



Request for budget analysis

Budget savings from single parents	
Person/party requesting the analysis:	Senator Richard Di Natale, Australian Greens
Date analysis completed:	12 February 2020
Expiry date of the analysis:	Release of the next economic and fiscal outlook report.
Status at time of request:	<input checked="" type="checkbox"/> Confidential <input type="checkbox"/> Not confidential
<p>Summary of request:</p> <p>This request sought an estimate of the total budget expenditure savings from parenting payment single that have occurred to date. The related legislative changes were made via the following Acts.</p> <ul style="list-style-type: none">• The <i>Employment and Workplace Relations Legislation Amendment (Welfare to Work and Other Measures) Act 2005</i>, which:<ul style="list-style-type: none">– changed eligibility for parenting payment single so that recipients who claimed the payment on or after 1 July 2006 would continue to receive the payment until their youngest child reached the age of eight (instead of 16), subject to them meeting work participation requirements when their youngest child reached the age of six (instead of 13)– allowed parenting payment single recipients who were receiving the payment before 1 July 2006 (referred to here as ‘transitional recipients’) to continue receiving the payment until their youngest child reached the age of 16, subject to them meeting work participation requirements from the later of 1 July 2007 or when their youngest child reached the age of seven– tightened the disability support pension incapacity for work qualification requirement from 30 hours a week to 15 hours a week from 1 July 2006, which may have resulted in disability support pension recipients transferring to parenting payment single.• The <i>Social Security Amendment (Parenting Payment Transitional Arrangement) Act 2011</i>, which limited the abovementioned transitional recipients’ eligibility to remain on payment until their youngest child reached either:<ul style="list-style-type: none">– 16 years of age if the child entered the recipient’s care before 1 July 2011 or– eight years of age if the child entered the recipient’s care on or after 1 July 2011.This Act would have had effect from 1 January 2013, before it was amended by the following Act. <div style="background-color: black; height: 1.2em; width: 100%;"></div>• The <i>Social Security Amendment (Fair Incentives to Work) Act 2012</i>, which removed the provisions relating to transitional recipients mentioned in the <i>Social Security Amendment (Parenting Payment Transitional Arrangement) Act 2011</i> above so that no parenting payment single recipients would remain eligible for the payment when their youngest child reached the aged of eight. This amendment also required recipients to satisfy work participation requirements when their youngest child reached the age of six. <p>This Act took effect from 1 January 2013.</p>	

Overview

The estimated financial implications of these legislative changes over the period from 2006-07 to 2018-19 are provided at [Attachment A](#). The financial implications would be ongoing and extend beyond the period presented.

The estimated financial implications are highly sensitive to uncertainties associated with the actual number of affected parenting payment single recipients, their family circumstances, their income levels and actual payments received since the legislative changes took effect.

As this is a request for budget analysis (not a costing), baseline changes relating to the earned income, the decision to study (or work) and the reported marital status of transfer payment recipients that may have occurred in the absence of these legislative changes have not been accounted for in preparing this response.

Methodology

Administered expense impacts for the legislative changes made in the *Employment and Workplace Relations Legislation Amendment (Welfare to Work and Other Measures) Act 2005* (except for tightening the disability support pension incapacity for work qualification requirement from 30 hours a week to 15 hours a week) were calculated by multiplying the estimated number of affected parenting payment single recipients by the difference between the average baseline parenting payment single payment and the average payment made to recipients who became ineligible for parenting payment single.

- Recipients who became ineligible for parenting payment single are largely assumed to have transferred to the Newstart Allowance, with a very small number transferring to Austudy or the disability support pension, or exiting the social security payment system completely.
 - The assumed number of ineligible recipients transferring to other payments (or leaving the social security payment system) is based on data¹ published in a response to a question on notice requested by the Senate Employment, Workplace Relations and Education Legislation Committee for the 2005-2006 Budget Senate Estimates Hearing.
- The estimated total affected population was informed by the 2005-06 Budget measure *Welfare to Work – increasing participation of parents*.

Administered expense impacts for tightening the disability support pension incapacity for work qualification requirement from 30 hours a week to 15 hours a week were calculated by multiplying the estimated number of affected disability support pension recipients (single parents with the youngest child under eight years old) by the difference between the average parenting payment single payment and the average disability support pension payment.

- The estimated affected population was informed by the 2005-06 Budget measure *Welfare to Work – increasing participation of people with a disability*.

¹ The data include the estimated number of sole parents and partnered parents who would receive an alternative income support payment or receive no payment, as a result of the proposed changes to the parenting payment eligibility rules from 2006-07 to 2008-09.

Administered expense impacts for the legislative changes made in the *Social Security Amendment (Parenting Payment Transitional Arrangement) Act 2011* and the *Social Security Amendment (Fair Incentives to Work) Act 2012* were calculated by multiplying the estimated number of affected grandfathered parenting payment single recipients by the difference between the average baseline parenting payment single payment and the average payment made to recipients who became ineligible for parenting payment single.

- Based on historical data relating to the 2012 change, the majority of affected grandfathered parenting payment single recipients are assumed to transfer to Newstart Allowance, with a small number transferring to Austudy or exiting the social security payment system completely.
- The number of affected parenting payment single recipients was estimated based on the distribution of single Newstart Allowance recipients who are principal carers and whose youngest child is aged between eight and 16.

Departmental expense estimates were informed by the original measures.

Revenue estimates reflect reduced taxable income reported by affected recipients (who transferred from parenting payment single to other taxable payment types) and were informed by a previous similar costing.

Estimated administered expenses were rounded to the nearest \$10 million. Estimated departmental expenses and revenue impacts were rounded to the nearest \$1 million.

Data sources

Commonwealth of Australia, 2005. *2005-06 Budget*, Canberra: Commonwealth of Australia.

Commonwealth of Australia, 2012. *2011-12 Budget*, Canberra: Commonwealth of Australia.

Commonwealth of Australia, 2013. *2012-13 Budget*, Canberra: Commonwealth of Australia.

Commonwealth of Australia, 2012. Social Security Legislation Amendment (Fair Incentives to Work) Bill 2012. [Online]. Available at https://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/bd/bd1112a/12bd164 [Accessed on 08.08.2019].

Commonwealth of Australia, 2011. Social Security Amendment (Parenting Payment Transitional Arrangement) Bill 2011. [Online]. Available at https://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/bd/bd1011a/Copy_of_11bd001_3 [Accessed on 08.08.2019].

Commonwealth of Australia, 2005. *Employment and Workplace Relations Legislation Amendment (Welfare to Work and Other Measures) Act 2005*. [Online]. Available at <https://www.legislation.gov.au/details/c2005a00154>. [Accessed on 06.12.2019].

Senate Employment, Workplace Relations and Education Legislation Committee, 2005-2006 Budget Senate Estimates Hearings, 30 May 2005, 31 May 2005 and 3 June 2005: Employment and Workplace Relations Portfolio. *Answer to a question on notice, No. W137-06*, [Online]. Available at http://www.aph.gov.au/Senate/committee/eet_ctte/estimates/bud_0506/dewr/w137_06.pdf [Accessed on 06.01.2020].

Commonwealth of Australia, 2011. *Social Security Amendment (Parenting Payment Transitional Arrangement) Act 2011*. [Online]. Available at <https://www.legislation.gov.au/Details/C2011A00049>. [Accessed on 08.08.2019].

Commonwealth of Australia, 2012. *Social Security Legislation Amendment (Fair Incentives to Work) Act 2012*. [Online]. Available at <https://www.legislation.gov.au/Details/C2012A00144> [Accessed on 08.08.2019].

Attachment A – Budget savings from single parents – financial implications

Table A1: Budget savings from single parents – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2006–07	2007–08	2008–09	2009–10	2010–11	2011–12	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19	Total to 2018–19
Revenue														
<i>Income tax</i>	..	-1	-1	-3	-6	-6	-12	-21	-20	-19	-19	-18	-19	-146
Total – revenue	..	-1	-1	-3	-6	-6	-12	-21	-20	-19	-19	-18	-19	-146
Expenses														
Administered														
<i>Parenting payment single – 2005 Act changes</i>	10	40	50	120	190	220	320	440	420	400	400	390	400	3,390
<i>Disability support pension incapacity to work test – 2005 Act changes</i>	..	..	..	..	10	20	20	20	20	30	30	40	40	260
<i>Parenting payment single – 2011 and 2012 Act changes</i>	-	-	-	-	-	-	100	290	270	260	270	240	250	1,690
Total – administered	10	40	50	120	200	240	440	750	710	690	700	670	690	5,340
Departmental														
<i>Departmental</i>	-4	-1	-1	-2	-3	-3	-36	-11	-10	-9	-9	-9	-9	-105
Total – departmental	-4	-1	-1	-2	-3	-3	-36	-11	-10	-9	-9	-9	-9	-105
Total – expenses	6	39	49	118	197	237	404	739	700	681	691	666	681	5,235
Total	6	38	48	115	191	231	392	718	680	662	672	647	662	5,089

- (a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms.
A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.
A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms.
A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.
- (b) Figures may not sum to totals due to rounding.

- .. Not zero but rounded to zero.
- Indicates nil.