

Committee Secretary
Senate Education, Employment and Workplace
Relations Committees
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

6th June 2013

Dear Secretary,

Re: Social Security Amendment (Supporting More Australians into Work) Bill 2013

The Council of Single Mothers and their Children, Inc (CSMC) is a community-based organisation that has provided support, information and emergency relief to single mothers and their families in Victoria for over 40 years. Our information and support service handles an average of 20 calls a day, and we have a membership of over 2,400 single mothers.

CSMC, along the National Council of Single Mothers and their Children, is well recognised as a source of expert advice on issues of relevance to single mothers. Our expertise is grounded in the concerns expressed to us by single mothers contacting us, putting us in an ideal position to respond to this inquiry on behalf of these callers. Individuals, academic institutions, community support/welfare organisations, government departments and members of parliament are some of the bodies seeking our expertise.

This submission is informed by the experiences of the single mothers who contact CSMC.

The position of single mothers

20% of Australian families with dependent children, or 550,000 families, are headed by single parents. 85% of these are headed by single mothers¹.

Single mother headed families are the most disadvantaged family type in Australia². Research has time and again illustrated that many single mother headed families survive on incomes well below the poverty line and experience multiple deprivation (see for example ACOSS³). The vast majority of contacts CSMC receives from single mothers are directly related to the impact of financial hardship on their life. The majority of these women are seeking emergency relief to help them

¹ ABS (2011) *Family Characteristics Catalogue 4442.0*,
<http://www.abs.gov.au/AUSSTATS/abs@.nsf/Latestproducts/4442.0Main%20Features22009-10?opendocument&tabname=Summary&prodno=4442.0&issue=2009-10&num=&view=>

² ABS (2007), *Australian Social Trends, One-parent families*, Catalogue 4102.0, Australian Bureau of Statistics
downloaded www.abs.gov.au

³ ACOSS (2012) *Who is missing out: Material deprivation and income support payments*. ACOSS Paper 187
http://acoss.org.au/images/uploads/Missing_Out_2012_ACOSS.pdf

meet the essentials of life – food, housing, paying bills and meeting their children’s school costs. Many of these mothers are working, or combining work and part income support payment, yet are also experiencing severe financial hardship.

Despite the prevalent myths claiming that single mothers do not work, single mothers traditionally have the highest level of workforce participation of any group in receipt of Centrelink income support. Their workforce participation is not dissimilar to that of partnered mothers⁴. For those who aren’t in the workforce it is a result of numerous barriers, particularly the limited flexibility resulting from parenting alone, rather than a lack of willingness or motivation.

While the majority of Australian families have one and a half incomes to raise their families on, single mothers raise their families on one part-time (often low) wage and are generally reliant on some degree of income support and child support as a ‘top-up’.

The serious economic disadvantaged experienced by single mothers has only been exacerbated by the change to Parenting Payment Single that came into effect in January 2013. This change completed that started by the Howard government in 2006 to move single parents onto the Newstart Allowance when their youngest child turned eight. Single parents already receiving Parenting Payment Single (PPS) at this time were ‘grandfathered’ and allowed to remain in receipt of PPS until their youngest child turned 16 (subject to eligibility). As of January 2013 single parents are only eligible for the significantly lower Newstart Allowance once their youngest child turns 8. With only six weeks’ notice over 60,000 single parents found their already low incomes slashed by up to \$120 per week, with those already working suffering the greatest income cuts.

It is no surprise that support services, including CSMC, have reported dramatic increases in the numbers of single mothers seeking financial assistance to deal with these losses. These parents have reported difficulties paying mortgage or rent, bills, school expenses for their children or putting food on the table. The repercussions of this are serious: families face homelessness, children miss school as they don’t have lunch or the correct uniform or books, medical treatment is postponed and families cut back on food – mothers regularly miss meals so their children can eat.

CSMC has long argued that Newstart Allowance is not an appropriate payment for single parents⁵ as it fails to recognise parenting responsibilities that limit employment options. The inadequacy of Newstart has now also been widely acknowledged across all sectors of the community. Indeed the 2012 Report of this Committee into *The adequacy of the allowance payment system for jobseekers and others, the appropriateness of the allowance payment system as a support into work and the impact of the changing nature of the labour market* states that “the committee questions whether Newstart Allowance provides recipients a standard of living that is acceptable in the Australian context for anything but the shortest period of time.”⁶

⁴ ABS (2007), *Australian Social Trends, One-parent families*, Catalogue 4102.0, Australian Bureau of Statistics downloaded www.abs.gov.au

⁵ See for example CSMC Submissions to: Senate Inquiry into Adequacy of Newstart Allowance: http://www.aph.gov.au/Parliamentary_Business/Committees/Senate_Committees?url=eet_ctte/completed_inquiries/2010-13/newstart_allowance/submissions.htm ; Senate Inquiry into Social Security Amendment (Fair Incentives to Work) http://www.aph.gov.au/Parliamentary_Business/Committees/Senate_Committees?url=eet_ctte/completed_inquiries/2010-13/social_security_2012/submissions.htm

⁶ http://www.aph.gov.au/Parliamentary_Business/Committees/Senate_Committees?url=eet_ctte/completed_inquiries/2010-13/newstart_allowance/report/index.htm

Responses to the measures in the Bill:

- 1. To increase the income free area that applies for recipients of Newstart Allowance, Widow Allowance, Partner Allowance, Parenting Payment (Partnered) and Sickness Allowance. The income free area would increase from \$62 to \$100 per fortnight, from 20 March 2014, and would be subject to annual indexation.**

CSMC welcomes the proposal to increase the income free area of Newstart Allowance, as an increase in the threshold is long overdue. In 1986 this income threshold was set at \$30 per week. The only change to this threshold since then has been an increase of \$1 per week in 2000.

However, the proposed increase only equates to being able to work one additional hour at the minimum wage before payments are affected. In comparison the income threshold for Parenting Payment Single is \$176.60 per fortnight, ensuring that single parents receive a better financial return for the work that they undertake. This higher threshold also recognises the parenting responsibilities of single parents, and their reduced capacity to work long hours.

The increased rate is also significantly below the level that it would have been at if the income free area had been indexed since 1986.

The proposal to index the income free area is also welcome, and will ensure that the current situation where the real value of this threshold is being eroded every year is reversed. However, using the Consumer Price Index (CPI) as the basis for indexation is inadequate. The CPI has been recognised as a poor measure of the costs of living for people on income support payments or low income. It would be more appropriate to index the income free area to by the greater of CPI, Male Total Average Weekly Earnings or the Pensioner and Beneficiary Cost of Living Index to ensure that indexation more accurately keeps pace with the cost of living.

The introduction date of these changes – 20 March 2014 for the increase in the income threshold and 1 July 2015 for indexation to commence – are a serious concern. Single parents are suffering now and their children experiencing increasing levels of hardship. The Explanatory Memorandum to the Bill explains that this delay will “allow sufficient time for changes to administrative systems and communication for the large number of people on these payments.” Significantly less time was given to those single parents so harshly affected by the provisions of the Social Security Amendment (Fair Incentives to Work) Act 2012.

CSMC recommends that:

- The measures in this Bill to increase the income free area for Newstart Allowance, Widow Allowance, Partner Allowance, Parenting Payment (Partnered) and Sickness Allowance and to index this threshold be adopted.
- The Committee urges the adoption of the following amendments:
 - That the income free area for Newstart Allowance, Principal Carers, be raised to the equivalent to that of Parenting Payment Single – currently \$176.60 per fortnight
 - That the income free area be indexed by the greater of CPI, Male Total Average Weekly Earnings or the Pensioner and Beneficiary Cost of Living Index.
 - That the increase in income free area be implemented immediately and indexation commence on 1 January 2014.

2. To extend the eligibility for the Pensioner Education Supplement to single principal carer parents receiving Newstart Allowance Payments, from 1 January 2014.

CSMC welcomes this measure. The Pensioner Education Supplement (PES) provides an additional payment of \$62.40 per fortnight to eligible recipients undertaking study, but has not been available to those receiving Newstart Allowance. Many single parents speak of the desire to undertake study to improve their job and earning prospects, but are not able to afford to do so. As the Explanatory Memorandum acknowledges, PES aims to assist with “some of the ongoing costs of study and so to improve their later employment prospects”. Extending PES will give some small assistance with this.

CSMC does, however, have concerns about the delay in introducing the proposed extension of PES and urges that the commencement date be brought forward.

In addition, it is clear that Newstart Allowance is an inappropriate payment for single parents who are studying. Single parent students have both study and parenting commitments and hence limited capacity to undertake work. Newstart Allowance is, however, a payment that was designed for short term reliance on the payment and is poorly suited to those with partial capacity to work, such as single parents, and particularly those who are studying.

To expect single parents, and the children they care for, to survive on such a low level of payment is an abrogation of the government’s responsibility to support the vulnerable in society. CSMC has heard too many times from single parents affected by the January 2013 changes who are no longer able to afford to continue their studies since being transferred to the inadequate Newstart Allowance. Rhetoric about supporting single parents into work needs to be backed up appropriate support to allow them to improve their skills and qualifications to allow them to earn a livable wage.

CSMC recommends that:

- The measures extending eligibility for the Pensioner Education Supplement to single principal carer parents receiving Newstart be adopted.
- The Committee urges the adoption of the following amendments:
 - that the extension of PES to these recipients take effect immediately
 - that single parents undertaking study be eligible to receive income support payments that are paid at the equivalent rate, and with the same conditions, as Parenting Payment Single.

3. To provide a 12 week extension of eligibility for the Pensioner Concession Card to single parents who are no longer qualified for Parenting Payment (Single) because their youngest child has turned 8 years of age, and who do not qualify for another income support payment due to earnings. This measure would commence on 1 January 2014.

CSMC supports the extension of Pensioner Concession Card to single parents who are no longer qualified to receive Parenting Payment Single. These parents suffer dramatic cuts to their income when their youngest child turns eight and the concession card can provide valuable benefits to them.

However, extending the card for only 12 weeks is clearly inadequate, providing concession benefits for a short period of time. Again, the implementation date of January 2014 is too great a delay. Parents losing eligibility for PPS during 2013 will be left without access to the Pensioner Concession Card immediately their PPS eligibility ceases.

CSMC recommends that:

- The measures to extend eligibility for the Pensioner Concession Card be adopted.
- The Committee urges the adoption of the following amendments:
 - That the extension of Pensioner Concession Card eligibility takes effect immediately
 - That eligibility for Pensioner Concession Card be retained for 12 months after loss of eligibility to PPS

CSMC continues to have grave concerns about the financial hardship experienced by single parent families as a result of an income support system that fails to recognise their particular circumstances, particularly their responsibilities to their children and their subsequent reduced capacity for work. CSMC urges the Committee to acknowledge that Newstart Allowance is an inadequate payment for these families and to recommend an immediate increase in the payment rates and conditions of Newstart Allowance, and a comprehensive review of income support provisions for single parents.

Yours faithfully



Jane Stanley
Executive Officer