

The Senate

---

Community Affairs  
Legislation Committee

---

Social Security and Other Legislation  
Amendment (Income Support and Other  
Measures) Bill 2012 [Provisions]

March 2012

© Commonwealth of Australia 2012

ISBN 978-1-74229-606-7

Printed by the Senate Printing Unit, Parliament House, Canberra.

# MEMBERSHIP OF THE COMMITTEE

43<sup>rd</sup> Parliament

## Members

Senator Claire Moore, Chair	Queensland, ALP
Senator Rachel Siewert, Deputy Chair	Western Australia, AG
Senator Carol Brown	Tasmania, ALP
Senator Mark Furner	Queensland, ALP
Senator Bridget McKenzie	Victoria, NATS

## Substitute member for this inquiry

Senator Sue Boyce for Senator Judith Adams (from 7 February to 30 March 2012)	Queensland, LP
--	----------------

## Secretariat

Dr Ian Holland, Committee Secretary  
Ms Toni Matulick, Committee Secretary  
Ms Janice Webster, Senior Research Officer  
Mrs Dianne Warhurst, Administrative Officer  
Mr Dylan Harrington, Administrative Officer

PO Box 6100  
Parliament House  
Canberra ACT 2600  
Ph: 02 6277 3515  
Fax: 02 6277 5829  
E-mail: [community.affairs.sen@aph.gov.au](mailto:community.affairs.sen@aph.gov.au)  
Internet:

[http://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate\\_Committees?url=clac\\_ctte/pers\\_cont\\_elect\\_health\\_rec\\_11/index.htm](http://www.aph.gov.au/Parliamentary_Business/Committees/Senate_Committees?url=clac_ctte/pers_cont_elect_health_rec_11/index.htm)



# TABLE OF CONTENTS

<b>MEMBERSHIP OF THE COMMITTEE .....</b>	<b>iii</b>
<b>Chapter One .....</b>	<b>1</b>
<b>Introduction .....</b>	<b>1</b>
The inquiry .....	1
Related inquiries .....	1
Purpose of the Bill .....	2
<b>Chapter Two .....</b>	<b>7</b>
<b>Discussion .....</b>	<b>7</b>
Introduction .....	7
Changes to age eligibility for NSA .....	7
Changes to grandfathering arrangements for single parents .....	9
Changes to income threshold and taper rate arrangements .....	12
Changes to penalty rates for non-participation.....	17
Impact on vulnerable persons.....	19
Support arrangements .....	20
<b>Additional Comments .....</b>	<b>23</b>
<b>Coalition .....</b>	<b>23</b>
Grandfathered recipients of PPS who have children with a disability .....	23
<b>Dissenting Report.....</b>	<b>25</b>
<b>Senator Rachel Siewert .....</b>	<b>25</b>
Removal of grandfather protections and increasing age for Youth Allowance ...	25
Job seeker penalty changes.....	29

---

<b>APPENDIX 1 .....</b>	<b>31</b>
<b>Submissions and additional information received by the Committee .....</b>	<b>31</b>
Submissions .....	31
Additional information .....	31

# Chapter One

## Introduction

### The inquiry

1.1 On 9 February 2012 the Senate referred the Social Security and Other Legislation Amendment (Income Support and Other Measures) Bill 2012 (the Bill) to the Community Affairs Legislation Committee (the committee) for inquiry and report by 19 March 2012.

1.2 The committee received 9 submissions, and considered the evidence received in each one. The Australian Youth Affairs Coalition, the National Council of Single Mothers and their Children, the Australian Welfare Rights Network and the Australian Council of Social Security wrote to the committee to request that hearings be held in relation to this inquiry. However, the committee received high quality submissions from stakeholders, including those named. It is normal practice for a bill inquiry to proceed on the basis of written submissions in such cases. As part of that process, the committee also wrote to the Department, seeking its response to key issues raised by stakeholders. The committee assures all those who made submissions that their evidence has been considered, and referred to, in this report.

1.3 A list of individuals and organisations that made public submissions to the inquiry together with other information authorised for publication is at Appendix 1.

### Related inquiries

1.4 The Bill is part of the *Building Australia's Future Workforce* (BAFW) package of measures introduced by the government in the 2011–12 Budget. As the Department of Education, Employment and Workplace Relations (the Department) explained:

The package of measures: improves incentives to work through changed tax arrangements; provides opportunities for people to take up employment by providing training, education and improvements to childcare and employment services; takes new approaches through place-based measures to addressing entrenched disadvantage; and introduces new requirements for people to participate.<sup>1</sup>

1.5 Related bills include the Social Security Amendment (parenting Payment Transitional Arrangement) Bill 2011 and the Social Security and Other Legislation Amendment Bill 2011. In September 2011 the committee inquired into Schedule 3 (Impairment Tables for Disability Support Pension) of the latter bill. On that occasion, the committee recommended the bill be passed, but that consultation, evaluation and checking mechanisms be expanded. The Social Security Amendment (parenting

---

1 Department of Education, Employment and Workplace Relations, *Submission 3*, p. 1.

Payment Transitional Arrangement) Bill 2011 was referred to the Senate Education, Employment and Workplace Relations Committee. That committee, pursuant to a resolution of the Senate of 12 May 2011, determined 'by unanimous decision...that there [were] no substantive matters that require[d] examination', and reported accordingly.<sup>2</sup>

## **Purpose of the Bill**

1.6 According to the Explanatory Memorandum, the Bill, as part of the *Building Australia's Future Workforce* (BAFW) package, aims to 'encourage more participation in work and other activities, better align the treatment of different recipients, and make the system fairer.'<sup>3</sup> The bill has five primary effects:

- It changes the age requirement for Newstart Allowance (NSA) from 21 to 22;
- It accelerates the phase out of grandfathering arrangements for single parents still receiving Single Parent Payments;
- It raises the income threshold for people on Youth Allowance (other)<sup>4</sup> (YA) and NSA;
- It changes the calculation of penalty rates for non-participation to apply per business day, rather than per day; and
- It extends the Cape York Welfare Reform Trials.

1.7 These effects are discussed in more detail below.

## ***Age eligibility for NSA***

1.8 Presently, unemployed young people are eligible for YA from the age of 16<sup>5</sup> to 21, and eligible for NSA from the age of 21. The Bill raises the age of eligibility for NSA to 22 years. It also aligns other related benefits, increasing the minimum age for Sickness Allowance and Long Term Income Support to 22, and the age at which a person will cease to be qualified for Youth Disability Supplement to 22.<sup>6</sup>

1.9 This change means that unemployed young people receiving YA cannot transfer to the higher NSA until they are 22, rather than 21. As well as being paid at a higher rate, NSA has different conditions to YA. NSA recipients must usually focus

---

2 Senate Education, Employment and Workplace Relations Committee, Social Security Amendment (Parenting Payment Transitional Arrangement) Bill 2011 Report, 3 June 2011.

3 Explanatory Memorandum, p. 2.

4 This Bill changes a number of aspects of the Youth Allowance (other) payment. This payment may be made to young people who are not full-time students. The Bill does not change YA as it applies to full-time students. However, for ease of reference in this report, the acronym YA is used to refer to Youth Allowance (other).

5 YA is paid to 15 year olds in limited circumstances.

6 Explanatory Memorandum, p. 2.



on job searching, whereas YA recipients usually focus on study.<sup>7</sup> However, NSA recipients without a Year 12 qualification may be eligible under the 'learn or earn' policy<sup>8</sup> to receive their benefit while undertaking a short course. The Bill will extend the 'learn or earn' policy to 21 year old recipients of YA.

### ***Grandfathering arrangements for single parents***

1.10 In 2006, the government reformed payments to single parents. However, parents who were previously receiving the Parenting Payment Single (PPS) were 'grandfathered', that is, it was planned that they would continue to receive the old rate.<sup>9</sup> It was originally possible for PPS recipients to continue to receive payments for children born from 2006 onwards. However, due to a recent change, the payment cannot be claimed in relation to a child born after 1 July 2011.<sup>10</sup>

1.11 The Bill makes changes to the phase out of this measure by introducing a staggered phase out for the cessation of payments to affect single parents according to the age of their youngest child:

- (a) if the child is aged under 12 on 31 December 2012—when the child turns 12; or
- (b) if the child is aged 12 on 31 December 2012—when the child turns 13; or
- (c) if the child is aged 13 or more and under 16 on 31 December 2012—when the child turns 16.<sup>11</sup>

1.12 Affected single parents who are unemployed will need to transfer to NSA when their child turns the relevant age (as above). In order to ease this transition, the Bill will amend the Administration Act to allow those affected to lodge a claim for NSA up to thirteen weeks before they become eligible, rather than the day they become eligible.<sup>12</sup>

---

7 FaHCSIA, *Guide to Social Security Law*, section 3.2.9.100 Suitable Activity—Study and Training, last reviewed 5 September 2011, [http://www.fahcsia.gov.au/guides\\_acts/ssg/ssguide-3/ssguide-3.2/ssguide-3.2.9/pc\\_13705.html](http://www.fahcsia.gov.au/guides_acts/ssg/ssguide-3/ssguide-3.2/ssguide-3.2.9/pc_13705.html), (accessed 13 March 2012).

8 Legislated by the *Social Security Amendment (Training Incentives) Act 2009*.

9 FaHCSIA, *Guide to Social Security Law*, section 3.5.1.15 'Qualification for a Parenting Payment—Transitional Arrangements', last reviewed 1 July 2011, [http://www.fahcsia.gov.au/guides\\_acts/ssg/ssguide-3/ssguide-3.5/ssguide-3.5.1/pc\\_13672.html](http://www.fahcsia.gov.au/guides_acts/ssg/ssguide-3/ssguide-3.5/ssguide-3.5.1/pc_13672.html), (accessed 13 March 2012).

10 *Social Security Amendment (parenting Payment Transitional Arrangement) Act 2011*

11 Social Security and Other Legislation Amendment (Income Support and Other Measures) Bill 2012, proposed amendment to *Social Security Act 1991* Schedule 6 ss (5)(a)(b)(c).

12 Department of Education, Employment and Workplace Relations, *Submission 3*, p. 7.

### ***Income threshold arrangements***

1.13 The Bill amends the income free area<sup>13</sup> for Youth Allowance recipients from up to \$62 per fortnight to up to \$143 per fortnight.<sup>14</sup> The \$143 rate will apply to young people aged 21 who will, if the Bill is passed, be eligible for YA rather than NSA. This is a more generous rate than that which currently applies to NSA recipients. The government expects this will 'encourage young people to take up work'.<sup>15</sup>

1.14 The Bill also amends the NSA income test as it applies to single principal carers. The current NSA income taper test comes into effect at 50 cents for each dollar between \$62 and \$250 and 60 cents for each dollar above \$250.<sup>16</sup> However, the Bill will change this test to come into effect at 40 cents in each dollar above \$62 per fortnight.

### ***Calculation of penalty rates for non-participation***

1.15 Social security legislation allows penalties to be applied to NSA recipients who fail to adequately participate in job seeking activities.<sup>17</sup> Two of these failures are the 'no show no pay' failure and the 'reconnection failure'. A 'no show no pay' failure is applied for failure to participate in training or other activities, such as inappropriate behaviour at a job interview. A penalty is incurred at one-tenth of a job seeker's fortnightly participation payment per day on which an offence took place. A reconnection failure is applied for failure to attend an appointment with Centrelink or employment service provider. This failure incurs a penalty of one-fourteenth of the recipient's fortnightly payment applied each day until the recipient attends a subsequent rescheduled appointment.<sup>18</sup>

1.16 The Bill amends the *Social Security (Administration) Act 1999* to align penalties applied for each of the above penalties to one-tenth of the recipient's fortnightly payment.<sup>19</sup>

---

13 According to the Explanatory Memorandum, p. 12, '[t]he ordinary income free area is the amount of income that a person can earn without a deduction being made from the person's maximum payment rate.'

14 Explanatory Memorandum, p. 2.

15 Explanatory Memorandum, p. 2.

16 Department of Human Services, Centrelink, *Allowances income test*, last updated 20 September 2011, <http://www.centrelink.gov.au/internet/internet.nsf/payments/chartd.htm> (accessed 13 March 2012).

17 *Social Security (Administration) Act 1999* ss 42(c)(d)

18 Department of Education, Employment and Workplace Relations, *Submission 3*, p. 8.

19 Department of Education, Employment and Workplace Relations, *Submission 3*, p. 8.

***Cape York Welfare Reform Trials extension***

1.17 The Bill amends the *Indigenous Education (Targeted Assistance) Act 2000* to extend the Student Education Trusts measure. This extension is part of a wider extension to the Cape York Welfare Reform Trials announced by the government in May 2011.<sup>20</sup>

---

20 Department of Education, Employment and Workplace Relations, *Submission 3*, p. 10.

# Chapter Two

## Discussion

### Introduction

2.1 Contributors to the inquiry identified a range of issues in relation to the Bill, both in favour of and in opposition to its passage. This chapter addresses these arguments in the context of:

- Changes to age eligibility for Newstart Allowance (NSA);
- Changes to grandfathering arrangements for single parents;
- Changes to income threshold and taper rate arrangements;
- Changes to penalty rates for non-participation;
- The Bill's impact on vulnerable persons; and
- Transitional arrangements.

2.2 Many of the arguments presented are underpinned by the witness' opinion on the question of whether or not the reduction of welfare payments, in conjunction with training and support programs, provides an incentive for recipients to find employment.

### Changes to age eligibility for NSA

2.3 In his second reading speech, the Minister for Employment and Workplace Relations argued that the changes to eligibility for Youth Allowance will 'provide greater incentives and support for young Australians to engage in education, training and employment'.<sup>1</sup> The Department's submission asserted that:

Young people who leave school early without adequate qualifications are at high risk of becoming disadvantaged and remaining out of the workforce for extended periods. The COAG National Education Agreement (2009) places considerable importance on Year 12 education and aims to lift the proportion of 20–24 year olds with Year 12 of a Certificate II to 90 per cent by 2015.

It is therefore important to create conditions that maximise the number of young people who remain in, or return to, education and training to get the qualifications and skills they need to be competitive in the labour market.<sup>2</sup>

2.4 The Department considered that the Bill would help to remove the disincentive to study caused by the increase in benefit when a recipient moves from

---

1 Mr Bill Shorten MP, Second Reading Speech, *House of Representatives Hansard*, Thursday 9 February 2012, pp 15–16.

2 Department of Education, Employment and Workplace Relations, *Submission 3*, p. 2.

Youth Allowance (other) (YA) to NSA.<sup>3</sup> However, other witnesses suggested that the Bill will not have this effect on all recipients. The Australian Council of Social Services (ACOSS) agreed with the Department that there should be no financial disincentive to study, but cited a Melbourne Institute Working Paper suggesting that:

[U]nemployed 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 full-time students.<sup>4</sup>

2.5 ACOSS is therefore concerned that the Bill indiscriminately affects 21 year olds whether or not they can fall back on parental support. It suggested that rather than moving more recipients onto NSA, the 'pitifully low' YA of \$201 per week payable to independent students should be increased to more closely correlate with NSA payment rates.

2.6 The Australian Youth Affairs Coalition (AYAC) agreed with ACOSS that decreasing payment rates for 21 year olds would not assist vulnerable young people to find employment:

AYAC asserts that the approach of cutting payments, even with the adjustment to the income free threshold and other measures, will in fact further entrench disadvantage for young people who are most vulnerable. In fact, the right encouragement and support needs to be a youth-friendly support process and a system that gives young people choice rather than limiting opportunity. AYAC believes this should include a reform to the Jobs Australia program to be more youth-centred and better supports to adequately meet the needs of young people facing multiple disadvantage...

The cut in payment will be counterproductive, particularly for those young people who are most disadvantaged and cannot find work due to education, circumstance or other barriers.<sup>5</sup>

2.7 The Department indicated that Year 12 attainment had increased, and the chance of youth unemployment had correspondingly decreased, following the introduction of the 'Earn or Learn' initiative in 2009. The Department subsequently provided further data to illustrate this statement:

The Department has conducted preliminary analysis of the impact of the Earn or Learn initiative and tracked early school leavers aged 16–20 years subject to the increased requirements for 18 months. The initial analysis found that, in comparison to previous cohorts, after the 18 months period:

- more early school leavers had completed Year 12—the proportion of the 2009 early school leavers obtaining Year 12 was 16.9 per cent compared to 8.4 per cent for the 2008 cohort;

---

3 Department of Education, Employment and Workplace Relations, *Submission 3*, p. 2.

4 Australian Council of Social Services, *Submission 1*, p. 3.

5 Australian Youth Affairs Coalition, *Submission 7*, p. 2.

- more early school leavers were on student payments—the proportion of early school leavers who were on student payments increased by nearly 1 percent between the 2008 and 2009 cohorts; and
- there had been an increase in study for early school leavers while on income support—the proportion of 2009 early school leavers who had studied was 34.9 per cent compared to 24.4 per cent for the 2008 cohort.

There is a correlation between the completion of Year 12 or an equivalent qualification and the engagement of young people in education, employment or training. In May 2009 those young people with Year 12 or equivalent were four times less likely to be disengaged with education or employment – 8.6 per cent compared with 34.1 per cent for those without such qualifications. Also in May 2009:

- 62.6 per cent of young people who had completed Year 12 went on to further study compared to 33.4 per cent who had not completed Year 12; and
- 36.5 per cent of young people who had not completed Year 12 were unemployed, compared with 23 per cent for those with Year 12.<sup>6</sup>

2.8 The Department further stated that the agreed Council of Australian Governments' national target for Year 12 attainment (or a formal qualification at Certificate II or above) for 20–24 year olds has been steadily increasing; in 2011 it was 84.1 per cent.<sup>7</sup>

### **Changes to grandfathering arrangements for single parents**

2.9 Witnesses had a range of concerns relating to the accelerated phase out of the grandfathering arrangements for single parents currently receiving Parenting Payment Single (PPS). The Department's submission noted that the accelerated phase out of the grandfathering arrangements will encourage single parents who are long-term recipients of PPS to return to work.<sup>8</sup> However, ACOSS asserted that single parents are already required to seek employment of 15 hours per week under the existing Parenting Payment Single rules.<sup>9</sup> In addition, the National Council of Single Mothers and their Children (NCSMC) noted that 32 per cent of PPS recipients report earnings compared to 16 per cent of NSA recipients.<sup>10</sup> NCSMC suggested that such statistics

---

6 Department of Education, Employment and Workplace Relations, answers to questions on notice provided 15 March 2012, pp 3–4.

7 Department of Education, Employment and Workplace Relations, answers to questions on notice provided 15 March 2012, p. 4.

8 Department of Education, Employment and Workplace Relations, *Submission 3*, p. 4.

9 Australian Council of Social Services, *Submission 1*, p. 1.

10 National Council of Single Mothers and their Children, *Submission 4*, p. 10.

would indicate that lower rates of payment do not correlate with increased participation in the workforce.<sup>11</sup>

2.10 A number of submitters suggested that the NSA—or indeed, the higher PPS—does not provide sufficient benefit to single parents.<sup>12</sup> A single mother currently receiving PPS provided the committee with a breakdown of her fortnightly budget to indicate the lack of scope she had to absorb the decrease that would eventuate as a result of being moved onto the NSA:

Even on this amount I am constantly making difficult financial decisions and always juggling the household budget, worrying about the future. I personally don't know how single parents who cannot find work or who are unable to work can survive on what they receive now, let alone the loss of \$58 per week when their youngest child turns 12.

I don't know how I will survive on that loss...

As you will see from my budget below, my expenses outweigh my income. This is not taking into account the potential rise in the cost of living and makes no allowance for any education expenses for my son.<sup>13</sup>

2.11 Another single mother on PPS explained that she already faces significant challenges as a PPS recipient, balancing study, her involvement in the community sector and attention to her own and others' health issues:

I would like the committee to understand that I currently struggle on \$321 per week. It is barely enough to live on, even with all the stringent cut backs I have personally made to the household budget. It is hard enough that my rent is \$260 per week and due to rise. I cannot afford to lose \$58 per week. That is the amount I spend at the supermarket each week. Without that we will be left with eating only the vegetables I grow that are in season. Or should we cut off the electricity supply instead?

I am juggling my time between study to improve my financial situation, being there for my child and my ageing mother, helping out at the school and other community care such as aiding others with knowledge of Bushfire safety and preparedness (I have expertise in this subject), supporting a close friend battling cancer and maintaining my own diet and health as a Type One Diabetic.<sup>14</sup>

2.12 ACOSS was in favour of continuing the current phase out arrangements for parents on PPS to move onto NSA. ACOSS suggested that if the Bill is passed, single parents who must move from the PPS to NSA when their child is 12 or 13 will

---

11 National Council of Single Mothers and their Children, *Submission 4*, p. 10.

12 See for example, Council of Single Mothers and their Children (Vic), *Submission 2*, p. 5.

13 Name withheld, *Submission 5*, p. 1.

14 Katherine Seppings, *Submission 9*, p. 1.

experience particular difficulties associated with the increased costs of beginning high school.<sup>15</sup>

2.13 The Department responded to this suggestion indicating that the time at which a recipient's child begins high school also correlates with increased opportunities for parents to participate in work:

Ceasing Parenting Payment when a recipient's youngest child turns 12 recognises the age when most children start high school is also the time when their parents' capacity to undertake work or other activities also increases. It is important that income support payment arrangements recognise this increased capacity and provide incentives for parents to re-engage in work and present a positive working role model for their children.<sup>16</sup>

2.14 ACOSS further noted that the grandfathering arrangements affect a small group of sole parents and are already being phased out, and as such the grandfathering arrangements will have no impact on forward estimates savings in about a decade whether or not the Bill is passed.<sup>17</sup> However, the Department indicated that the accelerated phase out 'will result in estimated savings in outlays of income support of \$152.2 million over the forward estimates period.'<sup>18</sup>

2.15 The committee received evidence as to the number of people who will be affected by the accelerated phase out of PPS grandfathering arrangements. The Department stated that in 2011 there were more than 640 000 families with dependent children receiving some income support.<sup>19</sup> The NCSMC estimated that there are presently 330 000 single parents receiving the PPS.<sup>20</sup> The National Welfare Rights Network estimated that 28 000 single parents will move from the PPS to NSA over the next four years.<sup>21</sup> Similarly, the Department estimated that 10 000 parents will no longer be eligible for PPS in the latter half of 2013–14, and 'a little less than 9 000' in each of the two subsequent financial years.<sup>22</sup>

2.16 The Department noted that moving PPS recipients onto NSA will promote fairness, both between single and partnered parents, and amongst single parents:

---

15 Australian Council of Social Services, *Submission 1*, p. 2.

16 Department of Education, Employment and Workplace Relations, answers to questions on notice provided 15 March 2012, p. 1.

17 Australian Council of Social Services, *Submission 1*, p. 1.

18 Department of Education, Employment and Workplace Relations, answers to questions on notice provided 15 March 2012, p. 3.

19 Department of Education, Employment and Workplace Relations, answers to questions on notice provided 15 March 2012, p. 2.

20 National Council of Single Mothers and their Children, *Submission 4*, p. 11.

21 National Welfare Rights Network, *Submission 6*, Cover letter, p. 1.

22 Department of Education, Employment and Workplace Relations, *Submission 3*, p. 6.



Over time the same arrangements will apply to all Parenting Payment recipients and for those that subsequently qualify for Newstart Allowance, all parents in similar circumstances will be treated consistently. By aligning the rules earlier, these changes will make the system fairer and more transparent.<sup>23</sup>

2.17 The Department noted that between 1000 and 1100 Parenting Payment Partnered (PPP) recipients each year will also move to NSA. However, the rate and payment conditions for PPP recipients and NSA for partnered recipients are the same.<sup>24</sup>

### **Changes to income threshold and taper rate arrangements**

2.18 To understand witnesses' arguments in relation to the changed income test arrangements, it is useful to delineate first the effects of the changed threshold and taper rate arrangements on the relevant parties. These are set out in Figure 2.1 and Figure 2.2.

2.19 The rate at which employment income affects a welfare recipient's income support is calculated by Centrelink according to rules set out in the *Social Security Administration) Act 1999*. The basic premise is that the more employment income a person earns, the greater the rate at which their income support is reduced. People receiving income support may earn up to a certain amount, for example, \$62 a fortnight, before their income support is reduced. This is called the 'income threshold'. Once a recipient's income reaches that threshold, income support is reduced by a certain percentage of the recipient's employment income, for example, 50 per cent. This is known as the 'lower range taper rate'. As a person receives more wages from employment, for example, \$250 a fortnight, their income support is reduced by a higher percentage of that income from employment, for example, 60 per cent. This is known as the 'upper range taper rate'.

---

23 Department of Education, Employment and Workplace Relations, answers to questions on noticed provided 15 March 2012, p. 1.

24 Department of Education, Employment and Workplace Relations, *Submission 3*, p. 6.

**Figure 2.1—Centrelink income tests for unemployed young people**

<b>Current situation for young people</b>	<b>Changes if the Bill is passed</b>
YA recipients aged 16–20 are able to earn \$62 before their benefit is reduced.	YA recipients aged 16–21 will be able to earn \$143 before their benefit is reduced.
Current NSA recipients aged 21 are also able to earn \$62 before their benefit is reduced.	
Employment income over \$62 affects YA income support payments at a rate of 50 per cent (for income between \$62 and \$250) or 60 per cent (income over \$250) of that employment income.	Employment income over \$143 will affect YA income support payments at a rate of 50 per cent (for income between \$143 and \$250) or 60 per cent (income over \$250) of that employment income.
Employment income over \$62 affects NSA income support payments at a rate of 50 per cent (for income between \$62 and \$250) or 60 per cent (income over \$250) of that employment income.	
The working credit balance <sup>25</sup> for YA recipients is 1000 credits.	The working credit balance for YA recipients will be 3500 credits.

---

25 A 'working credit balance' allows recipients to build up credits during fortnights when they are working less, to use when they are working more later, with the result that benefit rate is reduced more slowly once they start working.

**Figure 2.2—Centrelink income tests for unemployed single primary carers**

<b>Current situation for single primary carers</b>	<b>Changes if the Bill is passed</b>
Parents receiving (grandfathered) PPS payments can earn up to \$174.60 per fortnight, plus \$24.60 for each additional child, before their benefit is affected.	Single primary carers will move more quickly to NSA (than under current PPS phase out arrangements), which allows them to earn up to \$62 per fortnight before their benefit is affected.
Parents receiving NSA payments (that is, not grandfathered) can earn up to \$62 per fortnight before their benefit is affected.	
Employment income over the relevant PPS amount (depending on the number of children) reduces the rate of the PPS at 40 per cent of that employment income. <sup>26</sup>	Employment income over \$62 will reduce the NSA payment to single primary carers at a single rate of 40 per cent of the employment income.
Employment income over \$62 affects income support payments at a rate of 50 per cent (for income between \$62 and \$250) or 60 per cent (income over \$250) of that employment income.	

***Impact on YA recipients***

2.20 AWRN welcomed the measure allowing YA recipients to earn \$143 from wages before their benefit is affected but did not support the changed taper rate arrangements:

This measure, which enables a recipient to earn an additional \$81 per fortnight before their rate of Youth Allowance is reduced, is welcome and long overdue.

On the other hand, the lowering of the threshold at which the taper rate increases from 50 per cent to 60 per cent (from \$188 to \$107) undermines the gains produced by the income free area changes for a person earning more than \$107 per fortnight.

The increase in the Youth Allowance (other) withdrawal rates will be accompanied by an increase to the 'working credit', from \$1,000 to \$3,500 per annum. This will be of significant benefit for young people in supporting the transition from income support to employment, and it will

---

26 Department of Human Services, Centrelink, *Parenting payments—income and assets*, effective from 1 January 2012, [http://www.centrelink.gov.au/internet/internet.nsf/payments/parenting\\_iat.htm](http://www.centrelink.gov.au/internet/internet.nsf/payments/parenting_iat.htm), (accessed 13 March 2012).

---

help defray the initial costs of beginning a new job, such as buying new clothes, purchasing equipment, etc.<sup>27</sup>

2.21 ACOSS supported the extension of the income free threshold for young people, but suggested that the threshold and taper rate changes could be made without moving 21 year olds from NSA to YA.<sup>28</sup>

***Impact on grandfathered PPS recipients***

2.22 The Council of Single Mothers and their Children (Vic) (CSMC) provided evidence of single parents who are experiencing financial hardship due to the taper rates of NSA payments:

The women that we hear from at CSMC find it extraordinarily hard to survive on the Newstart Allowance. We hear daily from women having to resort to seeking the assistance of charities, food parcels and emergency relief payments, just to put food on their tables. Increasingly, these emergency relief requests are coming from women who are working, but struggling with the increasing costs of living, low wages and insecure employment, and the low level of part payment from Newstart allowance.<sup>29</sup>

2.23 While the above quote provides an argument in favour of the lower taper rate for single parents recipients of NSA, the committee notes that CSMC also expressed concern in relation to the point at which NSA recipients' benefit are reduced:

However, as outlined above, Newstart Allowance has a significantly lower threshold level at which payments are withdrawn as earnings increase. Payments start to reduce when earnings amount to \$31 per week—or the equivalent of two hours work at the minimum wage. This threshold level is not indexed, and has remained constant for many years, eroding the real value of this amount. In contrast the threshold at which payments start to reduce under PPS is \$87 per week, and is indexed. PPS thereby provides for much better returns from work. The lower threshold amount for Newstart will mean that much of the gain from lowering the taper rate for Newstart will be lost for single parents having to transfer from Parenting Payment Single to Newstart Allowance.<sup>30</sup>

2.24 The National Welfare Rights Network (NWRN) also argued that parents currently receiving PPS will be 'clear and unambiguous losers' when moved to the NSA:

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...

---

27 Australian Welfare Rights Network, *Submission 6*, p. 7.

28 Australian Council of Social Services, *Submission 1*, p. 3.

29 Council of Single Mothers and their Children (Vic), *Submission 2*, p. 3.

30 Council of Single Mothers and their Children (Vic), *Submission 2*, p. 4.

The implications for parents who are moved from Parenting Payment (Single) to Newstart Allowance (principal carer) is outlined below.

- they will face a payment cut, leaving them \$58 a week worse off;
- 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
- they will not be eligible for the extra child free income area of \$24.60 per fortnight for each additional child.<sup>31</sup>

2.25 The NWRN continued to suggest that this 'will have a number of serious, unintended impacts on parents' behaviour'.<sup>32</sup> The NWRN considered that the changes would constitute a disincentive for single parents to work, especially those in government housing, and over time result in a reduction in living standards due to the lack of indexation of the NSA income free area.

2.26 However, the Department stated that Parenting Payment recipients benefit from such payments for an 'average of five to seven years'.<sup>33</sup> It continued that a key aim of the Bill was to encourage parents to 'engage with the workforce at the earliest opportunity':

Research has shown that long periods in receipt of income support are associated with high levels of disadvantage, and as recipients may have spent considerable time out of the workforce they also potentially face a loss of skills.

The Welfare to Work Evaluation Report released in 2010 shows that the introduction of participation requirements for parents with school age children increased workforce participation and reduced income support reliance for some parents. In particular the evaluation report shows that the percentage of single principal carer parents on Newstart Allowance with a youngest child between 8 and 15 years who had left income support after six months increased, compared to previous years.<sup>34</sup>

2.27 The Bill is designed to facilitate increased participation in the workforce while single parents continue to receive some income support.

---

31 National Welfare Rights Network, *Submission 6*, p. 5.

32 National Welfare Rights Network, *Submission 6*, p. 5.

33 Department of Education, Employment and Workplace Relations, answers to questions on notice provided 15 March 2012, p. 1.

34 Department of Education, Employment and Workplace Relations, answers to questions on notice provided 15 March 2012, p. 2.

### ***Impact on single parents currently receiving NSA***

2.28 Single parents already receiving the NSA will be able to earn more employment income before their income support is affected, as the Department explained:

Single principal carer parents on Newstart Allowance will see greater rewards for their participation and increased financial benefits of working. Changes to the Newstart Allowance income test for single principal carer parents, which are also contained in this Bill, will introduce more generous income testing arrangements for these single parents allowing them to earn up to \$400 more per fortnight before they lose eligibility for payment.

This change will benefit all single principal carer parents on Newstart Allowance, 31 per cent of whom reported earnings in early 2012. It is anticipated that the financial incentives of participating and the additional supports being provided as part of the package will encourage participation and increase the percentage of recipients with earnings.<sup>35</sup>

2.29 The NWRN commented positively on the change:

The clear and unambiguous winners from the 1 January 2013 changes to Parenting Payment Single are the estimated 32 000 single parents who since 2006 have already been moved onto Newstart Allowance (principal carer) under the former government's 'welfare to work' changes. These parents have faced punishingly high losses when they earn income about \$31 a week. This 'penalty' for working is a frequent complaint from parents who have contacted NWRN member organisations about the 2006 social security changes. The lower taper rates have been welcomed by the NWRN.<sup>36</sup>

2.30 The Council of Single Mothers and their Children (Vic) also welcomed the changed rates for single parents currently receiving NSA, while maintaining that the point at which benefit is affected—once a recipient earns \$62 per fortnight—remains too low.<sup>37</sup>

### **Changes to penalty rates for non-participation**

2.31 As mentioned in Chapter One, the Bill amends the *Social Security (Administration) Act 1999* to align penalties applied for both the 'no show no pay' and reconnection failures to one-tenth of the recipient's fortnightly payment.<sup>38</sup> The 'no show no pay' failure is already penalised at a rate of one-tenth of the recipient's fortnightly payment, so this will remain unchanged if the Bill is passed. However,

---

35 Department of Education, Employment and Workplace Relations, answers to questions on notice provided 15 March 2012, p. 2.

36 National Welfare Rights Network, *Submission 6*, p. 4.

37 Council of Single Mothers and their Children (Vic), *Submission 2*, pp 4–5.

38 Department of Education, Employment and Workplace Relations, *Submission 3*, p. 8.

reconnection failures are currently penalised at a rate of one-fourteenth of the recipient's fortnightly payment. As such, if the Bill is passed, the penalty for a single Newstart Allowance recipient with no dependants will be increased from \$34.77 to \$48.58.<sup>39</sup>

2.32 The Department explained that:

Aligning the penalty rates for reconnection and no show no pay failures at one-tenth will simplify the compliance framework and make the system fairer for job seekers by not penalising them for days that fall on weekends. In these cases, through no fault of their own, job seekers may not be able to reconnect with providers who are closed for business.<sup>40</sup>

2.33 To illustrate its point, the Department provided an example of 'Ben', a single NSA recipient who has no dependants. The Department supposed that Ben failed to attend an appointment on a Thursday, was advised on a Friday and attended the earliest available rescheduled appointment on a Monday. The Department noted that under current legislation, Ben would incur a penalty of:

$1/14 \times 4 \text{ days (including penalty incurred over the weekend)} = \$139.08^{41}$

2.34 If the Bill is passed, the penalty will be:

$1/10 \times 2 \text{ days (no penalty over the weekend)} = \$97.36^{42}$

2.35 This penalty rate will be the same as that applied to a recipient who failed to attend an appointment scheduled for a Monday until Wednesday, two business days later. If the Bill is passed, the penalty will be:

$1/10 \times 2 \text{ days} = \$97.36$

2.36 The committee also notes that this is higher than the penalty applied for the same offence under present legislation:

$1/14 \times 2 \text{ days} = \$69.54$

2.37 The committee notes that the one-tenth penalty system is fairer for job seekers in the sense that the Bill will remove the discrepancy in the penalty incurred by people who fail to attend an appointment late in the working week as opposed to those who fail to attend an appointment scheduled for early in the working week. The committee considers that it would be useful to see how the application of this system works in practice; whether or not it will result in greater net penalties being withheld from job seekers' payments.

---

39 Department of Education, Employment and Workplace Relations, *Submission 3*, p. 8.

40 Department of Education, Employment and Workplace Relations, *Submission 3*, p. 8.

41 Department of Education, Employment and Workplace Relations, *Submission 3*, p. 9.

42 Department of Education, Employment and Workplace Relations, *Submission 3*, p. 9.

## Recommendation 1

**2.38 The committee recommends that the government, through the Department, monitor the implementation of the new calculation of penalty rates for reconnection failures to determine any change to the total amount withheld from Youth Allowance (other) recipients per annum.**

### Impact on vulnerable persons

2.39 A number of witnesses considered that the Bill may disproportionately affect vulnerable persons. The Australian Centre for Disability Law suggested that the new arrangements will adversely impact people with disability:

[T]he proposed new penalty for reconnection failures is regressive because it has the potential to deprive recipients of income necessary for their subsistence in situations, or during periods, of acute vulnerability.

Although the proposed measures are not population group specific, in our view they will have a disproportionate impact upon persons with disability who experience much higher rates of unemployment and underemployment than other segments of the population.

Additionally, the proposed new penalty for reconnection failure will have a disproportionate impact on persons with cognitive impairment (including those with psycho-social impairments) who may disconnect with employment service providers because of disability-related organisation and planning skills, or episodic acute periods of illness.<sup>43</sup>

2.40 However, the Department stated in its submission that there are already mechanisms in place to protect vulnerable persons from 'inadvertently incurring reconnection penalties.'<sup>44</sup>

2.41 The National Council of Single Mothers and their Children was concerned about the Bill's impact on single mothers, particularly those who are young, and their families:

The Bill and its ramification may occur despite the knowledge that the financial circumstances of single mother households and the increased risk of poverty and deprivation are well documented. The Social Policy Research Centre identified certain population groups that consistently face higher than average risk of poverty and stated that among family types, single people and lone parents were at the highest risk. ACOSS who completed research into deprivation and multiple deprivation stated that whilst 19 per cent of the Australian population experienced multiple deprivation, sole parents face a much higher risk of multiple deprivation with 49 per cent of all sole parents experiencing multiple deprivation. This level of deprivation was significantly higher for sole parents than any other family type. Furthermore, children residing in a household headed up by a

---

43 Australian Centre for Disability Law, *Submission 8*, p. 2.

44 Department of Education, Employment and Workplace Relations, *Submission 3*, p. 9.



mother are 25 to 30 per cent more at risk of child poverty signalling an entrenched level of disadvantage which requires a gendered and systemic solution and one that exceeds this narrow policy approach.<sup>45</sup>

2.42 Similarly, A similar concern was expressed by the Australian Youth Affairs Coalition, which was concerned that the Bill would impact vulnerable young people:

AYAC asserts that the most vulnerable groups of young people stand to lose the most from the proposed changes to Newstart Allowance. In a study on trans-generational income support recipients, it was found that ‘young people from low income working families were more than twice as likely to have received an unemployment payment as those from middle income families.’ There are other indicators that suggest a parents level of education impacts on the educational attainment of young people, so in effect young people affected by this policy are already those who are most disadvantaged by life circumstances. Young people need to be supported by measures that resource and empower young people to choose what is right for them. The Government approach needs to help not hinder young people’s opportunity to engage in employment.<sup>46</sup>

2.43 However, the Explanatory Memorandum to the Bill, which now includes a statement on human rights ramifications, noted that:

The justification for this is to accelerate the closing of the grandfathered conditions for parenting payments which will help to restore equity across the parenting payment population. This limitation is further justified because it will encourage parents with older children to re-enter the workforce earlier, thereby reducing long term welfare reliance and, over time, the prevalence of intergeneration welfare dependency. However, a person's access to social security is not impacted as recipients who are affected by this measure are entitled to apply for other income support payments, such as Newstart allowance.<sup>47</sup>

2.44 In addition, the Department's submission noted a range of transitional and support arrangements designed to assist affected parties.

### **Support arrangements**

2.45 The Department's submission drew the committee's attention to support measures available to young people as part of the Building Australia's Future Workforce (BAFW) package:

[Y]oung people are being supported to take up career opportunities in the trades and assistance is also being provided to strengthen their foundation

---

45 National Council of Single Mothers and their Children, *Submission 4*, p. 11.

46 Australian Youth Affairs Coalition, *Submission 7*, p. 3.

47 Explanatory Memorandum, p. 21.

---

skills, through Transition Support for Early School Leavers and more places in the Language, Literacy and Numeracy Program.<sup>48</sup>

2.46 In addition, the BAFW package also includes measures specifically designed to assist vulnerable people and people 'at risk of disengagement':

The need for providers and the Department of Human Services (DHS) to be conscious of the difficulties faced by vulnerable job seekers also underpins two other compliance related measures that are to be introduced from 1 July 2012 as part of the BAFW package. These are the greater involvement of providers in Comprehensive Compliance Assessments and the increased use of face-to-face engagement when conducting Comprehensive Compliance Assessments for vulnerable job seekers. In addition, the BAFW reforms provide for joint interviews by the DHS and their Job Services Australia provider of job seekers at the risk of disengagement who have had multiple Participation Reports. There will also be improvements to the operation of compliance arrangements through improved exchange of information between providers and the DHS.<sup>49</sup>

2.47 The Department also stated that transitional measures will be put in place to assist single parents to transition to new arrangements:

To ensure that grandfathered Parenting Payment recipients have the support they need to re-engage in work and other activities, these parents are eligible for targeted assistance under initiatives in the BAFW package. This includes additional training places and community based support for single parents as well as access to professional career counselling through Job Services Australia providers. This targeted support commenced from 1 January 2012.<sup>50</sup>

2.48 In addition, as mentioned in Chapter One, parents moving from PPS to NSA will be able to lodge their NSA claim thirteen weeks before they lose their eligibility for PPS.<sup>51</sup>

## **Recommendation 2**

**2.49 The committee recommends the Bill be passed.**

**Senator Claire Moore**

**Chair**

---

48 Department of Education, Employment and Workplace Relations, *Submission 3*, p. 6.

49 Department of Education, Employment and Workplace Relations, *Submission 3*, p. 9.

50 Department of Education, Employment and Workplace Relations, *Submission 3*, p. 6.

51 Explanatory Memorandum, p. 2.



# **Additional Comments**

## **Coalition**

### **Grandfathered recipients of PPS who have children with a disability**

1.1 Coalition members are concerned that no special arrangements are available for single parents of children with a disability. As the Council of Single Mothers and their Children (Vic) explained:

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.<sup>1</sup>

1.2 Many students with a disability continue to require outside school hours care at secondary school and the currently capped *Outside School Hours Care for Teenagers with a Disability* program meets the needs of only a small proportion of working parents.

**Senator Sue Boyce**  
**LP, Queensland**

**Senator Bridget McKenzie**  
**NATS, Victoria**

---

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



# 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.<sup>1</sup>

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.<sup>2</sup>

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.<sup>3</sup>

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.<sup>4</sup>

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.<sup>5</sup>

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).<sup>6</sup>

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.<sup>7</sup>

### ***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.<sup>8</sup> 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.<sup>9</sup>

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.'<sup>10</sup>

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  
AG, Western Australia**



# **APPENDIX 1**

## **Submissions and additional information received by the Committee**

### **Submissions**

- 1 Australian Council of Social Services
- 2 Council of Single Mothers and their Children Victoria
- 3 Department of Education Employment and Workplace Relations
- 4 National Council of Single Mothers and their Children
- 5 Name Withheld
- 6 National Welfare Rights Network
- 7 Australian Youth Affairs Coalition
- 8 Australian Centre for Disability Law
- 9 Ms Katherine Seppings

### **Additional information**

- 1 Answers to questions on notice from the Department of Education, Employment and Workplace Relations received 15 March 2012.