



THE UNIVERSITY OF
SYDNEY



**Submission to the Senate Inquiry by the Senate Standing Committee on
Community Affairs Legislation into the *Social Services Legislation
Amendment (Budget Repair) Bill 2015***

By

Professor Marian Baird, Director, the Women and Work Research Group
A/Professor Rae Cooper, Deputy Director, the Women and Work Research Group
Alexandra Heron, Research Associate, the Women and Work Research Group

on behalf of the *Women and Work Research Group*, The Business School, University of
Sydney: <http://sydney.edu.au/business/research/wwrg>

and

Professor Sara Charlesworth, Co-convenor of the Work + Family Policy Roundtable
Dr Elizabeth Hill, Co-convenor of the Work + Family Policy Roundtable
Professor Barbara Pocock, Co-convenor of the Work + Family Policy Roundtable

on behalf of the *Work + Family Policy
Roundtable*: <http://www.workandfamilypolicyroundtable.org/>

18 January 2016

The Women and Work Research Group

The University of Sydney Business School Women and Work Research Group (the WWRG) comprises academics from the University of Sydney Business School and the University of Sydney more generally who have an interest in research and policy development regarding women, gender and work.

The WWRG provides a scholarly environment for inquiry into all aspects of women, work, employment, family and community in the Asia-Pacific region and beyond. It provides a focal point for collaboration with established and emerging scholars, with research centres with similar interests and with practitioners and policy makers in the field. The WWRG has an extensive membership of academics and practitioners and holds regular seminars, roundtables and conferences. A number of members have a particular expertise in women's labour force participation issues, parental leaves, flexible working and women's pay and career patterns.

The WWRG also engages closely with public and political debates about maternity, family and carers' leave, the implications of changing industrial relations regulations on women, childcare and family violence. Recent studies and reports have included a focus on women and leadership in the NSW public sector, on work and care chains in the Asia-Pacific, an analysis of the financial impact of changes to Australia's paid parental leave system and on paid domestic violence leave.

The Work + Family Policy Roundtable

The Roundtable is made up of researchers with expertise on work and family policy. Its goal is to propose, comment upon, collect and disseminate research to inform good evidence-based public policy in Australia.

The Roundtable is a network of 31 academics from 17 universities and research institutions with expertise on work, care and family policy. Its members and key principles are on its website. The W+FPR held its first meeting in 2004. Since then the W+FPR has actively participated in public debate about work and family policy in Australia providing research-based submissions to relevant public inquiries, disseminating current research through publications for public commentary and through the media.

Introduction

The academic research and policy interests of the WWRG and the W+FPR focus on women, work, care and family. We support initiatives to assist unpaid carers (of children, older people and those with a disability or illness) into paid employment recognising that economic independence through paid work provides a route out of poverty. At the same time, we acknowledge the value of unpaid caring work which may make engaging in the workforce difficult at different points in the life course. We are particularly concerned that the *Social Services Legislation Amendment (Budget Repair) Bill 2015* fails to provide a coherent policy response to the problems face by sole parents who are predominantly women.¹ The types of jobs women occupy do not pay as well as men's jobs, and the value of their work tends not to

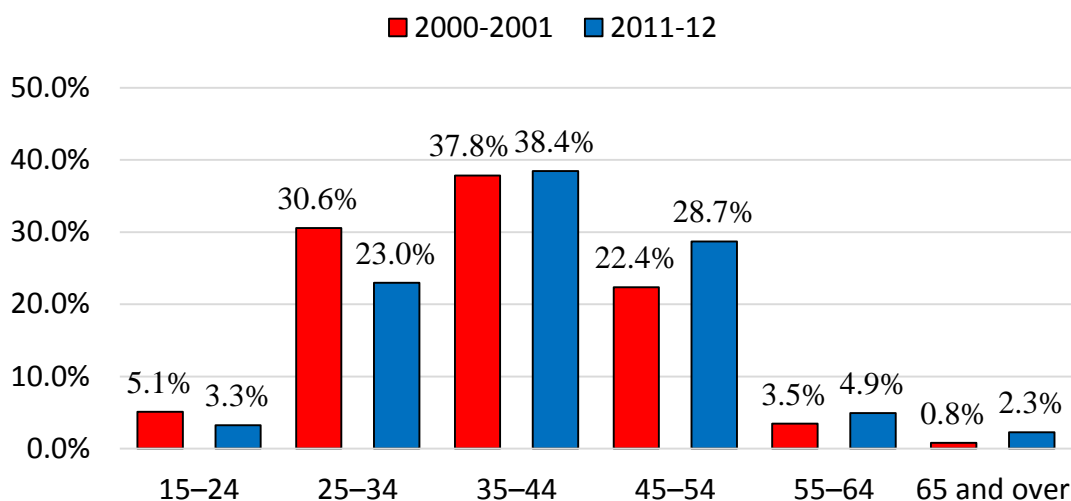
¹ In 2012, 84% of all one-parent families with dependants are single mother families, see Australian Bureau of Statistics (2012) *Labour Force, Australia: Labour Force Status and Other Characteristics of Families*, Cat No. 6224.0.55.001.

be rated as highly as men’s, reflected in a persistent gender pay gap of 15-18%.² Compared to men, women benefit less from the hours of paid work they do than men and rely more on social security payments as a result. Women are also most affected by issues of inadequate childcare assistance, including under the new Government proposals.³

Women must be able to leave relationships which have broken down or are dangerous, and thus become sole parents, without plunging themselves and their children into poverty. This is an essential prerequisite for women’s independence in society. It is particularly ironic that the federal Government has undertaken initiatives recently to tackle domestic violence,⁴ but fails to draw the links between income support, including help into education and training, and the ability of women and children to leave violent homes and create a new life.

Most sole parents are aged 25-54 years of age (see Chart 1 below but note the ageing of this group) that is in the prime age groups for career and superannuation account building.

Chart 1: Distribution (%) of lone parent households by age, 2000-01 and 2011-12



Source: Whiteford P (2015) calculations from ABS *Household Income and Wealth, Australia, various years*, Cat.No, 6523.0.

Given the positive impact of paid work has on poverty levels initiatives that assist (but not compel) sole parents access paid work are vitally important. A holistic and coherent strategy that can assist sole parents and other women into paid work needs to encompass:

- Adequate income and child support payments,
- Availability of affordable childcare and out of school hours care
- Affordable housing
- Good public transport, and

² WGEA (2015) *Gender Pay Gap Statistics*, which measures Full-Time Adult Average Weekly Ordinary Time Earnings. https://www.wgea.gov.au/sites/default/files/Gender_Pay_Gap_Factsheet.pdf Viewed 15 Jan 2016.

³ See our submissions on childcare issues including to the Productivity Commission’s childcare inquiry and on the initial regulatory impact statement, available http://sydney.edu.au/business/research/wrg/current_debates/childcare <http://www.workandfamilypolicyroundtable.org/> Viewed 15 Jan 2016.

⁴ See for a summary, Productivity Commission (2015), *Workplace Relations Framework*, Final Report, Canberra, p.551.

- Good quality flexible part-time work where hours can be gradually increased as children grow.

Our submission on the *Family Assistance Legislation Amendment (Jobs for Families Child Care Package) Bill 2015* will refer to the way in which the reforms to childcare assistance may well aggravate the disadvantage women who are sole parents face, especially those in irregular work and amongst lower socio-economic groups. The package contained in the Bill is unlikely to significantly assist increased female labour force participation.

Below we provide a brief overview of trends in sole parents' employment and poverty rates and benefit receipt. We then critique three of the Bill's main proposals, opposing them as they are likely to undermine sole parents' (and others) efforts to improve their education and training levels and thus their employment choices.

Overview

Sole parent family policy has evolved over time moving from the introduction and expansion of support from 1942 to more recent reductions in Government assistance. Below is a brief timeline of policy developments affecting income support payments to sole parents since 1942.

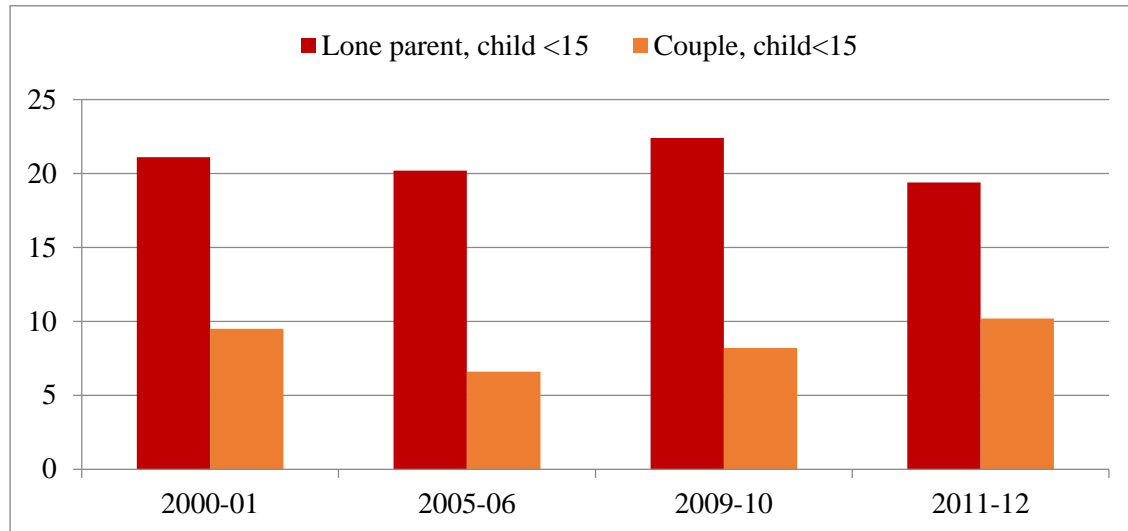
Table 1: Policy Changes Affecting Income Support for Sole Parents

1942	Introduction of Class A 'Widows Pension'
1968	<i>States Grants Deserted Wives Act</i> assisted deserted wives in first 6 months after desertion or birth.
1973	Introduction of Supporting Mother's Benefit (SPB) providing assistance after six month waiting period.
1975	Introduction of no fault divorce
1977	Six month waiting period for SPB abolished
1980	Introduction of Supporting Parent's Benefit covering fathers
1989	Sole Parent Pension (SPP) replaced Class A Widows Pension and SPB
1998	Parenting Payment Single (PPS) replaced SPP (remaining a pension level payment)
2006	Child eligibility age for PPS lowered from 16 to 8 years for new applicants for social security payments: new applicants must meet participation requirements and are eligible for Newstart (a benefit payment for unemployed lower than PPS) not PPS
2009	Change in indexation from wages to prices for PPS (this reduction accompanied by a commitment to keep PPS at 25% of male total average weekly earnings)
2009	Change in indexation from wages to prices for family payments (a reduction)

Source: Whiteford P (2015), 'Sole parents: participation and equality' presentation to the Workshop on Gender Equality in Australia's Tax and Transfer System, held on 4-5 November 2015 at the ANU

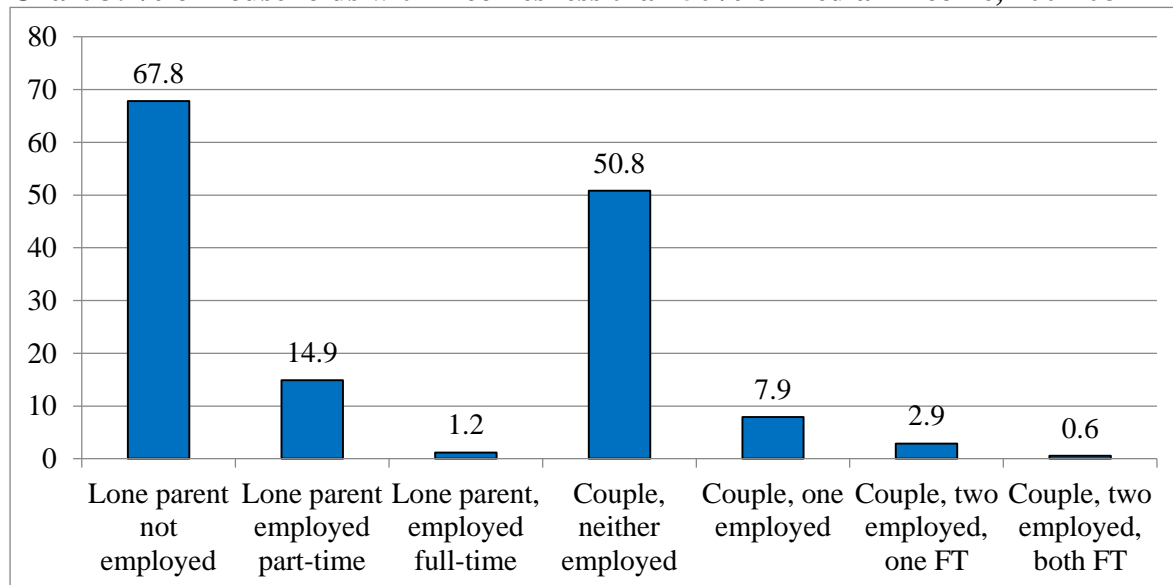
Sole parents remain persistently economically and socially disadvantaged and stigmatised. Chart 2 provides data on relative poverty rates among sole parents and couple families where there is a child under 15 in the household since 2000. A much greater proportion of sole parent families live in poverty than do couple families in this situation.

Chart 2: Poverty rates among lone parent and couple parents with children, 2000-01 to 2011-12



Source: Whiteford P 2015 calculations from Australian Council of Social Service *Poverty in Australia*, various years.⁵

Chart 3: % of households with incomes less than 50% of median income, 2007-08



Source: Whiteford P (2015) calculations from ABS *Household Income and Wealth, Australia*, various years, Cat.No, 6523.0.⁶

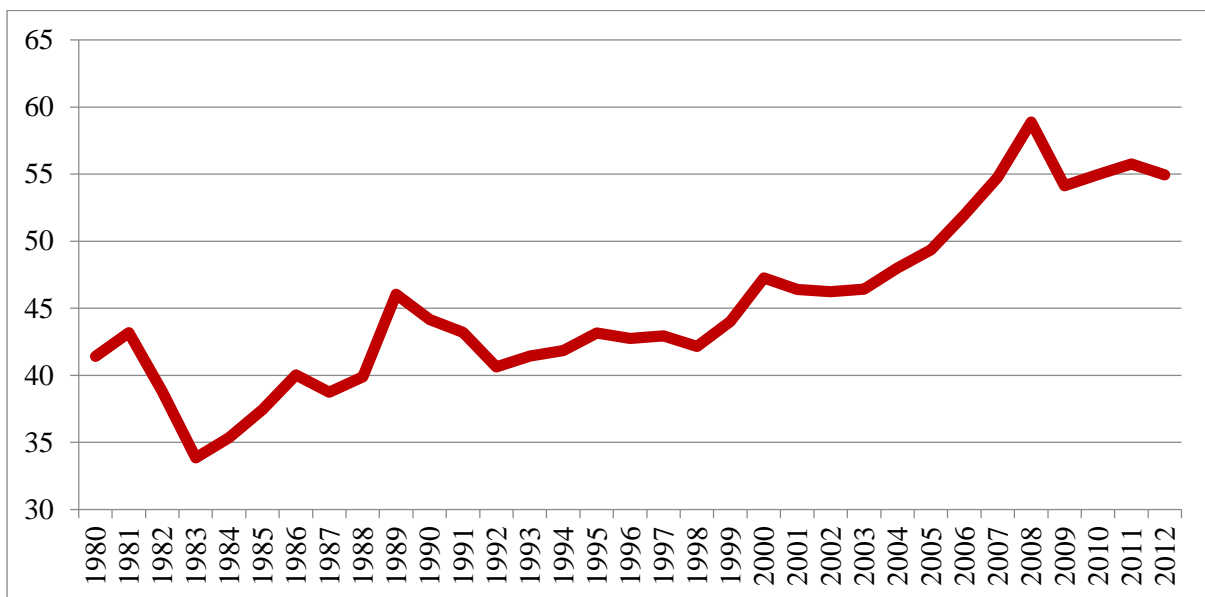
⁵ Available
<https://taxpolicy.crawford.anu.edu.au/news-events/events/6828/gender-equality-australias-tax-and-transfer-system?tb=download#tab> Viewed 15 Jan 2016.

⁶ Available
<https://taxpolicy.crawford.anu.edu.au/news-events/events/6828/gender-equality-australias-tax-and-transfer-system?tb=download#tab> Viewed 15 Jan 2016.

Poverty rates are strongly influenced by employment status and assistance for sole parents to enter the workforce benefits them and their children. Chart 3 above shows the employment rates for different family types and how this affects poverty rates. Though this is data for 2007-2008, the picture today is likely to be similar.

The increase in sole parents' employment rates in recent decades (see Chart 4) is important to their well-being. Increased participation is likely to reflect a number of factors. These include trends in economic growth, women's increased educational attainment between age cohorts over time and changes in income support policy. The effect of recent policy change reducing benefits on employment rates is unclear given the upward trend in sole parents' employment rates had begun prior to 2006.

Chart 4: Employment to population rate (%) among lone parent families, 1980 to 2012

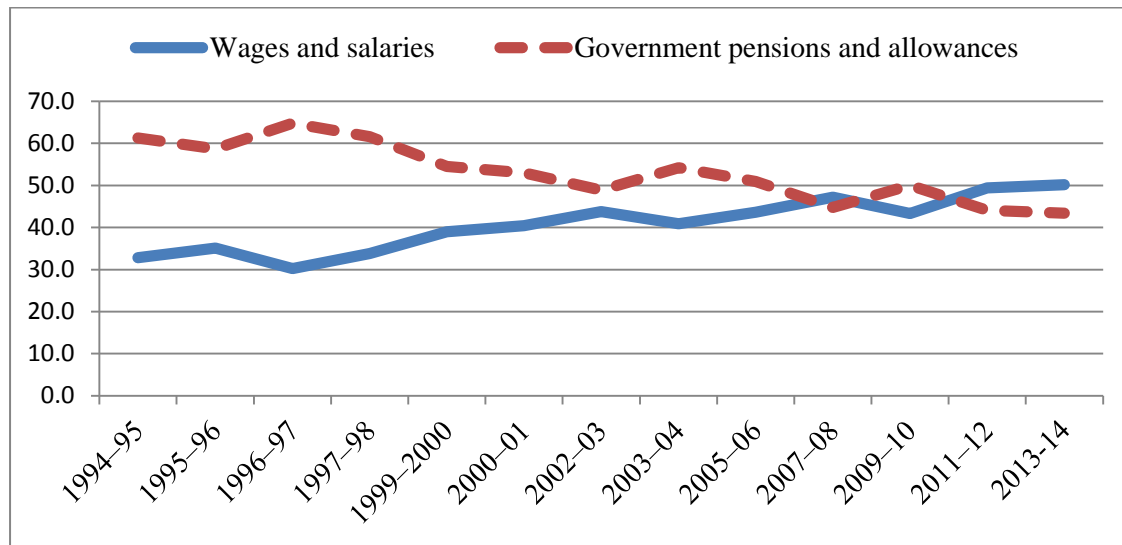


Source: Whiteford 2015 ABS *Labour Force Status and Other Characteristics of Families*, Cat. No. 6224.0.⁷

As Chart 5 demonstrates, wages have thus become an increasingly important component of sole parents' income, though Government pensions and allowances remain very significant (Chart 5). This largely reflects increased workforce participation.

⁷ Available <https://taxpolicy.crawford.anu.edu.au/news-events/events/6828/gender-equality-australias-tax-and-transfer-system?tb=download#tab> Viewed 15 Jan 2016.

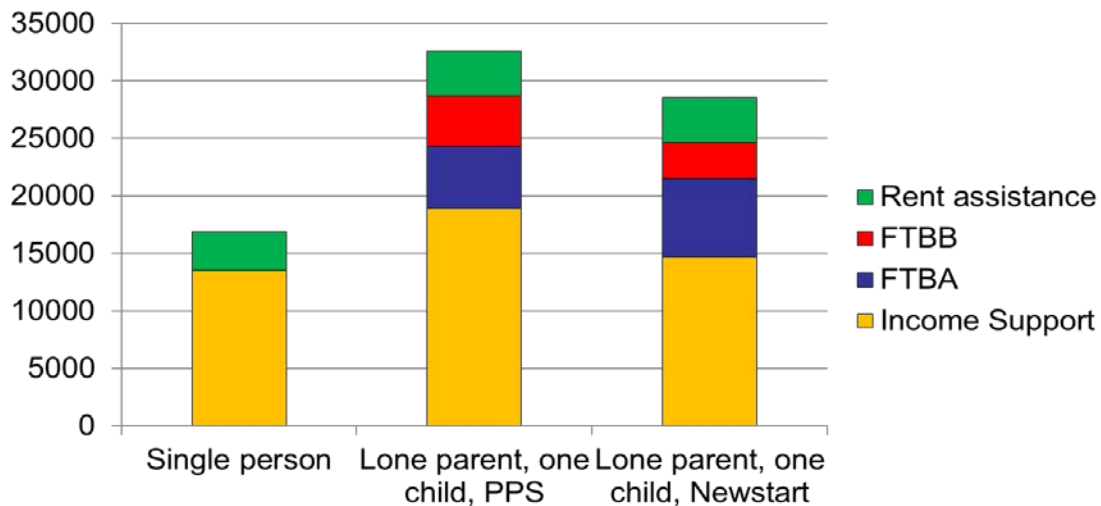
Chart 5: Trends in principal source of income for lone parents, Australia, 1994-95 to 2013-14



Source: Whiteford P (2015) calculations from ABS *Household Income and Wealth, Australia, various years*, Cat.No, 6523.0.⁸

How reductions in Government support have adversely impacted on sole parents’ financial wellbeing is illustrated by Chart 6 below. Where sole parents rely fully on income support, the reduction in benefit levels is substantial when they move on to Newstart in place of Parenting Payment Single (PPS)⁹ when their youngest child turns 8. Family Tax Benefit does not compensate for this reduction.

Chart 6: Composition of benefit packages, \$ per year, 2015



Source: Whiteford 2015 calculations from Centrelink payments rates.¹⁰

⁸ Available

<https://taxpolicy.crawford.anu.edu.au/news-events/events/6828/gender-equality-australias-tax-and-transfer-system?tb=download#tab> Viewed 15 Jan 2016.

⁹ A policy change introduced in 2006 see Table 1 above.

¹⁰ Available

<https://taxpolicy.crawford.anu.edu.au/news-events/events/6828/gender-equality-australias-tax-and-transfer-system?tb=download#tab> Viewed 15 Jan 2016.

The Bill's proposals

In the second reading speech the Minister said: 'the aim [of the Government's budget strategy is [...] to strengthen the government's balance sheet by redirecting spending to boost productivity and workforce participation, while maintaining strong fiscal discipline.'¹¹

The WWRG and the W+FPRT oppose the Bill because it not only penalises the most vulnerable, but also fails to provide a coherent policy response to the need to increase women's employment participation. A positive and comprehensive policy to facilitate the increased workforce participation of sole parents and other women needs to be both carer-friendly and to benefit women in all socio-economic groups. The reductions to pensions and benefits in this Bill can only increase the disadvantage of sole parents and other carers (and those who have a disability), particularly along with other proposed changes in the *Social Services Legislation Amendment (Family Measures) Bill 2015* and *Social Services Legislation Amendment (Family Payments Structural Reform and Participation Measures) Bill (No. 2) 2015*.

As many others have noted, reducing Government support for those on income support in lower socio-economic groups whilst failing to tackle tax concessions for those higher socio-economic groups is a fundamentally unfair strategy for reducing the budget deficit. One example is the superannuation tax concessions, (see Appendix A for their disproportionate benefit to higher income groups). The abolition of these concessions would conservatively raise some \$12 billion.¹²

The WWRG and the W+FPRT oppose three of the Bill's main proposals.

1. The abolition of the pensioner education supplement.

The Minister in his second reading speech notes this supplement was created 'in 1987 to assist single parents with the on-going costs of education. At the time, this was in recognition of the difficulties that single parents experience in obtaining employment after being in receipt of the then sole parent pension for up to 16 years.... As at the end of September 2015, the pensioner education supplement provided fortnightly payments [of \$61.40 or \$30.20]¹³ to around 46,000 people studying full-time or part-time in secondary or tertiary education while on income support payments'.¹⁴ The supplement was only extended to those on Newstart (widely perceived as inadequate for its purpose) from 1 Jan 2014.¹⁵ Recipients of the supplement are those receiving:

¹¹ Hansard Wednesday, 2 December 2015 House of Representatives p14420
http://parlinfo.aph.gov.au/parlInfo/genpdf/chamber/hansardr/19a0a2a6-673e-4aee-8a78-d39a4d56068c/0034/hansard_frag.pdf;fileType=application%2Fpdf

¹² See submission no 78 by Prof Miranda Stewart, director of the Tax and Transfer Policy Institute at the Australian National University to the Senate Enquiry into Women's Retirement Incomes.

¹³ See <http://www.humanservices.gov.au/customer/services/centrelink/pensioner-education-supplement> Viewed 15 January 2016.

¹⁴ Second Reading Speech for the Bill, Hansard Wednesday, 2 December 2015 House of Representatives p14420-1, available

http://parlinfo.aph.gov.au/parlInfo/genpdf/chamber/hansardr/19a0a2a6-673e-4aee-8a78-d39a4d56068c/0034/hansard_frag.pdf;fileType=application%2Fpdf Viewed 15 January 2016.

¹⁵ See the National Welfare Rights Network,
<http://www.welfarerights.org.au/news/2014/5/29/media-release-29-may-2014-budget-cuts-hit-carers-people-with-disabilities-and-single> Viewed 15 January 2016.

‘parenting payment single (43 per cent), followed by disability support pension (41 per cent) and carer payment (9 per cent).’¹⁶ A gender breakdown of recipients is not provided but 84% of PPS recipients with dependent children are women,¹⁷ 46.4% of DSP recipients are women as are 70% of carers,¹⁸ (with 87% being under 65), so it is likely that these cuts will disproportionately impact on women.

For those in an already difficult financial position who are attempting to improve their education and consequently their employment prospects, these cuts will be significant. Their adverse impact for sole parents and others is analysed by the National Welfare Rights Network.¹⁹ The financial impact of these changes is illustrated by the amount they will save **\$252.4 million over 3 years**.²⁰

2. The abolition of the education entry payment.

This payment ‘was introduced in 1993 to help remove financial barriers to education by providing assistance to certain long-term payment recipients with the up-front costs of study when they begin approved education courses. In 2014-15, around 83,000 recipients received an education payment worth \$208 per year, paid annually as a lump sum.’²¹ The abolition of the education entry payment, useful as a lump sum payment for those on low incomes who may be unable to save in the normal course of events, **will save \$64.4 million over three years.**

3. The freezing of indexation of various income thresholds in relation to a range of working age benefits (student payments will not be affected)

This change involves a ‘pause for three years [of] the [annual] indexation of various income thresholds that apply to certain social security benefits and allowances and the income test free area for parenting payment single’ This will apply to both Newstart (on which many sole parents with children of 8 or over rely) and for Parenting Payment Single, as well as other benefits such as those referred to in 1. above.²² **This will save \$93.8 million over three years.**

¹⁶ Second Reading Speech to the Bill, Hansard Wednesday, 2 December 2015 House of Representatives p14421, available

http://parlinfo.aph.gov.au/parlInfo/genpdf/chamber/hansardr/19a0a2a6-673e-4aee-8a78-d39a4d56068c/0034/hansard_frag.pdf;fileType=application%2Fpdf Viewed 15 January 2016.

¹⁷ See footnote 1

¹⁸ DSP and Carer payment recipients are sourced from the then Department of Social Services *Income support customers: a statistical overview 2013*

¹⁹ See the National Welfare Rights Network,

<http://www.welfarights.org.au/news/2014/5/29/media-release-29-may-2014-budget-cuts-hit-carers-people-with-disabilities-and-single> Viewed 15 January 2016.

²⁰ Explanatory Memorandum to the *Social Services Legislation Amendment (Budget Repair) Bill 2015*, p1.

²¹ Hansard Wednesday, 2 December 2015 House of Representatives, p14421, available

http://parlinfo.aph.gov.au/parlInfo/genpdf/chamber/hansardr/19a0a2a6-673e-4aee-8a78-d39a4d56068c/0034/hansard_frag.pdf;fileType=application%2Fpdf Viewed 15 January 2016.

²² Hansard Wednesday, 2 December 2015 House of Representatives, p14421-2

http://parlinfo.aph.gov.au/parlInfo/genpdf/chamber/hansardr/19a0a2a6-673e-4aee-8a78-d39a4d56068c/0034/hansard_frag.pdf;fileType=application%2Fpdf Viewed 15 January 2016.

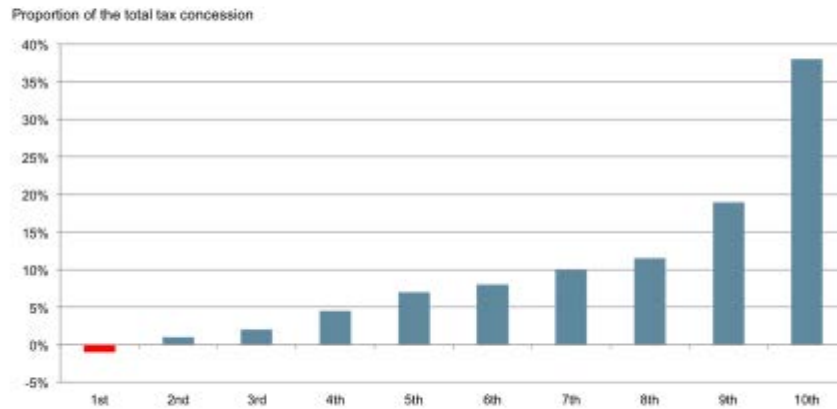
As a result of the enactment of this Bill, the proposed budget savings would come at the expense of some of the most vulnerable in Australia. These changes, if passed, would reduce the income available to sole parents and their children, leaving many in poverty. Further, attacking sole parent's attempts to improve their education limits their options for accessing employment and, if they manage to find employment, limits them to poor quality intermittent casualised jobs. The measures in the Bill thus directly undermine the federal government's commitment to increase women's labour force participation on a sustainable basis.

APPENDIX A

Distribution of superannuation tax concessions by earnings deciles



Distribution of super tax concessions



Source: Murray 2014

MS

taxpolicy.crawford.anu.edu.au

75

Source: Stewart M (2015) Presentation to the Work & Family Policy Roundtable on 6 Nov 2015