of Sole Parenting* UTS and Ronald Henderson Foundation, 2001

² Cox E and Priest T, *Welfare to Work: at what cost to parenting?* NSW Office for Women, UTS, 2006.

difficulties for the grandfathered as the earlier transferees face. This decision is odd as there is no evidence that the changes to policy in 2006 has caused any real increases in sole parent workforce participation³. So the reasons for the change are really hard to discern.

The argument, constantly reiterated by government members, is the changes are designed to encourage more workforce participation⁴, which is not justifiable or even logical. While the changes will correct belatedly some of the earlier cuts made, the explanatory memorandum and wording should make clear that these changes cover the partial replacement of earlier sole parent supports, but these do not nearly match the original entitlements under Parenting Payment.

The basic problem is that adding these entitlements onto Newstart creates an odd hybrid payment that only partially recognises that the primary sole parent already has a job, albeit unpaid and is not appropriately a recipient of a payment designed for the unfettered unemployed,. Therefore the payment design should allow the first responsibility to be the children's needs and accept the ways this limits employment options. The changes offered here are therefore quite inadequate so the explanatory details should be amended to show why these measures are partial recompense that may retain but not increase workforce participation. The taper is still too steep, the basic payment level too low and access to training and concessions are still lower than before.

The evidence from DEEWR was that the shift did serious damage to work incentives and current work entitlements to most of the 67,000 plus grandfathered recipients of parenting payment in August last year. There were already 60% in paid work⁵ who lost considerably more than the cut of about \$62 in their base payment. 135 were earning above the limit for Newstart and some of these seemed to have disappeared from the payment by January when the changes occurred. Others found they lost over \$100 per week as the taper cut in at lower rates.

The 60% workforce participation rate offers a clear and interesting contrast with the 20% workforce participation of those on Newstart. It suggests that both the higher level of Parenting Payment and taper is more effective as a workforce incentive than the lower Newstart rates, the opposite to what is being claimed by the government. The higher level parenting payment, with other incentives to study and work were therefore effectively supplementing the often limited earned income that was available to most of the parents involved. The official requirement was for only 15 hours of earned income a week, which, at the minimum wage rates plus casual loading, may total around \$290 pw. This is a somewhat arbitrary figure because some can earn more with higher pay and fewer hours but it is seen as the minimum required under the welfare to work criteria.

As this number of hours, or most versions of part time jobs, will provide an inadequate living income, the ability to use Parenting Payments to top up earned income allows most recipients to balance their budgets, albeit frugally. This contrasts with the nearly half of those transferred who are in private rental accommodation, whose loss of income could be seriously problematic in terms of retaining the premises. The 4,000 sole parents, who earned enough to disqualify themselves from

³ Sole parent workforce participation rates ABS 2005-2011 rise and fall in ways unrelated to changes.

⁴ Bill title is Supporting More Australians into Work

⁵ Table 2: Recipients by earnings (DEEWR Senate estimates responses to Rachel Siewert gave the following figures for PPL recipient, August 2012: No earnings 26853, (40%) Earnings under \$1394.50 47% 31534 Earnings \$1394.50 or more (over the N/start limit) 13%)8834 Total 67221

any top up payment, found they were not only out of pocket but also lost access to other benefits that came with the Pensioner Concession card. Some had to decide whether giving up some hours, or even their jobs, was a safer option, if medical costs, fares to work and the loss of basic income made their current cut budget unviable.

Therefore the logic claimed by the government, that this change was to encourage more workforce participation makes no sense for those already in paid work. Almost all dropped income by around \$100 pw, which was drastic as they were only just managing beforehand. The changes were also less likely to help those who were not already in paid work as they made it harder to find net cash benefit from paid work with the higher taper and lower base income

The changes proposed in the Bill in question are therefore correctly described as an inadequate attempt to belatedly correct some of the errors they made. However, the changes, the timetable and the very limited recompense for losses, all suggest that the basic errors are being covered up. While not wanting to block the minimal changes, we would suggest that, at least, the delayed changes should be introduced as soon as possible, to cover current recipients, and that the limited extra time on concessions cards be extended to at least 6 months, preferably 12. We also suggest that the descriptions of the changes should more accurately recognise that the changes are mainly a very limited re-introducing of some badly judged changes. This is important as the whole system needs urgent review to ensure that inequities can be further amended.

Comments on the problems of specific proposals are listed below, with original text in *Italics* and comment following:

Main features of the Social Security Amendment (Supporting More Australians into Work) Bill 2013

The Committee is considering three initiatives, costing \$299.9 million over four years, to 2016-17. This is a relatively small contribution to a very vulnerable group of people

Pensioner Education Supplement for single parents

Currently, only those single principal carer parents who were in receipt of PES at the time they moved from Parenting Payment (single) to Newstart Allowance on 1 January 2013 are entitled to receive PES until they finish their current studies.

This means no extra parents can increase their capacity to earn by starting studies in 2013 as the changes will only allow people to apply to start their courses after the 1 January 2014. Some have also had to stop courses that were over 12 months.

While we welcome the reinstatement, the gap is further proof that the government did not make sensible decisions in this case. We are also concerned that the change will still be restricted to shorter courses, ie not over 12 months. The costs of extending eligibility for the Pensioner Education Supplement to all Newstart Allowance single principal carer parents for approved study, will cost only around \$10M a year (\$39.7 million over four years). As the estimate is around 25,000 single parents will benefit, this suggests a total spending of \$1600 per person. This suggests entitlements only to relatively short courses as this is currently about the sum offered for 12 months only.

Pensioner Concession Card for single parents

From 1 January 2014 single principal carer parents will be able to keep their Pensioner Concession Card for 12 weeks once they move off payment because the age of their child and their earnings prevent them from receiving another income support payment. Around 2000 single parents each year who become ineligible for the Newstart Allowance because their youngest child turns 8 will benefit from this measure, at a cost of \$2.2 million over four years.

While this creates a brief buffer it ignores the serious difference the loss of this card is to sole parents who have high health care needs for themselves or their children. The loss of the transport and other concessions also make a big difference. At a minimum, they should be able to retain the card for 6 months, preferably 12, so they can work on ways to increase their earned income and working hours. This time frame would be more likely to allow them to find ways to compensate for the extra costs they will incur. Note all of those who have lost their card this year, or will in the next half year, are not offered this concession!

Increase and index the income free area for Allowances

This is so minimal a change it is ridiculous. Not only is this cut only starting from 20 March 2014, the income free area increase \$62 per fortnight to \$100 per fortnight will mean that they can earn an extra \$9.50 a week clear. While it is good that the recipients of Newstart Allowance, Widow Allowance, Partner Allowance, Parenting Payment (partnered) and Sickness Allowance will have their allowable earnings indexed by CPI, this won't start till July 2015! Therefore those currently losing too much of their earned income won't benefit from these mean changes till April next year!

FINANCIAL IMPACT STATEMENT

Year	Expense (\$ million)
2012-13	0.1
2013-14	29.7
2014-15	89.2
2015-16	88.4
2016-17	92.6
TOTAL:	299.9

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