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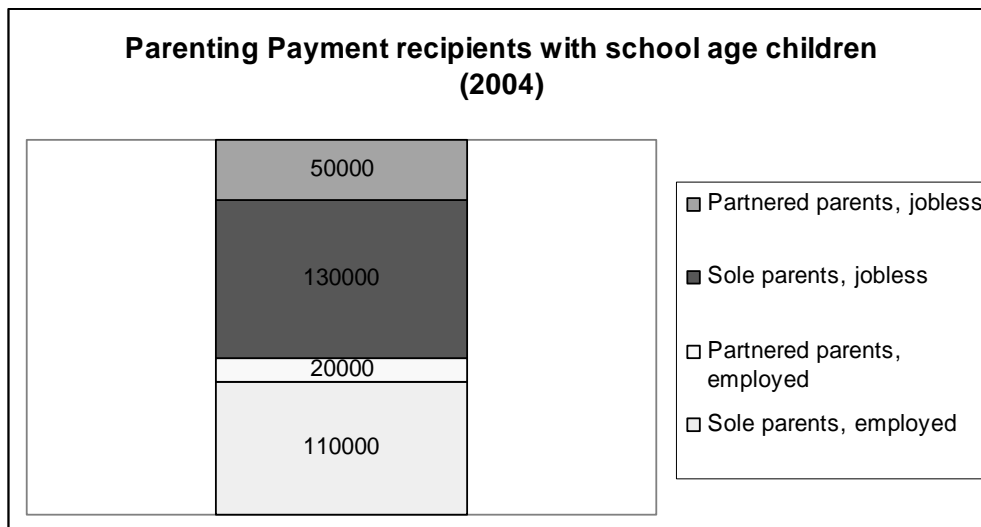
## Facts about single parent families and welfare

*ACOSS Info 380 - September 2005*

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Single parents with school age children are a major target group for the Government's Welfare to Work policy. ACOSS shares the Government's objective to help single parents into employment. We welcome the increased spending on employment assistance and child care to that end. But the Government's Welfare to Work policy would also put many single parents onto lower payments and expose them to harsh penalties if they fail to meet new activity requirements.

The main income support payment for single parents is Parenting Payment (Single). This was first introduced in 1975 and is paid at pension rates. Currently, there are 450,000 single parents on Parenting Payment across Australia of whom 240,000 have school age children only (their youngest child is over 5 years). Of these, 110,000 (around 45%) have jobs and 130,000 (around 55%) are jobless.



Source: FACS (2004), Portfolio Budget Statement, Centrelink, and ACOSS estimates

This paper explores some of the facts about single parent families on income support in Australia and what are the likely effects of the Welfare to Work package on these families in particular.

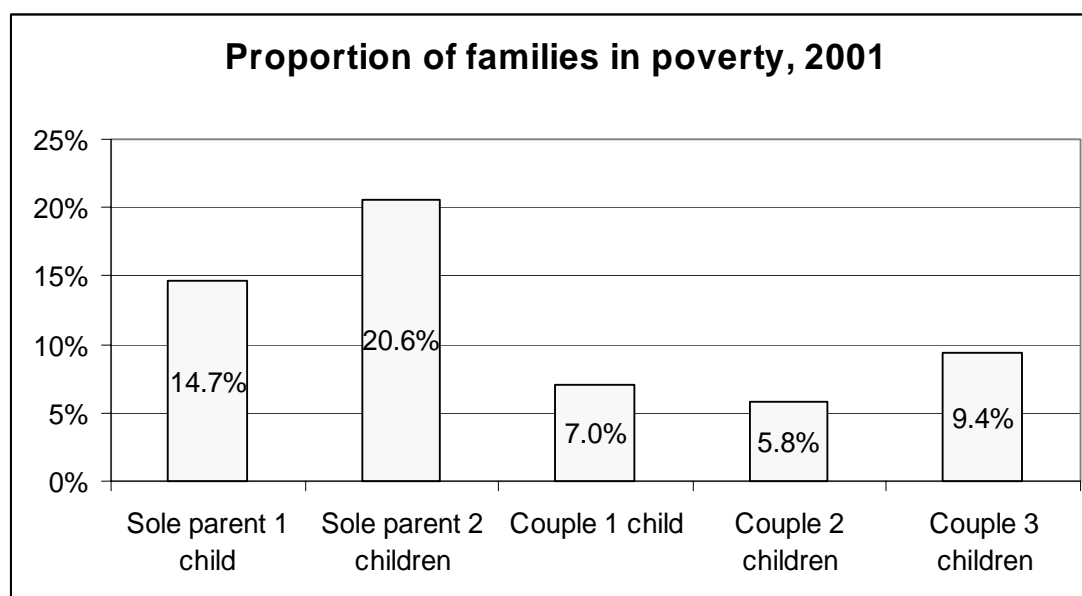
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**Fact 1: Single parent families are among the poorest in the country**

A single parent family with two school age children on social security must survive on just over \$400 per week. In May 2005, the total family income of a jobless single parent with two primary school age children was just \$415 per week (\$241 per week in Parenting Payment and \$174 per week in Family Tax Benefit), plus up to \$58 in Rent Assistance.

It is widely acknowledged that single parent families face a much higher risk of poverty than other groups in the community.<sup>1</sup> Single parent families receiving social security payments are more likely than other families to live in poverty and hardship:

- An average single parent family spends half its income on rent, household bills, and food. Other families spend under one third of the budget on these essentials.
- According to a study by the National Centre for Economic and Social Modelling (NATSEM), in 2001 the proportion of single parent families in income poverty was 18% compared with 6% of couples with children.<sup>2</sup>



Source: Lloyd, Harding & Payne 2004, *Australians in poverty in the 21st century*, at <natsem.canberra.edu.au>.

Income poverty is not the only indicator of disadvantage among single parents. Research by the Australian Bureau of Statistics shows that they struggle to afford the essentials of modern living:

- An average jobless single parent family spends half its income on rent or home repayments, power and other household bills, and food. An average Australian family devotes just one third of its Budget to these essentials.

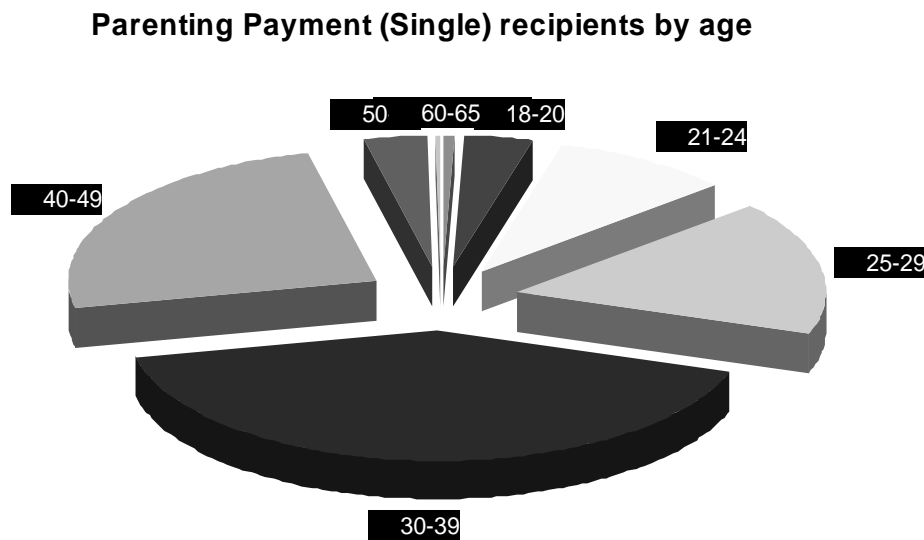
<sup>1</sup> Bray 2001, *Hardship in Australia*. FACS Occasional Paper No 4.

<sup>2</sup> Source: Lloyd, Harding & Payne 2004, *Australians in poverty in the 21st century*, at <natsem.canberra.edu.au>. Poverty line was based on 50% of median family income.

- Half of all jobless single parent families have no car.
- An average jobless single parent spends about \$6 per week on their children's education, compared with about \$30 per week for all families.<sup>3</sup>

**Fact 2: Most single parents are middle-aged separated mothers, not single teenagers**

Less than 3% of single parents are teenagers. Most are 30 to 50 years old and were previously married.



Centrelink data (2002)

There are many reasons that couples separate. Unfortunately, in many cases the single parents who rely on Parenting Payment had to leave violent or abusive relationships, or they separated under the financial strain of unemployment or the personal strain of raising a child with a disability.

**Fact 3: Almost half of single parents already have jobs**

Of the 240,000 single parents on income support with school age children, 110,000 (45%) have jobs.

Paid employment is one path out of poverty for single parents, and more are taking it. A growing proportion of single parents is employed, mainly in part time jobs. In 2002, almost half (48%) of all single parents were employed (27% part time and 21% full time), compared with just one third (32%) in 1983.<sup>4</sup>

<sup>3</sup> Smith Family 2003, *Barriers to participation*. This is based on ABS data on average household expenditures for different groups.

<sup>4</sup> Gray et al (2003) , *Changes in the labour force status of lone and couple mothers*, AIFS Research Paper No 33.

The proportion of single parents employed is lower among Parenting Payment recipients, since income support is generally only paid to the poorest families. However, around 45% of single Parenting Payment recipients with school age children – a major target group of Welfare to Work policy – already have jobs.

**Fact 4:      *The remaining jobless single parents will not get jobs easily***

The remaining 130,000 jobless single parents with school age children want to work but it will be difficult for them to find secure employment. The unemployment rate for single parents was 12% in July 2005, more than double the national average of 5%.<sup>5</sup> This suggests that the 55% of Parenting Payment (Single) recipients, with school age children, will find it harder to get a job than the 45% who already have one.

In a survey of jobless parents by the Department of Family and Community Services in 2001, 95% said they wanted to get paid work within the next five years.<sup>6</sup> However, when asked to rate their chances of getting it, over 60% of those who were actively looking for a job rated their prospects as ‘poor’ or ‘fair’.

**Barriers to employment for jobless single parents include:**

- 60% have only 10 years of schooling, reducing their job prospects by half
- Just over 50% have spent the majority of their ‘working lives’ since leaving school caring for children so have limited work experience.<sup>7</sup>
- Over 20% have experienced physical or sexual violence within the past year.<sup>8</sup>
- 45% have a mental illness, including 20% who suffer from depression.<sup>9</sup>
- Around 5% have a disabled child and a quarter have a disability themselves
- Many have recently separated, a major change in life that often involves moving home, new schools for children, and legal disputes
- Around 10% of Parenting Payment (Single) recipients move out of the capital cities each year due to marital separation or unaffordable rents, reducing their job prospects in the short term by about half.<sup>10</sup>

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<sup>5</sup> ABS, *Australian Labour Market Statistics*, July 2005.

<sup>6</sup> FACS 2002, *Welfare reform pilots*. Occasional paper No5.

<sup>7</sup> FACS 2002, *Welfare reform pilots*. Occasional paper No5.

<sup>8</sup> We estimate that at least 20% of Parenting Payment (Single) recipients have suffered physical or sexual violence within the past twelve months. This is based on the findings of the Violence Against Women Survey conducted in 2002. This survey found that 20% of separated women had experienced such violence in the last twelve months, compared with an average of 10% for all women. The vast majority of Parenting Payment (Single) recipients are separated from a previous partner. They are more likely to be recent victims of violence as they have relatively low incomes and the probability of recent violence is greater than lower the woman’s income. Single parents with a recent history of violence against them are less likely to be employed. The ABS Women’s Safety Survey found that victims of physical violence in the last 3 years had a 14% lower chance of being employed.

<sup>9</sup> Butterworth P 2003, *Estimating the prevalence of mental disorders among income support recipients*. FACS Policy Research Paper No 21.

<sup>10</sup> Between 1999 and 2000, around one in ten single parents on income support moved from a capital city to a non-metropolitan area. One quarter were recently separated and half indicated that the cost of housing in the city was a very important factor in their decision to move. But the move reduced their job prospects. Although 44% had a job when they lived in the city, only 18% had one in their new location.

It is very difficult for most single parents who have separated in the last six months or so to look for a job. The reasons for this include unresolved family court and child support issues, financial difficulties, the need to move house, and the effects of the separation (or the family problems that led to it) on the parent and their children.

The employment outcomes of single parents who participate in the Job Network illustrate the effects of these difficulties on parents' job prospects. Of those jobless single parents who obtained Customised Assistance in 2004 (the highest level of help available in the Job Network), only 11% obtained a full time job and 39% obtained part time employment (see table below). These figures include casual jobs that may only last a few months. There is also an 'upward bias' in these figures due to the fact that many of these job seekers joined the Job Network voluntarily, and voluntary participants in employment programs are usually drawn from less disadvantaged groups. Therefore, job outcomes for people compelled to join the Job Network under the Welfare to Work policy are likely to be much lower.<sup>11</sup>

Employment outcomes	Job Network Customised Assistance	Work for the Dole
Full time job	11%	4%
Part time job	39%	19%

Source: DEWR, *Labour market assistance outcomes*, year ending September 2004. Outcomes 3 months after participation in program. Includes short-term casual jobs.

## Effects of the Welfare to Work package on single parents

### ***Fact 5: Social security payments for many single parents will be lower***

If the Welfare to Work changes announced in the Federal Budget are passed by the Parliament:

- Over 95,000 single parents and their 160,000 children will have even less money to live on each week.
- Over 95,000 single parents whose youngest child is 6 to 15 years old, who claim income support after July 2006 will no longer receive Parenting Payment but instead receive Newstart Allowance or other, lower payments.

Single parents whose youngest child are 6 or over and who apply for income support after July 2006 will:

- be \$29 per week worse off (in July 2006) if they remain jobless

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This could be due to the move, higher unemployment in country areas, and a lack of affordable transport in non-metropolitan areas. See Marshall et al, 2003.

<sup>11</sup> The proportion of Job Network participants who obtain a job is a better measure of its 'success' than raw data on the numbers of single parents who obtained a job through the Job Network over a certain period of time. This is because we need to know how many participants in the Job Network did not achieve an employment outcome as well as how many did. For example, if 20,000 obtained a job but 40,000 did not, that would not on the face of it indicate 'success' in the present strong jobs market. Ideally, we should also know what proportion would have obtained a job anyway without employment assistance.

- be \$60 per week worse off if they study full time
- be over \$90 per week worse off if they earn over \$200 a week from a part time job.

Most single parents affected by the changes will go onto Newstart Allowance (if looking for a job) or Austudy Payment (if studying full time). These payments are much lower than Parenting Payment (Single). Also, students on Austudy Payment miss out on the \$32 per week Pensioner Education Supplement.

Further, Newstart Allowance and Austudy Payment are only indexed to increases in the Consumer Price Index whereas Parenting Payment (Single) is also indexed to average wages. Based on recent experience, the CPI could rise by 2.5% per year and average earnings by 5% over the next few years. This means that the gap between Parenting Payment (Single) and the other two payments will widen over time.

The table below shows how much worse off single parents in different circumstances will be on Newstart Allowance or Austudy payment, based on rates of payment in 2005-06 and in January 2009.

#### **Reductions in future social security payments for a jobless single parent with two school age children**

	Income support payment under Welfare to Work policy:	Loss of income (compared with Parenting Payment) as at:	
		2006-07 (\$ per week)	Jan 2009 (\$ per week)
Jobless	Newstart Allowance	-\$29	-\$38
Studying fulltime	Austudy Payment	-\$60 <sup>12</sup>	-\$72
Employed on minimum wage for 15 hours a week	Newstart Allowance	-\$96	

Source: NATSEM 2005, The distributional impact of proposed welfare to work reforms upon single parents; and ACOSS calculations assuming CPI increases of 2.5% per year and increases in average earnings of 5.0% per year.

Single parents who have younger children stand to lose at least \$50 a week in income when their child reaches 6 years of age, due to the Welfare to Work changes and the lower rate of Family Tax Benefit (part B) that applies to parents of school age children.

<sup>12</sup> This figure is for July 2006 rather than the average for the year 2006-07.

## Single parents who miss out on Parenting Payment: what payments will they get?

Payment received	Number of recipients (over 3 years from 2006) <sup>13</sup>
Newstart Allowance	86,200
Austudy Payment	3,800
No Payment	4,800
Total worse off	<b>94,800</b>
Disability Support Pension <sup>14</sup>	4,100
Carer Payment <sup>15</sup>	1,000
Total missing out on Parenting Payment Single <sup>16</sup>	99,900

Source: Response to Senate Estimates question, August 2005.

Based on our earlier analysis of the number of single parents likely to be worse off, we believe that the official estimate of 95,000 single parents going onto lower payments is on the low side.<sup>17</sup> Since very few of these 95,000 recipients will get a job earning over \$700 per week, the vast majority will be financially worse off.<sup>18</sup> We therefore regard 95,000 as a minimum estimate of the number who will be financially worse off over the first three years of the policy.

The table below shows ACOSS estimates of the breakdown of those single parents who will be worse off, by state.

<sup>13</sup> Numbers do not subtract precisely due to rounding.

<sup>14</sup> These payments are paid at pension rates, so no loss of income is sustained.

<sup>15</sup> These payments are paid at pension rates, so no loss of income is sustained.

<sup>16</sup> Single parents with children 6 years and over who would otherwise have received PPS.

<sup>17</sup> ACOSS Media Release, Monday 25 July 2005, *At least 300,000 Australians could be worse off if welfare law passed*. We estimated then that between 90,000 and 140,000 single parents would be worse off, depending on the details of the 'grandfathering' arrangements for existing PPS recipients – see box below.

<sup>18</sup> See analysis above under the heading '*Disincentives to take up part time jobs will worsen*'.

### Breakdown of single parents and children worse off by state

State	Number of recipients worse off	Number of children affected <sup>19</sup>	Percentage of those worse off in each State
NSW	25,650	42,836	27%
Victoria	14,250	23,798	15%
Queensland <sup>20</sup>	33,250	55,528	35%
Western Australia	13,300	22,211	14%
South Australia	2,850	4,760	3%
Tasmania	1,900	3,173	2%
N.T.	2,850	4,760	3%
A.C.T.	950	1,587	1%
Australia	<b>95,000</b>	<b>160,000</b>	<b>100%</b>

Source: Response to Senate Estimates question, August 2005 and ACOSS calculations based on growth in the numbers of recipients in different States over time.

#### ACOSS view:

*Whether or not they are required to seek employment, single parents whose youngest child is 6 to 15 years old should continue to be paid at pension rates, with pension income tests and supplements.*

#### **Fact 6: Proposed investment in employment assistance is not enough to overcome single parents' barriers to work**

ACOSS welcomes the higher investment by Government in child care and employment assistance for parents on income support. This includes \$80 million in annual investment in outside school hours' care and \$15 million per year on a new careers counselling service, Employment Preparation, in the Job Network. Single parents will receive up to 3 to 6 months of Employment Preparation through the Job Network, including \$300 to spend on training and other support.

<sup>19</sup> These estimates are based on the average number of children in single parent families.

<sup>20</sup> Queensland single parents are disproportionately affected. 35% of those affected live in Queensland, yet only 19% of the overall population lives there. Growth in new claims has been strongest in that state over the medium term.

However, the assistance provided will not meet be able to help all single parents return to work. Inadequacies in current funding include:

- Access to 'Customised Assistance' – the highest level of Job Network assistance – will be more strictly rationed due to \$500 million in budget cuts to Job Network.
- Only 5,000 extra places per year in vocational education and training are funded for the 30,000 parents each year estimated by the Government to move onto Newstart Allowance.
- Only 4,000 extra places per year in disability employment programs and the Personal Support Program are funded to assist those with disabilities and mental health problems.
- An extra 85,000 outside school hours care places are funded over three years, but many parts of Australia lack outside school hours care services, especially vacation care. It is not clear how many, if any of these places will be earmarked for jobless parents looking for work.

**ACOSS view:**

*Employment assistance for parents in the Welfare to Work package should be improved by offering more education and training places, removing proposed cuts to the Job Network budget, and expanding specialist employment services for people with disabilities and places in the Personal Support Program. A high proportion of additional outside school hours care places in each region should be earmarked for income support recipients. Subsidies for children with special needs (such as disabilities) whose parents are engaged in employment and other activities as a result of the Welfare to Work policy, should also be expanded and improved. Jobs, Education and Training (JET) child care subsidies should be approved on a rolling annual basis for parents undertaking education and training courses.*

**Fact 7: After 3 years, the Government will save as much in spending cuts to payments as it spends on employment assistance**

The Government argues that the policy is not designed to cut social security spending. If so, then the proposed cuts to future payments are unnecessary. They will not help single parents get jobs, they will only make them poorer.

Compared with the large number of parents needing help (180,000 jobless single and partnered parents with school age children plus 30,000 per year moving onto Newstart Allowance), the extra investment in employment assistance and child care is modest. By the third year after the changes are introduced (2008-2009), the extra \$250 million invested annually in these services will almost be matched by around \$225 million in reduced spending on social security payments.

**Cost of the Welfare to Work package for parents**

	First three years (2006-2009) \$ millions	Third year (2008-09) \$ millions
Employment assistance	436	128
Child care	242	119
Income support	-332	-225
<b>Total</b>	<b>346</b>	<b>22</b>

### New investment in employment assistance and child care

Program and extra annual places allocated	Details	Comment
28,000 <i>Job Network</i> places	Help with job search, ranging from one interview every 2 months to more intensive support (including around \$1,000 in a Job Seeker Account to buy training and other help) for the most disadvantaged job seekers participating in <i>Customised Assistance</i>	\$500 million in Job Network cuts announced in budget mean that access to <i>Customised Assistance</i> will be severely restricted
<i>Employment Preparation</i> through the Job Network	3 to 6 months of more intensive interviews and support for those without recent paid work experience, together with \$300 in the Job Seeker Account to buy training, etc	This replaces a similar voluntary program for parents called <i>Transition to Work</i>
84,000 <i>Outside School Hours Care</i> places	Before and after school care and vacation care for primary school age children	<ul style="list-style-type: none"> <li>- each family will typically need more than one place for each child (for example, before hours care plus after hours care plus vacation care),</li> <li>- places are not earmarked for income support recipients</li> <li>- outside school hours care is still not available at all in many regions</li> </ul>
Around 5,000 vocational education and training places	Short term courses in TAFE or similar	<ul style="list-style-type: none"> <li>- will only help a tiny proportion of recipients</li> <li>- very inadequate given low education levels</li> </ul>
Around 4,000 in <i>disability employment programs</i> or the <i>Personal Support Program</i>	<i>Disability Open Employment Services</i> and <i>Rehabilitation</i> services specialise in helping people with disability prepare for employment and get jobs. The <i>Personal Support Program</i> assists people with personal barriers to employment (such as poor mental health) prepare for employment	<ul style="list-style-type: none"> <li>- will only help a tiny proportion of recipients</li> <li>- very inadequate given likely high levels of disability and mental health problems among single parents</li> </ul>

### **Fact 8:     *Single parents face new activity requirements designed for people without caring responsibilities***

Single parents whose youngest child is 6 or over will be required to seek part time work of at least 15 hours a week and to join employment programs such as Job Network and Work for the Dole.

The standard Newstart Allowance requirements are designed for unemployed people without any caring responsibilities. They are too onerous for parents caring

for young children. For example, standard Newstart Allowance requirements include:

- looking for up to 10 jobs a fortnight
- accepting jobs that require up to three hours' travel time each day
- reporting to Centrelink once a fortnight
- participating in Work for the Dole, and
- a prohibition on full time study (they must go onto the lower Austudy Payment).

The Government acknowledges that parents can only be expected to look for part time jobs, that this should be subject to the availability of suitable child care, and that parents with a severely disabled child should be exempt. However, the only way to truly protect them against unreasonable requirements is to set limits on any requirements for parents in the social security legislation, including exemptions for those who have recently separated or experienced domestic violence. It is not good enough to leave this crucial issue to the discretion of Government Ministers, without the Parliament having a say.

**ACOSS view:**

*The social security legislation should contain specific protections against unreasonable or impractical activity requirements for parents, including:*

- *exemptions for parents with large families, those with a severely disabled child, and those who have recently separated*
- *taking account of the needs of children, including the availability of child care services considered suitable by the parent, and work and travel times*
- *taking account of the barriers to employment facing victims of domestic violence, those with mental illness, and those undergoing a personal or family crisis.*

*The legislation should specify that any requirements should be on a part time basis only (averaged over a number of weeks rather than a fixed number of hours per week) and at times that are flexible and consistent with the needs of children.*

*Parents should be encouraged to pursue further education and training to improve their career prospects. They should be able to fully meet their activity requirements by undertaking appropriate part time education and training.*

*Any activity requirements should be genuinely designed to improve future job prospects, not activity for its own sake. Parents should not be required to undertake Work for the Dole.*

**Fact 9:      *Single parents could have no payments for up to eight weeks if they breach their activity requirements***

The Welfare to Work policy exposes parents to the risk of financial penalties imposed on Newstart Allowance recipients for not complying with activity requirements. Income support will be suspended until recipients comply, possibly without giving the recipient the chance to explain their circumstances to Centrelink first.

The maximum penalty proposed is eight weeks without any income support. This could be imposed for minor 'offences' like not turning up at Job Network interviews three times in twelve months. The Government has indicated that it will devise an emergency relief scheme to meet the cost of basic essentials for families affected by

this eight week penalty, but most single parents on income support need every cent of their payments just to cover essentials.

**ACOSS view:**

*The Social Security legislation should be amended to ensure procedures for breaching and penalising people for not complying with activity requirements are fair and transparent and understood by recipients, that penalties should only be for serious breaches rather than missing an appointment, and the maximum penalty is less than the proposed eight weeks without payment.*

**Fact 10: The Welfare to Work changes contain significant work and study disincentives for single parents**

Social security payments are income tested so that only people on low incomes can get them. This means they lose some of their social security payment as their earnings increase. Under the welfare to work changes:

- those who are paid Newstart Allowance instead of Parenting Payment will lose 50 cents for every dollar earned between \$31 and \$125 per week and 60 cents of every dollar they earn above \$125 per week. Unlike the pension income test 'free area' that for Newstart Allowance does not increase along with the number of children in the family. This is without taking account of income tax, which will be higher due to the loss of the pensioner tax offset.<sup>21</sup>
- the effective marginal tax rates facing a single parent earning between \$50 and \$150 per week rise from 40 cents in the dollar or less for Parenting Payment (Single) to 65 cents in the dollar or more on Newstart Allowance.

**Effective marginal tax rates facing a single parent with two children over six years on Parenting Payment and Newstart Allowance (2006)**

Private Income	Effective Marginal Tax Rates		
	Parenting Payment Single	Newstart Allowance	Change
	%	%	Percentage point
\$0	0	0	0
\$50	0	65	65
\$100	40	65	25
\$150	40	75	35
\$200	57	75	18
\$300	68	66	-2
\$400	66	66	0
\$500	66	34	-32
\$600	78	30	-48

Source: NATSEM, Distributional impact of proposed welfare to work reforms upon single parents, August 2005. Note that the proposed easing of the Newstart Allowance income test is taken into account.

<sup>21</sup> By comparison, under the pension income test for Parenting Payment Single, the first \$61 per week, plus \$13 per week for every additional child, is income test-free. Private income above that level reduces the payment by just 40 cents in the dollar.

To be better off under the proposed welfare changes (compared with what their net income would have been under the present system), a single parent would have to be employed full time and earning over \$700 per week. This is the current income level at which single parents go off Parenting Payment Single completely due to the income test.

Few single parents earn that much income. In fact, the Welfare to Work policy recognizes this as it does not require parents to seek full time employment, in recognition of their caring responsibilities.

There are also significant disincentives for single parents to study under the welfare changes despite the fact that over 80% of jobless single parents want to study full time to improve their job prospects. This is not surprising when most have only year 10 qualifications or have been out of paid work for a long time.<sup>22</sup>

Financial disincentives for single parents considering further study include:

- single parents who go onto Austudy payment will be \$60 per week worse off in 2006, and more in future years.
- under the Welfare to Work policy it is proposed to restrict access to Jobs, Education and Training (JET) child care subsidies. These are currently paid in addition to Child Care Benefit to help people on Parenting Payment with their child care costs while they work or study. The subsidy covers most of their gap fees, which would otherwise average about \$60 per week for two children in full time outside school hours' care.

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<sup>22</sup> FACS 2002, *Welfare reform pilots*. Occasional Paper No5.

## **Sources:**

### **Single parent poverty**

Smith Family 2003, *Barriers to participation*. This is based on ABS data on average household expenditures for different groups.

Lloyd, Harding & Payne 2004, *Australians in poverty in the 21st century*, at <natsem.canberra.edu.au>. Poverty line was based on 50% of median family income.

### **Single parent characteristics**

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### **Barriers to employment**

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### **Cuts to future social security payments**

ACOSS calculation and NATSEM 2005, *The distributional impact of proposed welfare to work reforms upon single parents*.

### **Cost of the Welfare to Work parent's package**

Source: Response to Senate Estimates question W157-06 from Senate Employment, Workplace Relations and Education Committee, August 2005; and Budget Paper No 2, 2005.