Social Security Amendment (Parenting Payment Transitional Arrangement) Bill 2011

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Contents

Purpose ............................................................................................................................................. 2
Background ....................................................................................................................................... 2
  2011 Budget .................................................................................................................................. 2
  2006 Welfare to Work changes to Parenting Payment ................................................................. 3
  2010 participation reforms ............................................................................................................. 3
  Basis of policy commitment ......................................................................................................... 4
Financial implications ...................................................................................................................... 4
Committee consideration ................................................................................................................. 4
Key provisions ................................................................................................................................. 4
Social Security Amendment (Parenting Payment Transitional Arrangement) Bill 2011

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House: House of Representatives
Portfolio: Education, Employment and Workplace Relations
Commencement: 1 July 2011

Links: The links to the Bill, its Explanatory Memorandum and second reading speech can be found on the Bill’s home page, or through http://www.aph.gov.au/bills/. When Bills have been passed and have received Royal Assent, they become Acts, which can be found at the ComLaw website at http://www.comlaw.gov.au/.

Purpose

To amend the provisions of the Social Security Act 1991 that relate to the transitional arrangements under the Act that came into effect for Parenting Payment (PP) from 1 July 2006. The amendments will ensure that only children who were born or came into the principal care of the parent before 1 July 2011 (being a parent who had continued to receive PP since July 2006) will be taken into account for the grandfathering provisions of those transitional arrangements.

Background

2011 Budget

The measure in this Bill is part of a broader package of measures reforming eligibility for PP announced in the 2011 Budget.\(^1\) This package also includes:

- The reduction of the income test taper to 40% for principal carers on Newstart Allowance with a youngest child aged under 16 years, effective from 1 January 2013
- A change to the age limits for the youngest child for PP for people who were on PP prior to July 2006. From 1 January 2013 they will be able to stay on PP until their youngest child reaches 12 years of age (down from the 16 years that applies at present). Transitional arrangements will allow those with a youngest child aged over 13 years by 1 January 2013 to not be affected by this

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change. Also those whose youngest child turns 13 years during 2013 will stay on PP until that time.

These measures have not yet been introduced into Parliament.

**2006 Welfare to Work changes to Parenting Payment**

The measure in this Bill makes a small change to the 2006 reforms of PP.

From July 2006 eligibility for PP was changed in the following ways, as part of a major reform of Welfare to Work arrangements:

- Single people claiming Parenting Payment Single (PPS) after 1 July 2006 could receive PPS while their youngest child was aged less than 8 years. They would have participation requirements once that child turned 6 years of age.
- Partnered people claiming Parenting Payment Partnered (PPP) after 1 July 2006 could receive PPP while their youngest child was aged less than 6 years.
- People receiving PP before 1 July 2006 could continue to receive PP until their youngest child reached 16 years of age, provided they did not change their relationship status or have their payment cancelled. They would have participation requirements once their youngest child reached the age of 7 years but not before 1 July 2007.
- The participation requirements could include a requirement to look for suitable work of at least 15 hours per week. Unsuitable work included work where appropriate child care could not be arranged. Failure to comply could result in payment suspension for a period of time, and participation exemptions were expanded to include exemptions for foster carers and home or distance educators.

**2010 participation reforms**

In 2010 the Labor Government modified the participation requirements for principal carers after the 2008 Participation Review Taskforce report recommended changes to help principal carers achieve a better balance between parenting responsibilities and their participation requirements.

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2. Participation requirements include, job search, part-time work, education, training and other approved activities for at least 30 hours per fortnight.

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Basis of policy commitment

The Government’s policy agenda for the broader package of measures is clearly set out in the second reading speech. As outlined in this speech, the package of measures in the 2011 Budget:

....will provide greater incentives for parents to engage in the workforce, reduce their dependency on welfare and will provide families with a greater measure of financial security....In order to break the cycle of joblessness and welfare dependence, the government is enacting a range of measures to help parents address the barriers which prevent them and their children from taking advantage of the opportunities which Australian society has to offer.

The rationale for the specific measure in this Bill is also given:

This change will limit the ability of parenting payment recipients to extend their grandfathered status and will ensure that all parenting payment recipients will be treated equally in a shorter time frame than would otherwise have been the case.  

Financial implications

According to the Explanatory Memorandum the Bill will have no financial impact on the forward estimates to 2014-15. Any significant financial impact will be felt in later years due to the time lag between the birth of most of the children who are the subject of this measure and the time that they reach the age when they would cease to be PP children under the post 2006 PP arrangements (see below for more detail).  

Committee consideration

The provisions of the Bill have been referred to the Senate Education, Employment and Workplace Relations Committee. The report is due on 14 June 2011.

Key provisions

Item 1 of Schedule 1 inserts new paragraph 500D(3)(ca) into the Social Security Act 1991. Section 500D(3) presently reads as follows:

(3) A child is a PP child of a person if:

(a) the child is a child of the person; and
(b) the child has not turned 16; and

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(c) the person is the principal carer of the child; and

(d) the person is covered by the parenting payment transitional arrangement in relation to that child or any other child (see section 500F); and

(e) since 1 July 2006, there has not been any continuous period of more than 12 weeks during which the person has not at any time been covered by the parenting payment transitional arrangement in relation to that child or any other child (see section 500F).

This section sets out the eligibility conditions for a person to receive PP if they were receiving it prior to 1 July 2006. The new paragraph adds that the person must also be the principal carer of the child prior to 1 July 2011. This means that, children born or coming into a person’s principal care after that date will not qualify the person for PP up until the child turns 16. Their eligibility if it relies on them being the principal carer for that child will only continue until that child turns eight (if the parent is single) or six (if the parent is partnered). Currently, a person who is entitled to a PP (as a result of satisfying the requirements of subsection 500D(3) of the Act) continues to qualify for the PP for any child until that youngest child turns 16.

This measure will not affect many people initially because children born after 1 July 2011 will still be the youngest PP child of a person on PP until the child reaches the age of six years (for PPP) or eight years (for PPS). The more immediate impact will be when children come into the principal care of a PP recipient after the ages mentioned above, due to changes in the parenting arrangements between separated parents or possibly through adoption. Even if these children previously satisfied the definition of PP child under subsection 500D(3) (and qualified the person for PP up until the child turned 16) they will no longer do so by virtue of subsection 500D(3)(e).

Item 2 states that the new paragraph 500(3)(ca) will apply from 1 July 2011.

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