

Dissenting Report

Senator Rachel Siewert

1.1 I'm astounded that this Government is extending the Howard era's Welfare to Work measures by removing the 'grandfather protections' of single parents who would have been adversely affected by the so called reforms. Using punitive measures to attempt to force single parents into work has not been shown to be effective and creates savings by targeting one of the most vulnerable groups in Australia. Furthermore, I am alarmed by provisions which raise daily financial penalty rates for Job Seekers who have missed appointments. While I support the intent of not penalising job seekers for not connecting over weekends, the additional \$12-14 a day increase is unacceptable.

Removal of grandfather protections and increasing age for Youth Allowance

Removal of grandfather protections

1.2 These changes will mean increased hardship for 100,000 single parents and young people. They will reduce income for single parents by \$58 per week and simply mean that more people are living in deeper poverty. It is widely recognised that single parent families are already some of the poorest in Australia and this measure will not address their employment prospects.

1.3 While the bill contains some positive measures such as improvements to the income test taper rate for single parents who already receive Newstart, they leave those grandfathered single parents worse off. The Government is robbing the poor to pay the poor.

1.4 As the National Council of Single Mothers and Their Children (NCSMC) said:

NCSMC is dismayed that the government would seek to introduce a bill that will result in a reduction of income to families and young people who can least afford it and who are already struggling on a day to day basis.¹

1.5 This sentiment was supported by National Welfare Rights Network (NWRN), who stated:

The Bill before Parliament will reduce the income of many low income and vulnerable families and young people, at a time when there is growing community concern about rising costs of living and deepening anxieties over job security. The Bill, as currently formulated, will leave almost

1 National Council of Single Mothers and their Children (NCSMC), *Submission 4*, p. 2.

100,000 single parents and young people with less income over the next four years.²

1.6 The Australian Council of Social Services (ACOSS) holds similar views:

[T]he Bill continues the policy initiated in 2006 by the previous Government of diverting social security recipients from higher to lower payments. As we argued at the time, this is not a fair approach to employment participation or 'Welfare to Work' policies.³

1.7 As submissions to the inquiry highlighted, these changes are revenue saving measures - they are not necessary nor effective in encouraging people into work. NWRN argues that there is no need to place parents onto lower rates of income support as a means to 'activate' parents to find work. A third of existing parenting payment recipients currently undertake some part-time employment. Indeed, this Bill does not change parents' participation requirements in any shape or form.

1.8 I agree with arguments from NCSMC that financial hardship will not serve as an incentive to find employment and or a pathway to further education. Contending with financial hardship translates to insecure housing tenancy and poor health outcomes; it removes the capacity to own a car and often results in late payment and or disconnection of utilities.

1.9 In their submission NWRN support this position, noting the increased financial hardship placed on transitioned parents:

This bill, however, will not assist people to transition to paid work and may even be counterproductive. Our submission notes with concern, for example, the reduced financial return from work which will occur for recipients currently on Parenting Payment (Single) because of the lower 'income free area' available for Newstart Allowance (Principal Carer) recipients.⁴

1.10 Likewise, ACOSS points out that:

Since those targeted by the Bill are already required to seek employment or study and their activity requirements and supports would not change if the legislation is passed, the payment cuts are unlikely to lead to any significant improvement in their employment prospects or skills.⁵

1.11 Not only are these changes not required to 'activate' parents to find work they will in fact act as disincentives to work and may have unintended consequences. This is highlighted by NWRN in their submission:

2 National Welfare Rights Network (NWRN), *Submission 6*, p.1.

3 Australian Council of Social Services (ACOSS), *Submission 1*, p.1.

4 National Welfare Rights Network (NWRN), *Submission 6*, p.1.

5 Australian Council of Social Services (ACOSS), *Submission 1*, p.1.

Information [from the Government] on these changes claims that 'single parents on Newstart Allowance will be rewarded for engaging in work with a more generous threshold rate.'

For the group of parents who lose their 2006 grandfathered status, any claims of 'generous' treatment are not correct and these claims are highly misleading. Single parents moving from Parenting Payment to Newstart Allowance will have the same taper rate (40 per cent) due to proposed NSA income test changes however they would face a lower income test free area. The implications for parents who are moved from Parenting Payment (Single) to Newstart Allowance (principal carer) is outlined below.

1. they will face a payment cut, leaving them \$58 a week worse off;
2. they will start losing their social security payment earlier because their income free area will drop by \$112 per fortnight (i.e. at \$62 per fortnight on Newstart Allowance as opposed to \$174.60 on Parenting Payment Single); and
3. they will not be eligible for the extra child free income area of \$24.60 per fortnight for each additional child.

The changes to parents will likely have a number of serious, unintended impacts on parents' behaviour. For example:

- a large proportion of single parents on Parenting Payment undertake employment, either full or part-time. Around 32 per cent of PPS recipients report earnings from employment, but less than half this amount (about 16 percent) of Newstart Allowance recipients report any earnings. The evidence suggests that more generous threshold rates encourages work and tighter threshold rates acts to undermine work incentives;
- an additional effect of these changes to threshold rates for PPS recipients currently in work will be a significant increase in workforce disincentives for single parents in public housing;
- over time the adequacy of payments will continue to be undermined because Newstart Allowance is subject to less beneficial indexation arrangements. Whereas the Age Pension and related pensions are indexed to the best possible outcomes from a formula that includes 27.5 per cent of Male Total Average Weekly Earnings, the Pensioner and Beneficiary Cost of Living Index, and the Consumer Price Index (CPI), Newstart Allowance is only indexed to the CPI. Parents on Newstart will experience lower cost of living adjustments at future indexation points (March and September each year).⁶

1.12 Furthermore, it appears that single parents of children with disability will be particularly affected by this measure. Many school age children with a disability still require outside school hours care at secondary school. The *Outside School Hours Care for Teenagers with a Disability* program is inadequate and only meets the needs

6 National Welfare Rights Network (NWRN), *Submission 6*, p. 4.

of a small proportion working parents. The present changes to income support do nothing to address this barrier to single parents finding work. As the Council of Single Mothers and their Children Victoria noted in their submission:

Our experience clearly demonstrates that for those who are not working, it is not due to a lack of desire, rather the many barriers flowing from parenting alone that can get in the way of employment. Some of the barriers that hinder a single parents ability to participate in paid employment include: caring for a child with disability or chronic illness; having a disability or chronic illness themselves; lack of affordable childcare; lack of secure family friendly jobs; and lack of care during school holidays, when children are ill, etc.⁷

Increasing age for Youth Allowance

1.13 The provisions in this bill which require young people to remain on Youth Allowance until they are 22 will mean payment cuts of \$43-\$110 per week for approximately 68,000 young people over four years.⁸ This cut will disproportionately affect young people whose families cannot or chose not to support them. As ACOSS highlighted:

Unemployed 21 year olds cannot always fall back on parental support, even if it considered reasonable to expect parents to do so. 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 fulltime students. Their parents generally have lower incomes and often one of the reasons they are looking for paid work is that their parents cannot afford to support them. In any event, the proposal would cut the maximum rate of income support to unemployed 21 year olds regardless of their parent's income. It would indiscriminately affect those young people whose parents can afford to support them and do so, and those whose parents cannot afford to support them. There is no discount on rents, food, or other essential costs of living for young people living independently of their parents.⁹

1.14 Not only will this provision negatively impact already disadvantaged young people, but as NWRN noted, 'these cuts may cause hardship for low income families as they may not be in a capacity to support the young person financially.'¹⁰

1.15 It is evident to me, that these measures will have serious adverse impacts on over 100,000 single parents and young people.

7 Council of Single Mothers and their Children Victoria, *Submission 2*, p.3.

8 National Welfare Rights Network (NWRN), *Submission 6*, p 5.

9 Australian Council of Social Services (ACOSS), *Submission 1*, p. 3.

10 National Welfare Rights Network (NWRN), *Submission 6*, p 6.

Recommendation 2

1.16 I recommend that Schedule 1 and Schedule 6 be removed from the bill.

Job seeker penalty changes

1.17 I also have concerns about the provisions 'aligning' daily financial penalty rates for reconnection failures to accommodate weekends. These changes will lead to an increase of between \$12 and \$14 per day. This is not an insubstantial amount of money when you are on Newstart or Youth Allowance. While I agree the issue of reconnection during weekends needs to be addressed it is not fair that penalty rates should increase so dramatically to address this.

Recommendation 3

1.18 I recommend that Schedule 7 be removed from the bill.

**Senator Rachel Siewert
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