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Factsheet

Australian Council of Social Service

Could you raise 2 children alone on $550 a week? Sole parent families and the pension increase

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What's the issue?

A rise in Age Pensions for singles of about $30 is likely to be announced in the Federal Budget on 12 May, from $285 a week to around $315.

All other pensions are currently tied to Age Pension rates, including Disability Support Pension, Carer Payment and the Parenting Payment Single for sole parents. The Government has already indicated that the increase will flow through to the Disability Support Pension and Carer Payment, but has been silent so far on whether sole parent families will benefit. If not, this would be the first time in over 30 years that sole parents aren't paid the same rate as other pensioners. An opportunity to reduce poverty among 360,000 sole parents and 600,000 children would be lost.

Also, the Government has not indicated whether unemployed people and students on Allowance payments will get an increase. Newstart Allowance is just $227 per week. If pensions rise by $30 per week, the gap between pensions and this Allowance would rise to almost $100 a week.

What payments do sole parents get?

One in five children under 15 are in sole-parent households. Most are headed by middle-aged women separated from their former partners (less than 10% are under 24 years old).

Since 1974, when the Whitlam Government introduced it, low income sole parents have been paid a pension. The payment has played a vital role in helping many women to escape from difficult or violent relationships and in reducing poverty among children.

Now called Parenting Payment Single (PPS), this is still paid as a pension. Like the age pension, its maximum rate is $285 per week. There are about 360,000 sole parent families with around 600,000 children between them on this payment.

PPS used to be paid to low income sole parent families until the youngest child reached 16. From 2006, the former Coalition Government lowered this to 8 years for new applicants for social security payments. Most new applicants with older children are now paid the Newstart Allowance (unemployment benefits) which is about $40 per week less than the pension for sole parents. Around 20,000 sole parents receive Newstart Allowance.

Low income families also receive Family Tax Benefits (FTB). For example, a sole parent with 2 children aged 6-12 years receives up to $196 per week in FTB. Also, if they rent privately, they may get Rent Assistance of up to $65 per week. Less than half of sole parents on social security payments get child support from their former partners.

So a sole parent family without a job or other private income with two school age children would get about $550 per week in social security payments if they rent privately.

What about income from employment?

Sole parents with school age children on Parenting Payment Single and Newstart Allowance are generally required to seek part time employment, so a modest increase in their payments should not have a big impact on work incentives. Over one third of sole parents on these payments are already employed. However, many recipients have younger children or barriers to work like caring for a disabled child, and they are not required to seek a job. Most of these families have to rely fully on social security payments.

It is not going to be easy for sole parents on social security payments to get or keep a job in the economic downturn. Unemployment among sole parents is generally about twice the rate across the whole workforce. The reasons for this include their responsibility for caring for a child alone, together with low educational qualifications and the need to live in areas where rents are low but jobs are scarce (such as public housing estates). Many of those who do have a job are vulnerable to unemployment because they work in casual and part time jobs.

What is their living standard?

Most sole parent families live on low incomes – over 70% are in the bottom 40% of Australian households ranked by income. It is well known that sole parent families on social security payments face a high risk of poverty. $550 per week is usually not enough to meet basic living costs for a family of three. Around two thirds of sole parent families rent their homes and it is now common for rents for 3 bedroom properties in capital cities to exceed half this income ($275 pw).

Sole parents and their children often have to go without the essentials of life. For example, the Social Policy Research Centre found in a recent survey that 43% of Parenting Payment recipients lacked a decent and secure home, 57% could not pay a utility bill in the last 12 months, 56% lacked $500 in emergency savings, 54% could not afford necessary dental treatment, 24% could not afford up to date school books and clothes, and 40% could not afford a hobby or leisure activity for their children.

This survey provides support for the proposal to raise pensions for single people – 19% of single people over 64 years lacked 3 of the 26 essential items identified compared with 8% of married mature age people. However, 54% of unemployed people, 49% of sole parents, and 27% of people with disabilities lacked 3 or more essential items. It is vital that these groups also benefit from any increase in payments.

According to the Social Policy Research Centre, in 2005 16% of sole parent families lived below a poverty line set at half median household income (the poverty line used by the OECD) and 33% lived below the 60% of median income poverty line used in the UK and European Union countries.

Sources

ABS 2006, *Labour force, and other characteristics of families.*
ABS 2004 & 2007, *Australian Social Trends.*
ACOSS 2008, *Who is missing out?* ACOSS Info Paper 391 (includes SPRC data on people lacking essential items), at www.acoss.org.au (go to publications).
Saunders et al 2007, *Poverty in Australia*, Social Policy Research Centre, University of NSW

What should the Government do?

The Government should announce two things in the Budget:

1. Any increase in pension payments for single people should extend to sole parents on Parenting Payment Single, along with people on Disability Support Pension and Carer Payment.

We estimate that the overall cost of increasing the single rate of all pensions (including for sole parents) by around $30 per week would be approximately $2,500 to $3,000 million per year. Of this, just $500 million would go to the 360,000 sole parents on Parenting Payment Single – one fifth of the total cost.

The Government could reduce the cost of increasing pensions by targeting pensions towards people on lower incomes. At present the pension income test takes back 40 cents for every dollar in extra income above the 'free area'. As a result of this relatively liberal income test, a couple on over $60,000 a year can still receive a part pension.

If the income test was tightened so that the pension was reduced by 50 cents for every dollar (as was the case before 2000), the cost of increasing the maximum rate of all pensions would be much less. Instead of costing $2,500 to $3,000 million per year, it would cost around $1,500 to $2,000 million per year. This is a saving of almost $1,000 million, or twice the cost of extending the pension increase to sole parents.

2.The single rates of Newstart Allowance, Austudy and Abstudy Payments, Special Benefit and Youth Allowance (for those living independently of their parents) should also increase by $30 per week to match the increase in pensions.

This would ensure that the gap between single rates of pensions and allowances does not widen further. At present, Newstart Allowance for a single person without children is just $227 per week and Youth Allowance and Austudy Payment are just $186. If the pension is raised and these payments remain the same, the gap would widen to almost $100 and $140 per week respectively.[1] This is unfair to people struggling to live on the lowest payments, including around 20,000 sole parents on Newstart Allowance. The gap between payments also discourages disability support pensioners from seeking a job for fear they will be shifted to a lower payment.

Surviving on Parenting Payment - Helen's budget (2008)

Helen is a single parent, of one seven year old child. She is studying a post secondary course full time and receives Parenting Payment and monthly child support payments.

Helen's weekly income is $488 including social security, Pensioner Education Supplement and child support. The child support is not being paid in full, so she receives only about half of the proper amount. Without the Pensioner Education Supplement (only available during terms to help with study costs) her income falls to $457 a week.

Her main expenses include $190 in rent and $85 in groceries and $66 in phone and utility bills. Because she cannot afford health insurance, she puts aside around $13 per week towards a new set of glasses each year and for dental appointments for her son and herself.

[1] This includes $10 per week in Utilities Allowance, which is paid to all pensioners except Parenting Payment Single recipients.

She is studying to improve her future job prospects but this means extra costs for books, internet and transport and she is paying off a student loan. She receives assistance from the Government with after school care fees (under the JET scheme), reducing those fees to $5 per week. However this expires next year when she reaches her third year of study, due to a Government policy that restricts this support for full time students to two years only. As a result her child care costs will rise by about $45 per week.

Helen has just $7 a week left after paying her regular expenses. She is constantly behind in paying utilities bills, her account is often over drawn when insurance is due and she can never get ahead. She is always worried about providing uniforms and other clothing for her son.

Her car (a 1985 laser) needs replacement but she cannot afford to do so and therefore spends extra on repairs and maintenance. She does not want to get any further into debt by taking out a loan. She also has a Higher Education (HECS) debt and repayments to make on a separate student loan.

She worries about the possibility of anything needing replacement or if there is an emergency. Her family live interstate and if she needed to visit them in a hurry, she would be unable to do so. Birthdays, Christmas and other family events are a constant concern as she is unable to save for them.
She is studying hard in order to be able to get off social security, but in the meantime living on income support is extremely difficult.

Helen (not her real name) lives in Adelaide. Her assistance is much appreciated

Helen's budget (2008)		
	Item	**$ per week**
Income	Parenting Payment	$281
	Family Tax Benefit	$167
	Pensioner Education Supplement	$31
	Child Support	$19 to $41
	Tax	-$10
	Total income	***$488***
Expenditure	Private rental	$190
	Utilities (incl. phones & internet)	$66
	Insurance	$15
	Groceries	$85
	Child care and child's activities	$25
	Transport (car rego, repairs, fuel, public transport)	$48
	Medical	$17
	Study expenses	$15
	Loan repayments	$20
	Total expenditure	***$481***
Balance		***$7***

Source: ACOSS 2008, *Who is missing out?* At www.acoss.org.au (go to publications).