

Council of Single Mothers and their Children, Inc

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

16th August 2012

Dear Secretary,

Submission to inquiry into *The adequacy of the allowance payment system for jobseekers and other, the appropriateness of the allowance payment system as a support into work and the impact of the changing nature of the labour market.*

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 approximately 2,300 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. While allowance payments apply to a number of groups of Australians, this submission particularly focuses on the adequacy and appropriateness of allowance payments for parents raising children on their own. It is abundantly clear from the conversations we have with women that regardless of the income support payment that single mothers are eligible for, these families already experience severe disadvantage. Newstart Allowance is both an inadequate payment and inappropriate to the needs of these women.

Thank you for the opportunity to contribute to the discussions on this important issue. If you would like further information relating to this submission or the work of CSMC, please contact us on (03) 9654 0327.

Yours sincerely

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“There just doesn’t seem to be any way I can get ahead. I’ve always worked, part time so that I can look after my kids, but the way things are set up I feel like I’m always running to keep up. I lose so much of Newstart payment when I work it’s ridiculous. It’s like everything is designed to make things harder for single mothers. In the end it’s the kids that miss out. I’m always stressed and tired; I can’t take them to friends because I have to work; and despite all this effort I’m no better off financially, so they still miss out on the things other kids do.”

Single mother of two primary school aged children

The position of single mothers

22% of Australian families with children who are school age or younger, or 500,000 families, are headed by single parents. 87% of these are headed by single mothers.¹

Single mother headed families are the most disadvantaged family type in Australia.² In 2003-2004, single mother families had an average income of \$364 a week³, putting them at or below the poverty line at that period of time.⁴ Over half the contacts CSMC receives from single mothers are directly related to the impact of financial hardship on their life – and the majority of these women are seeking emergency relief to help them meet the essentials of life – food, housing, paying bills and meeting their children’s school costs.

Research has time and again confirmed our experience – that single parents are at much higher risk of poverty than other family types. Recent ACOSS research has demonstrated that single parents reliant on income support – either Parenting Payment Single or Newstart Allowance - are at high risk of experiencing multiple deprivation.⁵ However, the contacts we have from single mothers illustrates that single mothers who are working, or combining work and part income support payment, 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 mothers.⁶ For those who aren’t in the workforce it is a result of numerous barriers (elaborated below), particularly the limited flexibility resulting from parenting alone, rather than a lack of willingness or motivation.

In reality, up to 60% of single mothers may be undertaking paid work in any year, but this may take the form of multiple episodes of casual paid work.⁷

¹ ABS (2007), *Australian Social Trends, One-parent families*, Catalogue 4102.0, Australian Bureau of Statistics downloaded www.abs.gov.au

² *ibid*

³ *ibid*

⁴ MIAESR (Melbourne Institute of Applied Economic and Social Research) (2004) *Poverty Lines: Australia, June Quarter 2004*. Downloaded 24/10/08 at: <http://www.melbourneinstitute.com/labour/inequality/poverty/June2004.pdf>

⁵ ACOSS (2012) *Who is missing out? Material deprivation and income support payments* ACOSS Paper 187

⁶ ABS (2007), *Australian Social Trends, One-parent families*, Catalogue 4102.0, Australian Bureau of Statistics downloaded www.abs.gov.au

⁷ AIFS (2003), Gray M, Qu L, Renda J, De Vaus D, *Changes in the Labour Force Status of Lone and Couple Mothers 1982 – 2002*, Australian Institute of Family Studies, Research Paper No 33

Single mother headed families are also more likely to live in rental housing, public or private, than the population in general.⁸

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'.

Responses to Terms of Reference

(a) The adequacy of the allowance payment system for jobseekers and others, with particular reference to the adequacy of the Newstart Allowance payment as an income support payment for jobseekers and the adequacy of all other allowance payments that support a range of recipients who study or provide care;

Payment rate:

Newstart Allowance is inadequate as an income support payment, particularly for principal carer parents. Newstart allowance does not provide a livable income level for recipients, nor does it provide them with the foundations to meet the costs of looking for and obtaining work.

There is now widespread, and increasing, recognition that Newstart is an inadequate payment. ACOSS, ACTU, key business leaders and economists, including the Business Council of Australia and outgoing Australian Industry Group head and new Reserve Board Bank member Heather Ridout, along with a range of academics have all called for an increase to Newstart Allowance, along with the Henry Tax Review and even the OECD. It is time that the recommendations of these authorities are acted on.

In 1980, the Age and Disability Support Pensions and allowance payments such as Newstart were paid at the same rate⁹, recognising the similar needs of the various recipient groups to a liveable income. Over the years however, a marked gap has arisen between these payments: Newstart Allowance is \$245 per week (or \$265 per week at the 'with child' rate); Parenting Payment Single \$324 per week; while the Aged Pension (single) is \$348 per week.

This disparity has arisen due, mainly, to the anomaly of different indexation rates being applied over the years to pensions and allowances – Newstart is indexed to the Consumer Price Index (CPI), while pensions have increased by the greater of CPI, Male Total Average Weekly Earnings or the Pensioner and Beneficiary Cost of Living Index. The CPI has consistently increased at a lower rate, resulting in smaller increases to Newstart allowance.

It is also important to note that basic cost of living items, in particular housing, food and utilities, have been increasing at a faster rate than CPI. As these items make up the bulk of expenditure for allowance recipients their costs have been increasing at a greater rate than the value of the payment. The real value, or purchasing power, of allowance payments such as Newstart has, in effect, been declining over time.

⁸ ABS (2007), *Australian Social Trends, One-parent families*, Catalogue 4102.0, Australian Bureau of Statistics

⁹ ACOSS (2012) *\$35 a day: not enough to live on*,
http://acoss.org.au/images/uploads/Newstart%20Allowance%20brochure%20FINAL_March%20version.pdf

Widening this gap was the \$32 per week increase to pensions in response to the Harmer Pension Review of 2009. This increase was not extended to Newstart Allowance or Parenting Payment.

Other limitations

Newstart Allowance has other shortcomings that contribute to it being an insufficient payment to survive on:

- Low threshold amount at which payments reduce as income is earned. In 1986 this income threshold was set at \$30 per week. The only change to this threshold was an increase of \$1 per week in 2000. This threshold level has since remained unchanged, and is equivalent to *less than two hours work* at minimum wage. Once a Newstart recipient receives more than this amount of income from work their payment starts to reduce.

In contrast, the income threshold for Parenting Payment Single is \$88 per week, allowing them to retain more of the income they earn from work.

- There is a single 'with child' rate of Newstart Allowance (of only \$20 more than the single rate) which does not increase with in line with the number of children. Parenting Payment Single, in contrast, recognises the additional costs involved in raising additional children, with the earnings threshold increasing for each additional child.
- The rate at which payments withdraw at this threshold – the taper rate – also has a significant impact on the amount of earned income retained. For pensions and Parenting Payment Single recipients the taper rate is 40 cents in the dollar; however for Newstart Allowance this rate is much tighter and more complex. For income between \$31 and \$125 per week payments reduce at 50 cents in the dollar while it reduces at 60 cents in the dollar for income over \$125 per week.

In January 2013 the Newstart Allowance taper rate for single principle carers will be changed to 40 cents in the dollar, allowing these recipients to retain more of their earnings. However, it still means that almost half payment is withdrawn at a very low level of earned income, creating an Effective Marginal Tax Rate (EMTR) that is substantially higher than that imposed on people with very high incomes. Nonetheless, this change in taper rate should be extended to all Newstart recipients.

- The Pensioner Education Supplement is not available to those on Newstart Allowance. Many single parents who have been solely reliant on income support payments for over a year have low levels of education. However, the combination of low income support payments, and no financial assistance to help with the costs of education, will put education and training, and improved job prospects, out of reach for them.

Newstart Allowance has been designed for short term reliance on the payment and is particularly poorly suited to those with partial capacity to work, such as single parents, a limitation acknowledged in the joint submission to this inquiry by DEEWR, DHS, FaHCSIA and DIISTRT.

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.

Prior to 2006 the reduced capacity for single parents to enter paid employment, along with the care needs of children, was recognised in the income support system, and single parents were eligible to remain on Parenting Payment Single, paid at a higher rate, until their youngest child turned 16. In a policy move seemingly based on an erroneous assumption that single parents are unwilling to work, the Howard Government in 2006 introduced the Welfare to Work changes, resulting in single parents only being eligible for PPS until their youngest child turned eight.¹⁰

At the time, there was strong opposition to this change, with opposition parties recognising that Newstart Allowance is an inappropriate payment for single parents with caring responsibilities.

As Senator Chris Evans, [then] Shadow Minister for Social Security said in a media release in 2005:

"Simply cutting payments for people on welfare does nothing to help them get paid work, which is the best way out of poverty. By cutting payments to vulnerable Australians who are already financially disadvantaged, the Howard Government's budget will increase income inequality rather than reduce it"

And the Dissenting Report of ALP, Democrats and Greens, Senate Community Affairs Committee Inquiry into the *Welfare to Work* legislation 2006 stated:

"1.91 Furthermore, the planned expanded use of Newstart Allowance in place of specific payments for particular need groups – single parents and people with disabilities – will erase the specific provisions which have enhanced the effectiveness of Australia's social security safety net. Newstart Allowance was designed for the short-term income support of individuals without significant caring or health or disability issues seeking full-time employment. We consider that trying to make the payment fit the needs of people with family obligations, health and/or disability issues and with part-time or intermittent availability linked to these circumstances is going to be a continuing problem that will be played out across the lives of people who are already experiencing disadvantage and hardship."

The deficiencies of Newstart Allowance as a payment for parents with caring responsibilities, and hence partial capacity for paid work, has been highlighted by the hardship experienced by single parents who have had to move from Parenting Payment Single to Newstart Allowance when their youngest child turns eight since these changes were introduced.

Interaction with other social policy areas

The argument is sometimes made that parents on income support receive other payments that raise their level of income, such as Family Tax Benefit, and hence do not need an increase in the basic payment. These however are payments available to all families, and are designed to assist with the costs of raising children, not to meet general living costs. The maximum rate of FTB is paid to parents with incomes up to \$47,000pa and recognises that there are significant costs involved with raising children. The availability of these payments should not be used to counter the inadequate level of income support payments.

¹⁰ Parents already on PPS were 'grandfathered', and able to remain on the payment, with participation requirements, until their youngest child turned 16. Legislation currently before Parliament will remove this grandfathered status, meaning all parents will be eligible only for Newstart Allowance once their youngest child turns 8 years of age.

A little recognised, but major, deficiency in the FTB structure is way that single parents, despite their low incomes, often end up with less FTB payments than coupled parents. Where care of children is shared with the other parent between 35 – 65% of the time, FTB payments are split between the two parents, regardless of who meets child related expenditure, and the fact that it costs more overall to raise children in two households.

Adding to this is the Maintenance Income Test, which reduces the amount of Family Tax Benefit paid by 50 cents in the dollar for child support received in excess of \$1,445.40 pa (or \$28 per week). Many single mothers receive reduced amounts of Family Tax Benefit despite care not being taken up by the other parent, or assessed child support not being paid.

The Ministerial Taskforce on Child Support (2005) clearly stated that “The Maintenance Income Test (MIT), which dictates how much child support is taken by the Government to recoup some of its expenditure on FTB for the resident parent, is poorly aligned with government policy on support for families. The consequence of the MIT is that many separated parents receive less FTB A than they would if they were living together”.¹¹

It went on to recommend (Recommendation 9.3) that “The MIT’s free area, taper rate and scope should be reviewed in order to ensure that the operation of the MIT does not claw back FTB A beyond the level paid to equivalent intact families.”

Unfortunately this recommendation has still not been implemented and the effective benefit of child support received to contribute to the care and raising of children is still being eroded.

A further inadequacy with Newstart is the payments failure to keep up with changes in the Family Law system. This system now encourages shared parental responsibility, and time, however where the care of children is shared equally between the two parents, only one of them is able to be designated principal carer with the reduced participation requirements of someone with caring responsibilities.

Impacts of low payments

Voices of single mothers

CSMC hears regularly of the struggles single mothers face in surviving on Newstart Allowance, and two of these women’s experiences are described below. It is clear from their descriptions that Newstart Allowance not only increases their financial vulnerability, but is inappropriate to the needs of parents.

- i) a member describes the impact of the drop in income after becoming ineligible for PPS six weeks earlier:

“It’s been a huge squeeze for my budget, my income is now \$100 less a week and I’ve had to be really clever at making budget changes. I’m great at budgeting anyway but unfortunately the

¹¹ Ministerial Taskforce on Child Support (2005) *In the Best Interests of Children — Reforming the Child Support Scheme. Summary Report and Recommendations of the Ministerial Taskforce on Child Support*, Commonwealth of Australia.

area the money has to come from has been things like food and everyday spending because I can't change my bills and my overheads so we've noticed a great difference over the last six weeks. It has been really difficult because a lot of the flexibility is in my food spending. I've had to really look closely at what we eat each week and really go through the cupboards to see what I can creatively make into something that'll be nutritious because it's just really difficult to buy those sorts of things we always had bought with the income that I had prior to becoming ineligible for parenting payment.

I can see where it's difficult but I think the government is really aiming at the lowest of income earners because there's just not a lot of room to move for people who are single parents. I've been anticipating these changes and I'm retraining for another position that's a bit more family friendly that can give me a regular income but I just find that around this area, and I think this is true of a lot of regional areas, that in the kind of work that I do, there's not so great a choice of employers so it's tricky to get work that is family friendly, and the things that I'm always challenged by are what about child care? What about dropping off to school? And while there's after school care it's just really difficult to hold down a regular job when there's no child care.

Even though I'm trying to work at extra work, it's casual work that's insecure employment as well, so it's not regular income. The amounts of money that I no longer get, I just don't see that they're made up with the extra payments the government has talked about in the budget. Single parents aren't a homogenous group. I've actually got a great job and I'm in work already.

I took very little time off when my daughter was born so for me it's not about getting into work, I've got work, it's just that it's not family friendly and child care is only after school. And the other thing is that actually I became a parent to be a parent and I work with families and children and I know how important parents are to children. I would like to be with my daughter and I want to be able to blend parenting and working but in regional areas with the lack of choice in jobs it's just not really possible to do that. Cheaper child care's great but I can't leave my daughter in the playground at seven in the morning when I drive off to work."

- ii) Another member has a child who has turned 8 since the 2012-13 budget announcements that remove the grandfather provisions of Parenting Payment Single. She wrote to us about the affect these changes have already begun to have:

"I just don't know what to do. I was doing ok up until now and the worry is literally making me sick. I've worked so hard to keep going forward and now I feel totally betrayed, I've been given this huge kick backwards. My child's father wouldn't pay child support, he didn't even meet her until she was six and that was only because I tracked him down because she was really wanting to know him.

I put her in child care and did a degree full time from when she was two years old, even though she didn't like it and was probably a little young. I always said I still wouldn't change a thing because I needed that education for us, so I could get a decent job and support us. I got a job the same month I was completing Uni, November 2008, and have been in the same permanent part time position ever since. I already do ten hours more a fortnight than the work requirements expect of me. I have always felt like one of the lucky ones. Sure we've only been able to save up for one driving holiday since she was born in 2003 but I can afford clothes, most school expenses, food and being lucky enough to have social housing, our rent and bills.

These changes make me feel like I did before we managed to get into a housing cooperative and we had to move from private rental to private rental every couple of years. When we

finally got the place in the coop my daughter and I had lived in 4 different houses before she was six years old.

I feel like the security we gained has now been taken away.

I work for a small community organization and I'm not the only staff member here who will be affected as of January 1st 2013. This agency doesn't have the capacity to increase our hours of work, or our pay, so now we have to look for a second job or another job entirely. What are the ramifications of this for agencies like ours who employ so many women, many of them part time?

Those of us lucky enough to have permanent part time positions will find we now can't make ends meet. We can't manage full time work so we'll end up in and out of casual employment and actually more welfare dependant than we are now, often needing full benefits and having no security, instead of the current small top up the Parenting Payment gives to our income.

Every school holidays my child gets upset and complains that I'm not there for her while she is shunted around to family and parents of her friends as I juggle work and caring for her. I always feel guilty and stressed at these times as it is but we were getting by. I'm lucky enough to have some family support. Now I just feel sick. I cry all the time because everything is so uncertain every little and big thing, from a treat of going out for ice-cream to keeping up with the costs of her schooling.

Ever since the announcement I have been looking for a second job so that we can afford to live from next year. Who knows how I'll juggle the child care? I can't think about this, I'm just terrified. I've had one interview since May and it's July. So where are these jobs they're talking about? I am educated and already employed yet I'm still finding it difficult. I can only imagine how desperate someone suffering after a difficult divorce, with a few children, no recent work history and little education must be feeling. It's hopeless and hopelessness does not help people work and raise their children."

CSMC Experiences

CSMC hears daily from single mothers who are unable to meet the costs of living and have to resort to approaching emergency relief providers just to put food on the table. These women are trying to get by on low wage employment, a range of income support payments (PPS, Newstart Allowance, Disability Support Pension, Carers Allowance) or a combination of these. Due to their low incomes and the escalating costs of living they are unable to accrue savings, so any additional expense, such as a higher than expected bill, car repairs, purchasing school books, medical expenses etc can exceed their budget. Moving house, with the many large costs involved, can cause lasting hardship for many single mother families. Expecting parents to survive on Newstart Allowance will only increase the need for them to seek assistance from emergency relief providers.

This in turn has serious repercussions on the community organisations that provide emergency relief. In the report on emergency relief in Victoria, *Under Pressure*¹², single parents were the largest respondent group. The report argued that:

¹² Engels, Nissim & Landvogt (2009) *Under Pressure: Costs of living, financial hardship and emergency relief in Victoria* VCOSS

“In a socially just society which provided for the equitable distribution of resources, emergency relief would not be required. If the structural reforms and recommendations of this research were implemented by State and Federal Governments, individuals and households would be better placed to balance their budgets and cover emergencies without having to seek emergency relief assistance”.

The first recommendation in the report was that the Federal Government increases the rate of Newstart Allowance, Youth Allowance and Parenting Payment.

(b) the appropriateness of the allowance payment system as a support into work, with particular reference to:

(i) the effectiveness of the payment as an incentive into work,

(ii) the effectiveness of the allowance payment system in facilitating transitions between working and other activities, such as studying, caring and retirement, or in the event of illness or disability, and in helping or hindering recipients to overcome barriers to employment, and

(iii) the impact of the differences between pensions and allowances on the transition between working and other activities;

Single parents face a range of barriers and challenges to returning to paid employment which have nothing to do with either their level of motivation or the rate of payment they receive. While clear to those of us who work with, or are, single parents, the complexities of their situations have too often been overlooked by policy makers.

Individual submissions to this inquiry clearly - and distressingly - articulate what the lives of single mothers are like as they struggle to survive on low levels of income. The contacts CSMC has with single mothers mirror the experiences of those individuals who have provided submissions to this inquiry.

What is overwhelmingly apparent is that single mothers do work, and for those who don't, it is not a lack of motivation, rather a range of significant barriers that prevent them from doing so. These barriers are not related to the rates of income support payment, so denying them a livable income (by restricting eligibility to the low paid Newstart Allowance) serves only to push families further into poverty and hardship.

The first point to highlight is that, as all parents know, raising children is, in itself, valuable, important work. Indeed, it could be argued that successfully raising Australia's next generation of citizens, workers and parents is the most important job there is. To use the description of 'jobless families' to describe those not in the paid workforce is, in itself, offensive and denies the important role of parenting.

Nonetheless, parents are well aware of the value of working – for economic reasons, to enhance community involvement and connectedness and to provide a positive role model for children. CSMC recognises the many benefits of paid employment, and is fully supportive of a system that provides meaningful supports to parents to re-enter work. However, such a situation should not be at the expense of the health and wellbeing of an individual or family. Disturbingly, public policy

rhetoric in recent years has painted a picture that single parents do not wish to work, and that they have to be forced, through dramatic cuts to payments, into the paid work force.

Putting aside the argument of the intrinsic value of parenting, single parents face a number of barriers to employment that predominately flow from their caring responsibilities:

- **Parenting alone** means that single mothers have less flexibility when seeking work. A large proportion of the part time jobs available are in hospitality, retail and care sectors, with hours of work in the evenings or on weekends. Without a partner to care for children, these sorts of jobs are not able to be taken up by single parents. With around 12 weeks of school holidays each year, compared to the award standard of four weeks annual leave, one parent has much less flexibility to juggle these periods with employment.
- **Child care**, whether for pre-school aged children or before/after school care and vacation care, is not as straightforward as is often portrayed:
 - It can be non-existent in many areas, particularly in outer metropolitan, rural and regional areas.
 - In other areas long waiting lists mean that it cannot be accessed when needed. With greater casual employment parents can find that the requirement to book a child in for specific days of care does not correspond to the changing days of employment.
 - There is no care for children once they start high school, yet many children of this age may not have the maturity to care for themselves after school, particularly for extended periods of time.
 - There is no child care available at weekends, early mornings or evenings.For parents without family supports to assist with child care this limits their employment options.
- **Lack of family friendly jobs.** The legislated participation requirement for single parents is for work (or job search, training or volunteer work or a combination of these) of at least 30 hours a fortnight. These requirements clearly recognise that single parents have caring responsibilities and that they should not be required to take on work that would place the care of their children in jeopardy. On the face of it these seem like reasonable requirements. However, in reality there are very few family friendly jobs available that are within school hours, and this is particularly the case in areas where child care is limited.
- **Care for sick children.** When children are sick or there are curriculum days from school, parents need to have the flexibility to take time off from work to care for their children. Unfortunately there is a lack of jobs that recognise these responsibilities. Again, without another parent around with whom to juggle these needs, the difficulty of meeting these care requirements is exacerbated for single parents.
- **Precarious employment.** Many jobs, particularly those requiring lower levels of skills and training, are in highly casualised and precarious sectors. We hear regularly from single mothers who, having taken a day off to care for a sick child, is subsequently no longer offered

shifts – in effect losing her job.

- A number of single parents are living with a **disability or recurrent illness** that is not severe enough for them to be eligible for Disability Support Pension, but is significant enough to affect their employability. Illnesses of an episodic nature are particularly poorly accommodated by our current systems
- Single parents with a **child with an illness, disability or special needs** face particular challenges. These conditions may require attendance at medical appointments, care at home, or the parent to be available to attend the school with the child, or collect the child from school at short notice. It is a rare employer who is able to provide the flexibility these parents need to care appropriately for their children.
- The current income support system is based on a **rigid and inflexible fortnightly cycle**. Despite the prevalence of casual work, the system does not allow for the averaging of hours of work or wages over a longer period of time, which might enable parents to work more when they are able, to make up for times they need to care for their child. We have also heard of ridiculous situations where parents are in well paid jobs, but for less than the required 15 hours per week, who have been forced to find a lower paid job that meets the 15 hours requirement *even when* this means they end up with less income.
- The repercussions of **domestic violence** and relationship breakdown have significant effects on single mothers. The need to find new housing, transfer children's schools, deal with the family law system, all take up significant amounts of time. Exemptions from participation requirements at these times do recognise that it is unreasonable to expect parents to be seeking work while they re-establish themselves, and that these events form a significant barrier to employment. However, these women are still expected to survive on Newstart Allowance.
We are deeply concerned that the low level of this payment may prevent women from leaving violent relationships.
- **High housing costs** mean that many single mothers relocate to areas where housing is cheaper, however these areas are generally more isolated and a long distance from employment. Rapidly rising rents and limited tenure have meant that many are constantly on the move, with the costs and disruption this entails. Homelessness is too often the consequence for single parent families.
- **Costs associated with finding and maintaining work**. There are considerable costs involved in working – travel, child care, purchase of suitable clothing, computer and internet connection and phone costs. These are recognised in the current 'financial suitability test', where a parent may decline to take a job if they will not be \$25 per week better off. While there are problems with this test – many job hunters are not informed of it, only certain expenses can be included in the calculation, and it doesn't assist with meeting the expenses involved with actually seeking work – the existence of such a test recognises the costs incurred with work. Meeting these costs is significantly harder on the lower level of Newstart Allowance.

In this lengthy list of barriers, it is clear that it is not the level of the payment that is getting in the way of employment for single parents. Unfortunately, the aggregated statistics on unemployed single parents used by DEEWR and other policy makers fail to identify any of these barriers, obscures the reality of the lives of individuals, and thereby perpetuates the myth that single parents are reluctant to work.

Newstart Allowance does not address any of these barriers – and indeed may exacerbate them as parents will have little income to pay for child care, transport, work clothing and the like. Likewise, it is clear that many of the barriers are structural – the lack of secure, family friendly jobs, limited child care, high housing costs and an inflexible and unresponsive income support system. Again, none of these are addressed by Newstart Allowance.

CSMC fully supports moves to assist single parents to enter and retain employment. We recognise the value of work in improving the financial circumstances of families and the benefits from flow from this. However, an effective system would provide an adequate income, and positive support in addressing barriers, while the transition to work is negotiated. Newstart Allowance does not meet these requirements.

(c) the impact of the changing nature of the labour market, particularly the rise of insecure work and decline of unskilled jobs, on the:

- (i) nature and frequency of individual interaction with the allowance payment system, and***
- (ii) over and underpayment of allowances to recipients.***

Many single mothers seek part time work to enable them to combine employment with caring for their children. Unfortunately this work is becoming increasingly casualised, bringing with it a range of repercussions for single parents. When there is no other parent with whom to share the care of children it is particularly important for parents to have permanent, secure jobs. Permanent employment brings with it a number of important features:

- it allows parents to plan their week, including making child care arrangements. Many child care providers operate at or close to capacity, and parents need to nominate the days they need care. It is often difficult, if not impossible, to swap care days or book children in for additional days. Child care costs can add up, even with the various government subsidies. If days of work are changed, even if a parent can arrange extra child care, they are then left having to pay for a day's care they may not need.
- With permanent jobs come entitlements such as sick leave and annual leave. Parents are then able to take time off work if a child is sick, or during school holidays, knowing that they will still have a job when they return.
- Regular income, which enables budgeting. As described earlier, many single parents experience marked financial hardship, often having no savings to fall back on. A regular, known income enables more effective budgeting.

While these features are also important to couple families, a single parent does not have someone else with whom to juggle children's care, or to provide a financial 'fall back'.

Unfortunately the part time jobs that are available are increasingly casual jobs, with no certainty about the amount of hours worked (and income earned), when these hours will be, and no leave entitlements. While this is particularly the case for jobs in the retail and hospitality sectors (areas that single mothers are often directed into), the recent inquiry into Insecure Work¹³ found that nearly all industries have experienced strong growth in casual work in the last decade.

CSMC hears regularly from single mothers caught in a trap between caring for their children, casual work and their Centrelink requirements – particularly when their children are unwell. Women talk to us of being fearful of taking time off work to care for sick children as they worry what the consequences will be for their jobs. Time and again, we hear from women who need to care for a sick child, only to discover that they no longer have a job, or that they are treated poorly as a result, with fewer shifts, or given work at times they cannot attend (eg at night), in effect losing their job.

The requirements of Centrelink can then worsen this situation – the time to start receiving, or increasing, payments from Centrelink, along with the poor way many single mothers are treated by staff. Poor alignment of reporting dates with the dates that income is received exacerbates the complexity of systems. Over- and under-payments can result from a rigid system that was not designed with casual work in mind.

Added to this are the differing criteria of the range of payments and systems that may impact on a single parent - Parenting Payment Single, Newstart Allowance, Family Tax Benefit A and B, Rent Assistance, Youth Allowance, Child Support, state government concessions, public and community housing rents, Child Care Benefit and tax offsets - which all have various definitions of income, ages levels, taper rates, rates of payments, income free areas, calculations of rates of care etc.

This complexity can make it extraordinarily difficult to accurately calculate the real returns from work, to budget, and too often results in over or under payments.

CSMC recommends that:

- The rate of Newstart Allowance be increased by a minimum \$50 per week as a matter of urgency, and subsequently be brought into line with pension rates of payment.
- Newstart Allowance be changed to remove its other shortcomings:
 - indexation to be aligned with that of pensions,
 - increase the earnings threshold to be the same as for pensions, and that this threshold be indexed,
 - increase the earnings threshold for each additional child,
 - reduce the taper rate for all Newstart Allowance recipients to that of pensions,
 - extend eligibility for the Pensioner Education Supplement to Newstart Allowance recipients,
 - where children are cared for in a shared care arrangement, both parents be eligible for

¹³ Independent Inquiry into Insecure Work (2012) *Lives on Hold: Unlocking the Potential of Australia's Workforce*

principal carer designation.

- Improvements be made to Centrelink systems:
 - to simplify income declaration processes and to support transitions between casual work and income support,
 - improve the responsiveness of Centrelink systems to ensure that job search requirements and work undertaken by single mothers is of overall benefit to the family, and particularly does not have a negative impact on the wellbeing of children

- Undertake a comprehensive review of the income support and employment systems, including:
 - determining the costs of living on which to base payment rates,
 - the supports and barriers to employment for single parents, and that this is done in collaboration with single parents and the organisations which represent them,
 - the interaction with other systems and payments to remove anomalies such the Maintenance Income Test.

- Systemic changes be made to improve work participation of single mothers:
 - increase the number of secure, part-time jobs with family friendly hours,
 - reduce the costs of child care,
 - provide financial assistance to help with the costs of seeking and obtaining employment,
 - explore flexible child care options to provide greater opportunities for single parents to work outside conventional hours,
 - improve the services provided to people looking for jobs, particularly the attitudes of policy makers and service providers.