

# Getting the 'welfare to work' package right: 12 significant problems with the Government's plans

an analysis by the National Welfare Rights Network, 16 November 2005

The Issue	Legislative Response
<p><b>1. Savings reduced and family and other payments “clawed back” by the Liquid Assets Waiting Period.</b></p> <p>Waiting periods which do not apply to Disability Support Pension or Parenting Payment (Single) will apply to both parents and people with disabilities who apply for Newstart Allowance, making them use up hard earned savings and by clawing back a wide range of Government family and other payments before getting welfare. On average this is likely to cost parents and people with disabilities a further \$1,800.</p> <p>Where a parent or a person with a disability claims Newstart Allowance after 1 July 2006 they may have to wait up to 13 weeks before they can receive payment. If they have “liquid assets” above \$2,500 (as a single person) or \$5,000 (for a couple or a single person with a child), they will have a one week waiting period for each \$1000 over these limits, up to a maximum of 13 weeks. This measure is particularly harsh on women leaving relationships because of domestic violence.</p>	Confirmed.
<p><b>2. Less money per week from basic payment.</b></p> <p>From 1 July 2006, parents (whose youngest child is 8 or more) and people with disabilities (who can work between 15 and 29 hours pw) will be shifted to Newstart Allowance and will be \$29 a week lower than the base rate of Parenting Payment (Single) or \$46 a week less than the base rate of Disability Support Pension.</p>	Confirmed.
<p><b>3. Financial disincentives to work: – harsher income test and steeper withdrawal rates for earnings.</b></p> <p>A pensioner can earn \$62 a week (the “income free threshold”) before pension reduces by 40c for every \$1 earned. From 1 July 2006 a person on the new Newstart Allowance can earn only \$31 a week (the “income free threshold”) before the allowance reduces by 50 cents for every \$1 earned up to \$125 a week, and 60 cents for every \$1 earned over this amount.</p> <p>A single parent on Newstart Allowance working 15 hours a week on minimum wages, would be \$92 a week worse off than a similar person on Parenting Payment (Single) – due to the lower base rate, and the harsher income test. If they do find work, the harsh Newstart Allowance income tests mean that the returns from work for parents working 15 hours a week are equal to just \$3.88 an hour for parents and only \$2.77 an hour for people with disabilities.</p>	Confirmed.
<p><b>4. Financial disincentives to work: – loss of additional child/ren “free area” income test.</b></p> <p>Currently, the amount a pensioner can earn before their payment is reduced (the “income free threshold”) is \$62 a week – (see 3 above) and this increases by \$12 pw for each additional child. On Newstart Allowance, there is only one (lower) income free area, of \$31 a week. For a person with earnings, this represents a loss of \$6 a week in income, per additional child.</p>	Confirmed.
<p><b>5. Financial disincentives to work: – no indexation of the amount a person can earn before payment is reduced.</b></p> <p>The threshold for earnings (or the “income free area”) for pensions is indexed annually according to CPI. However, the threshold for Newstart Allowance is not indexed and has remained at virtually the same rate for 30 years. Pension “free area” is now \$62 pw, twice that of Newstart Allowance at only \$31 pw.</p>	Confirmed.

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<p><b>6. Financial disincentives to work: – less favourable indexation of rates.</b></p> <p>Pensions are indexed by CPI or MTAW, whichever is the higher. Under this formula, pensions will increase by a further \$13 a week more than Newstart Allowance by 2008-09, with the difference between the two payments increasing to \$42 a week.</p>	<p><b>Confirmed.</b></p>
<p><b>7. Denial of pension for parents who cannot work because of the disabilities of their children</b></p> <p>Only 1,000 parents are currently eligible for the pension payment called Carer Payment (child) and two out of three claims are rejected. There are 104,000 people receiving Carer Allowance (a non-means tested payment of \$46 pw for children with severe disabilities). We estimate some 20,000 of these parents who will be moved onto the new lower paying Newstart Allowance will not be able to look for or find work because of the disability of their child. They will be on the lower payment without work prospects for ten years.</p> <p>The Government has announced the extension of Carer Payment (child) for an additional 4,000 of these parents. This is welcome and desirable but in no way sufficient. The remainder should also be able to stay on a pension level payment.</p>	<p>Not addressed in this legislation. Requires a separate Bill.</p>
<p><b>8. Foster parents placed on Newstart Allowance</b></p> <p>An estimated 2,500 single parents will be placed on the lower rate of Newstart Allowance and will have activity requirements to look for up to 15 hours work per week even though they will have the care of a foster child who is under six. Parents of foster children under eight, most of whom have very high needs, should not be placed on the lower Newstart Allowance and forced to look for part-time work.</p>	<p>Foster carers with youngest child over 8 to go on a higher rate of Newstart, and temporary exempted from activity requirements, for up to 52 weeks at a time.</p>
<p><b>9. Reduced financial support to study and less money to live on</b></p> <p>Parents and people with disabilities who wish to study full-time will have to transfer onto Austudy Payment, which is \$10 a week less than Newstart Allowance and \$60 a week less than Parenting Payment. In addition, a person on Austudy Payment is not eligible for Rent Assistance (unless they also receive Family Tax Benefit A) and are not eligible for the Pensioner Education Supplement of \$31 a week, which is meant to help with the additional costs of study such as books, stationery and transport. Further, JET Child Care Subsidies to help with the high costs of child care, will be limited to one year.</p> <p>The outcome will be that parents and people with disabilities will find it virtually impossible to get the skills that they need to improve their employment prospects and break out of long-term poverty.</p>	<p><b>Confirmed.</b></p> <p>Legislation only allows people currently in study to finish their course, and receive the Pensioner Education Supplement.</p>

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<p data-bbox="98 250 935 282"><b>10. Reduced financial support to study and less money to live on</b></p> <p data-bbox="89 340 1177 524">Where a person falls foul of the rules three times in a year, they could loose all of their payment for 8 weeks (a fine of \$1,600). Parents and vulnerable people will be required to attend fortnightly interview with Centrelink in order to get funds for bills and food released, but may not even have any money to attend this interview. Unclear about how the promised list of vulnerable clients (eg homeless people) who are supposed to be exempt from the threat of suspension, will work. This is likely to affect between 20 and 30 people every day.</p> <p data-bbox="89 555 1190 645">Penalties should be reduced if a person re-engages with service providers or undertakes “mutual obligation” activities. Penalties imposed before 1 July 2006 should not count towards the “three strikes” policy.</p> <p data-bbox="89 645 1165 734">The Government proposes to re-classify a number of activity test / rate reduction breaches as “more serious” than other offences under the new regime and to apply an immediate eight week no payment period to these.</p> <p data-bbox="89 766 1145 824">From 1 July 2006, these “more serious” reasons for immediately losing payment for eight weeks are:</p> <ul data-bbox="137 828 1005 949" style="list-style-type: none"> <li>- refusing an offer of a job</li> <li>- being “voluntarily unemployed” / resigning without “good reason”;</li> <li>- failing to participate in full-time “Work for the Dole”, and</li> <li>- being dismissed for misconduct</li> </ul>	<p data-bbox="1216 250 1452 488">No change to this aspect of the suspension regime although some necessary changes to some other aspects of the proposed regime.</p>
<p data-bbox="98 990 647 1021"><b>11. Flawed savings provisions for parents.</b></p> <p data-bbox="89 1075 1187 1164">On Budget night, parents were promised they would remain eligible for Parenting Payment if on payment already, until their youngest child turned 16. However, since Budget night, the Government has reduced these “grandfathering” or “savings” provisions.</p> <p data-bbox="89 1196 1177 1317">If a person goes off payment for more than 12 weeks for any reason (eg, taking a job, attempted reconciliation with ex-husband, etc) they will come back on to the lower Newstart Allowance rather than the pension as promised. Up to 50,000 parents are likely to be affected over three years.</p>	<p data-bbox="1216 990 1362 1021"><b>Confirmed.</b></p>

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<p><b>12. Activity requirements and exemptions from activity testing.</b></p>	
<p>Legislated exemptions from activity test requirements are needed for people in a number of circumstances including: large families, recent victims of domestic violence, parents and people with disabilities in rural and remote areas and parents with children with disabilities. People exempted from activity requirements have no prospect of obtaining employment and therefore should remain on the higher level pension payment.</p> <p>Temporary exemptions should be available to parents and people with disabilities who have recently separated, people who are undergoing a personal or family crisis and people who, due to homelessness or an episodic illness or disability, are unable to meet their activity requirements.</p> <p>All activity requirements should be included in legislation, as was done in the <i>Australian's Working Together</i> legislation.</p>	<p>Foster parents, distance educators, home schoolers or parents of a disabled child may get exemptions for up to one year. They will be on Newstart Allowance, and receive a 'top up' to bring their rate up to the pension level.</p> <p>Large families may get an exemption, upon request. Within a six months of a domestic violence incident a person may seek a temporary (16 week) exemption.</p> <p>Rural and remote recipients may seek exemptions, but details not in legislation. These latter groups that are granted exemptions from activity requirements will not be eligible for a "top up" payment and will therefore receive the lower rate of Newstart Allowance.</p>