



15 June 2011

[sent to all MPs and Senators]

Dear

Yesterday ACOSS emailed Federal Parliamentarians to raise a number of concerns we have about social security payment changes announced in the Budget. While ACOSS broadly supports policies that better equip people to take up paid employment and leave income support, we do not believe it is necessary to cut the amounts of income support payments people receive in order to do this.

The three measures are:

1. Payment cuts of \$56 per week for around 25,000 sole parents with 12-15 year old children;
2. Payment cuts of \$43 per week for young unemployed people aged 21 years;
3. Deferral of access to DSP (in effect a payment cut of \$128 per week) for around 30,000 people with disabilities while they undertake employment assistance programs.

A copy of the briefing notes we sent yesterday are attached for your convenience.

A small delegation representing ACOSS and a number of its member organisations aims to meet with Members and Senators on **Thursday 23 June at Parliament House**. We would appreciate the opportunity to meet with you on that day to briefly discuss our concerns and possible policy alternatives to reducing people's income support payments.

Our office will contact you to see whether this can be arranged. Should you have any queries about the issues raised in this letter, please contact myself or Peter Davidson at this office on 02-93106200.

Yours sincerely

Dr Tessa Boyd-Caine
Acting Chief Executive Officer
Australian Council of Social Service



Attachment Briefing notes on 2011 Budget measures

1. Payment cuts of \$56 per week for sole parents with 12-15 year old children:

This measure would (from January 2013) end eligibility for Parenting Payment Single (PPS) for those sole parents who were on that payment prior to 2006 (the group 'grandfathered' under the Coalition Government's Welfare to Work policy) once their youngest child reaches 12 years. On their child's 12th birthday they would drop down to the lower Newstart Allowance (NSA). Currently this group can remain on PPS until the child reaches 16 years.

This would result in a loss of up to \$56pw in income support for around 25,000 sole parents over the next 4 years, saving \$152m over the forward estimates. The current PPS rate plus Family Tax Benefit (FTB) for a sole parent with 1 child (13-15) is \$464pw, but on NSA the family's income would fall to \$408pw. Those parents with earnings would also lose income because although the income test for sole parents on NSA is to be eased, it is still more stringent than that for the PPS payment.

It is well established that sole parent families on income support are already among the poorest in the country. A recent OECD report estimates that two-thirds of children whose parents are on the maximum rate of sole parent payments are poor. This measure would deepen their impoverishment without having any impact on their job prospects.

This is not an 'activation' measure. Although these parents were 'grandfathered' on the higher PPS payment by the previous Government they have been required to seek employment of at least 15 hours a week since 2006 and many would already have a part time job. It is likely that most of those who do not have a job at this stage have barriers to employment such as low skills, a disability or a disabled child.

2. Payment cuts of \$43 per week for young unemployed people aged 21 years:

From July 2012, these young people would lose access to Newstart Allowance (NSA) and remain on the lower Youth Allowance (YA) for a year after their 21st birthday. YA for single young people living away from home is \$194pw and NSA is \$237pw, so this is a cut in payments of \$43pw for young unemployed people living independently of their parents. Further, in cases where the young person has not demonstrated independence from their parents, the YA parental income test will apply to this group. This would further reduce payments for 21 year old unemployed people whose parents are on middle-to-high incomes.

Two other measures affect 21 year old unemployed people. The 'earn or learn' requirements that already apply to younger early school leavers (lacking Year 12) would extend to them. Secondly, the personal income test for YA would be eased through a higher 'free area'. In our view these other changes could be made without cutting payments.

The estimated saving for this measure is \$184 million over 4 years, but this includes the cost of easing the income test so the benefit cut probably saves substantially more than this. The number of young unemployed people affected has not been provided in the Budget Papers.



The main argument raised in favour of this measure is that the gap between lower student payments (YA or Austudy Payment) and higher unemployment allowance (NSA) discourages participation in education. We agree, but the solution is raise the pitiful level of student payments for people living independently of their parents, not to close off access to the higher unemployment payment. It should be noted that since this historical anomaly affects students of all ages from 21 to 64 years, the proposed payment cut for 21 year olds would set a precedent for future cuts for 22 year olds, 23 year olds, and so on.

Unemployed 21 year olds cannot always fall back on parental support, even if it considered reasonable to expect parents to do so. Unemployed young people are less likely to be supported by their parents than full-time students. Their parents have lower incomes and often one of the reasons they are looking for paid work is that their parents can't afford to support them. In any event the Budget proposal would cut the maximum rate of income support to unemployed 21 year olds regardless of their parent's income.

3. Deferral of access to DSP (and a payment cut) for people with disabilities while they undertake employment assistance programs

The FAMILY ASSISTANCE AND OTHER LEGISLATION AMENDMENT BILL 2011 seeks to impose a new requirement for claimants for the Disability Support Pension (DSP). Those without a 'severe' impairment would be required to test their employment capacity by participating in an employment assistance program for up to 18 months.

While we support the broad policy approach of offering employment assistance to claimants for DSP, we understand the legislation would defer their pension entitlement for up to 18 months. Most would have to rely on Newstart Allowance (NSA) for this period, which is at least \$128 per week less. The DSP is \$365pw plus \$5 in Pharmaceutical and Telephone Allowances while NSA is \$237pw. Thus, the potential loss of income support for those who eventually receive the DSP is up to \$10,000 (\$128 times 78 weeks) though we acknowledge that the Government intends that delays of this magnitude would be minimised. There is no suggestion that the income foregone would be back-paid to successful applicants. The estimated saving from deferral of the higher payment and those who are ultimately unsuccessful or do not proceed with their claim is \$624 million over the forward estimates. We understand the Government estimated after last year's Budget that between 7,500 and 10,000 claimants each year would miss out on the DSP as a result of these changes.

It is unfair to keep people who would be eligible for DSP anyway on a lower payment for up to 18 months. One alternative would be to grant the pension under existing rules and then require participation in the programs for up to 18 months. If this were done it would be important to ensure that those participating in programs do not end up on NSA if they obtain a job and subsequently lose it. Fear of losing pension entitlements discourages many people on the DSP from seeking employment. The Budget proposal to allow a return to the DSP following employment of up to 30 hours a week is helpful in this regard. However, the growing gap between the pension and Newstart Allowance lies at the root of this problem. It should be reduced by increasing the single rate of Newstart Allowance by at least \$50 per week as proposed in the Henry Report.