

Council of Single Mothers & their Children (CSMC)

Submission to: Senate Community Affairs Committee

Inquiry into Employment and Workplace Relations Legislation Amendment (Welfare to Work and other measures) Bill 2005 and Family and Community Services Legislation Amendment (Welfare to Work) Bill 2005

The Council of Single Mothers and their Children (Vic) (CSMC) is a community-based organisation that has provided support, information and financial aid to single mothers and their families in Victoria for over 30 years. Our telephone information and support service handles an average of 15 calls a day, and we have a membership of over 1,450 single mothers and 120 organisations.

The announcement of the “Welfare to Work” proposals in the Federal Budget prompted a large increase in calls to our telephone support line. Single mothers have told us how anxious and fearful they are about these changes - *particularly the impact they will have on their children*. See Appendix 1 for one rural member’s story.

CSMC shares the government’s objective to encourage and support more social security recipients into paid work. However, as presently structured, the bills have a number of shortcomings that are of great concern to CSMC and our members. These are outlined in the following pages.

The short time frame provided for submissions has made it difficult to provide full analysis of the bill but CSMC Victoria welcomes further opportunities for comment at future public hearings.

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Inquiry into Employment and Workplace Relations Legislation Amendment (Welfare to Work and other measures) Bill 2005 and Family and Community Services Legislation Amendment (Welfare to Work) Bill 2005

Summary

Council of Single Mothers and their Children Victoria (CSMC) Victoria considers the proposed “welfare to work” measures a destruction of income security for single parents. The *Employment and Workplace Relations Legislation Amendment (Welfare to Work and other measures) Bill 2005*¹ proposes to place single parents² on Newstart payments when their youngest child is 8 years old. Since 1989 parenting payment single has been paid until the youngest dependent child is 16 years. **Single parents raising young adults are the most impoverished families who access our service.** CSMC wants parenting payment single to remain available at its current rate for all single mothers until their children are 18 or complete high school, whichever is later.

Newstart is currently **\$22 a week lower** than parenting payment single. This gap will increase as Newstart is not indexed or linked to the average weekly wage. The Newstart income tests are more complex and create far higher effective marginal tax rates for working single parents. **NATSEM has estimated that single mothers who earn between \$200 - \$450 will be almost \$100 worse off per week.** The NATSEM figures do not include the financial impact of losing the pensioner concession card. Up to half of single mothers are currently participating in paid work, these women already fit the description of the working poor – under this bill they will be poorer.

The proposed Newstart work test provisions allow parents to have their payments suspended if deemed to fail participation plans. **Single mothers want family friendly work, however work is not readily available particularly in rural and regional areas.** Punitive work test conditions and increased poverty do not create work, just additional stress for already struggling single mothers.

The bill proposes to charge 10% interest on Centrelink debt incurred due to inaccurate declaration of income. The government’s record on devising comprehensible income testing systems is poor; the new family tax benefit has resulted in 100,000s of families facing Centrelink debts. **Income tests need to be simplified so they are easy for people to comply – i.e. higher free area and one taper rate.** The more liberal income test provided by parenting payment single that are in line with the aged pension should be retained.

Child care is not yet universal, **there is no provision for after school care for 11-16 year olds**, although child care is essential for single parents to be able to work. These reforms do not go far enough to address child care needs, especially for older children.

This submission describes briefly the poverty single parents and their children currently face in Australia. It demonstrates how this bill’s proposals will make the income support system for these families more complex and less financially rewarding when they attempt to maintain or gain paid work.

¹ Here after referred to as ‘the bill’

² Single parent and single mother will be used interchangeably in this paper as 80-90% of Australian single parents are mothers



Single Mothers in Australia: Overview

- Over half a million Australian families are single parent families.
- Single mother headed families represented 83% of these families in 2001 (ABS 2001). According to Child Support agency data, 91% of parents who are entitled to child support are mothers. (HSCFCA 2003)
- According the Child Support Agency, of parents entitled to child support, only 4% had incomes over \$50,000 per annum and 75% raise children on incomes below \$20,000. (HSCFCA 2003:14).
- In 1999-2000 single parent families had an average income of \$295.00 a week. (ABS 1999-00 Cat No 6523 in Colvin 2003:4).
- NATSEM recently estimated the weekly cost of two children on an average income to be \$310 a week (HSCFCA 2003:p132).
- Single mothers work more than any other income security recipient group and are engaged in paid work in similar rates as partnered mothers:

Table 1. Percentage of single and partnered mothers in paid work in 2002 (AIFS 2003:3).

	Full time work	Part time work	Total working
Partnered mothers	25.5%	37.4%	62.9%
Single mothers	21.0%	26.8%	47.8%

Single parent families are the most financially disadvantaged families in Australia. Single mothers without paid work and those who manage on part-time wages are frequently surviving on incomes under the poverty line. Single parents already fit the description of “working poor”.

Costs of children increase as they age

CSMC believes decent income support must be provided to single parent families until their youngest child is 18 or completes secondary school – whichever is later. Teenagers are estimated to cost between 2 - 4 times more than children under 5 years (Davidson 2003).

Most women become single mothers subsequent to a relationship breakdown. Nearly 80% single parents were married. Of those who were unmarried, many were in relationships with their children’s father at time of conception. (FaCS 1998). Relationship breakdown, divorce, death are rarely planned nor do they necessarily occur when children are under 8 years old.

Newstart Allowance is \$22 a week less for single parent families

“It’s already a constant battle to keep our heads above water. It will be school excursions, dental checks, things like that will have to go, if payments go any lower”

Correspondence from CSMC member

	Prior 1/7/06	On or after 1/7/06	Difference
Type of Payment	Parenting Payment Single	Newstart Allowance	Lower payment rate, work test, possible suspension of payments if deemed to have failed work test, more complex income tests and fines for inaccurate income declaration
Age of youngest child eligibility	16 years	8 years	The age of child is effectively halved for new applicants for PPS.
Current Payment Amount	Up to \$476.30 per fortnight	\$432.00 per fortnight	\$44 per fortnight less

Single parents are significantly financially vulnerable compared to even unemployed couples who have 2 income support payments as well as family tax benefit. An unemployed couple receives approximately \$860.00 per fortnight to raise a family. A single mother has virtually the same family expenses, the largest of which is housing costs. Under the new proposal a single mother whose children are over 8 years old will receive \$430 less a fortnight than an unemployed couple to support her children.

The average child support payment is \$57 a week (HSCFCA) 2003), which is approximately \$300 less than an unemployed couple's combined payments. The real value of child support is decreased by child support income test, which reduces a single parent's family tax benefit. Many single mothers receive no child support or a minimum payment of \$10 a fortnight. Clearly single mothers raising children on one income require a better level of income support than Newstart currently provides.

Children in low income families have their ability to participate in education and social activities limited by their poverty. New policy should not further disadvantage these children on the basis of their parents' marital status. Increasing single parents poverty decreases these children's life chances.

CSMC recommends that the bill be amended so that that single parents retain income security payments at the same rate as the aged pension until their youngest child reaches 18 years or completes high school which ever is later

More complex Newstart income test create higher effective marginal tax rates (EMTR)

Single mothers already work, but due to family responsibilities often work in casual or part-time jobs. Currently single parents are subjected to relationship testing, income tests, asset tests to obtain parenting payment and are subjected to income test, care test and child support test on their family tax payments. The Newstart income test is even more complicated and will reduce working single parents disposable income. NATSEM (2005) has estimated that working single parents will be up to \$100 a week worse off under the new system.

"The losses sustained by sole parents amount to almost \$100 when earnings are between about \$200 and \$450 a week"

Natsem 2005: p5

NATSEM (2005:12) has calculated that single mothers with paid work will have huge Effective Marginal Tax Rates (EMTR) under the new regime. Under the new system if weekly income is between \$0-125 the EMTR is 65%. This means for each \$1.00 earned they will keep only 35 cents (NATSEM 2005:12).

To experience a withdrawal rate of 47% in the tax system, other Australians have to earn over \$95,000 p/a. (ATO 2005:3).

NATSEM (2005:7) states that they did not calculate the many work related costs including child care, after school care, cost of travel, work clothing or "knock on effects" such as subsequent rise in public housing rental, loss of concession cards, higher car registration, higher council rates etc. When these costs are added to the EMTR and the additional pressure and stress of balancing work and parenting, the proposed welfare reforms are likely to make paid work a luxury that single mothers can't afford.

The threat that a mistake in income declaration can result in suspension of payment or fine of 10% also serves to make the system more punitive to the most vulnerable.

Centrelink and the DFACS need to find better ways to clearly account for their application of income tests. The current system overly relies on estimates of income. The government's record on Family Tax Benefit has been woeful, 100,000's of families incur Centrelink debts because the system is poorly designed and incomprehensible to ordinary families. Until these problems are corrected imposing 10% penalty on income recipients is unjustified. CSMC recommends retrospective income test system based on payslips and reconciled 12 weekly. These types of measures could lead to reduced inaccuracies. A higher free area and one taper rate is also preferable as it is easier to understand and makes paid work financially beneficially, even if casual and poorly paid.

CSMC recommends that the bill be amended so that that single parents are subject to at least the same income tests and taper rates as aged pensioners until their children are 18 years old or have completed secondary school.

Tough for all; tougher for those in rural and regional Australia.

Rural and Regional single parent families experience extreme marginalisation due to lack of access to resources and employment opportunities and social and physical isolation.

The electorates of Bendigo, Ballarat, McMillan and Corio (AEC: 2004) all have disproportionately high incidences of sole parents accessing income security which is reflective of the social and economic issues facing these areas.

At CSMC, rural members requesting assistance most frequently cite domestic violence, extreme financial hardship and social isolation as key issues facing them.

Childcare – necessary for working single mothers

"I had to turn down a really well paying job because I couldn't get any care for my kids" Correspondence from CSMC member

"My son is 13, and there is no after care for secondary students. If I'm not home for him after school I'm really worried he'll get into trouble in some way."

Correspondence from CSMC member

Out of school hour's care, including holiday programs must be affordable, age appropriate and accessible. Many schools still aren't adequately equipped with after school facilities and waiting lists can be prohibitive.

The new 86,000 child care places fail to address care for 11-15 y/o children who still require adult supervision. There is insufficient infrastructure to provide after school and holiday care of young teenagers. Single parents' ability to afford extra curricular activities that can provide some after school supervision for this age group will be further eroded with lessened income support. Single parents working in family insensitive settings may be forced to leave their children unsupervised at home, or in the community, effectively recreating the latchkey kid phenomenon.

Staying in unsafe relationships

"The cold hard reality is women put up with a lot, don't walk out of situations easily, sacrifice and go without (especially food for their children) above and beyond their own needs and endure the personal and societal ramifications particularly where there has been a power imbalance such as violence in the relationship."

Correspondence from CSMC member

"What if women stay in violent relationships because it will be too hard to survive if they leave?" Correspondence from CSMC member

Domestic violence is a factor in two thirds of divorces (VHPF 2004) and is the greatest cause of ill health and premature death among women under 45 years. In

2001-2002, 40% of all child protection investigations in Victoria involved children who had been exposed to domestic violence. (Allen for DHS Vic 2003:10). Making income security payments more difficult to access threatens to discourage women from leaving unsafe relationships and is unacceptable for children's safety and long term well being. Children who have been exposed to family violence have a greater risk of behavioural issues and may require more intensive parenting and supervision as teenagers. CSMC is relieved that women who have recently left violent relationships can seek exemption from the work test, and await more detail on these provisions, as the impact of violence on children can take significant time and support to heal.

Participation in education must satisfy any new work test requirements.

“Receiving Parenting Payment Single from Centrelink [and] receiving the Commonwealth HECs scholarship enabled me to attend university to get my degree and subsequently return to the fulltime workforce hence earning a decent wage without the need for ongoing social security benefits.” Correspondence from CSMC member

Most single parents want to work and return to work at greater rates, as their children get older. However work is difficult to access for older women and/or when they have been outside the labour force for some time due to parenting.

CSMC fears that the new work test under Newstart will not acknowledge single mothers' right to access all levels of study, from secondary school, TAFE through to post-graduate tertiary study. Single mothers should not be denied access to professions or trades well suited to balancing work and family that require a commitment to tertiary study. Skill shortages are high in rural and regional areas, where work is particularly difficult to access for single mothers. Affirmative action programs and scholarships are required to assist women with family responsibilities into meaningful, secure work.

Work tests also need to acknowledge unpaid work, which often provides pathway to paid employment. Participation plans need to be tailored to individuals skills, capabilities and currently responsibilities and engagement in the community.

CSMC recommends that the bill be amended so payment to parents raising children alone can not be suspended and the 10% fine for inaccurate declaration of earnings is removed.

CSMC 16/11/05

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APPENDIX 1

Mandy – Single Mother – Mornington Peninsula, Victoria**MY STORY**

I spent nearly 10 years in the defence force, was well educated and had investment properties when I met my husband. Both of us had just gone through intensive retraining in Indonesian language and 'specialist' skills (I am not able to elaborate on our training).

I became pregnant whilst on an army course and was DISALLOWED to continue despite my protests. I wanted it to be a win/win situation...they had already spent so much money on my training, a little consideration whilst I was pregnant would see me continuing as a viable worker with valuable skills (during Timor situation pre Sept 11 and Bali bombings). I was off course anyway and suffered depression and anxiety as a result. My husband had his own medical situation and left us when our son was only one year old.

As there was no-one to look after our son for me to continue military service and NO child care was available at that time in CANBERRA, I had to leave the Defence Force. Due to my limited time, lack of legal knowledge, and shock of my husband leaving and his financial abuse, I was left in a very bad financial situation. My ex husband now earns the equivalent of around 47k in pensions and is a full TPI recipient. He left us just before the compensation came through and left me with \$30 on my credit card. He has CONSTANTLY hidden income with NO PENALTY!!!

I have always studied, done volunteer work and continued to fight to make my ex-husband more accountable whilst dealing with my continuing medical situation.

Employment here means driving a minimum of 30-40 minutes hence my son would have to be in care from 7.30 until 6.30. I recently rang a government department I used to work alongside and asked if (with my VERY UNIQUE skill set including Indonesian translating) I could work from home and I got laughed at. I was told to put my son in childcare, apply for a job that comes up in the paper, win that position then negotiate my terms (which commonly are 12hr shifts and to be on call).

My parents are elderly and live in another state so I have no family support and no community support.

I had my son enrolled at Our Lady of Fatima but they have no BEFORE school or AFTER school care and had no plans to. I have now enrolled him at Red Hill Primary but then realised they only have AFTER school care.

Despite my medical situation, I have continued, with EVERY TERRORIST ATTACK, to contact various agencies that I know could use my skills as a military translator. I have had varying responses but mostly I have been knocked back due to being a sole parent.

If you could please find me suitable work, with the benefits that I had in full time employment, that I could do online from home between the hours of 9.30 to 3pm then I would be very grateful.

ALL sole parents I know are a valuable part of their community; mostly doing all the VOLUNTARY positions that is too beneath many people. This includes school canteens, reading recovery, music, computing, swimming etc. Maybe the govt could make sure these became PAID positions before they spruik about how we DONT HAVE REAL JOBS!!!!

Despite the popular opinion on sole parents, I would like to be an asset to my country and the fact that no-one wants to utilise my skills outside of very grateful volunteer organisations upsets me. My first responsibility however, is to my son who has already lost his father. He needs me more than ever now he has started school.

I have served my country. I didn't deserve to be in this situation.

We already have enough to deal with. Already the proposed legislation has given Centrelink the green light to force us to come in for 'interviews' where we have to provide all our personal details even though our children are very young.

For information; We are missing out on training dollars on the Mornington Peninsula. Transition to Work is nearly impossible to get on, going to an employment agency makes us ineligible for Transitions to Work (!), the \$1000 grant given by AMES is nearly impossible to get if you live past Frankston and have your paperwork in after 5 minutes past nine on the day they are allocated (!).

Child support interviews for sole parents are being scheduled at many centres at 9am and 3.30 pm (!!!!!)

THE RESPONSIBILITY OF SOLE PARENTS IS TO RAISE THEIR CHILDREN.

If I could be assisted in finishing my training, obtaining work online so I can adequately care for my son, make my ex husband accountable for making us welfare dependant, I would gladly assist the govt in getting me off their books.

Submitted to CSMC by a single mother member in response to the Welfare to Work Package.