

## Claims in *The Australian* that sole parents are financially better off out of paid work are wrong

The front page of *The Australian* of 28 October 2016 features an article: 'Welfare pays more than work.' ([The Australian, 28/10/16](#))

The article claims that a sole parent with four children would be better off relying on social security than taking on a fulltime job at a 'median' wage.

This is not correct, since the article ignores the important \$30,000 in Family Tax Benefits the modest income earning family would receive while on the median wage to recognise the major additional costs of having four children. The article compares 'apples with oranges'. This family would in fact be at least \$20,000 a year better off in fulltime paid work.

### The article's claims

The article adds up the Parenting Payment, Family Tax Benefit and other payments received by a parent who has four children and is not in paid work, reaching a total of \$52,524 and compares this with the median fulltime wage of \$46,500 (\$39,841 after tax). This comparison is summarised in Table 1 below.

### The Australian's estimates of incomes of a sole parent with four children

	Parent has no earnings	Parent earns FT median wage (for full and part time workers)	Parent earns FT median wage (for FT workers only)
Family earnings	0	\$46,500	\$61,300
- Tax	0	-\$6,659	-\$11,469
Parenting Payment	\$19,728	??	??
Family Tax Benefit	\$32,331	??	??
Energy Supplement	\$463	??	??
Income	\$52,523	\$39,841	\$49,831

The article does not explicitly claim that this parent has no other income apart from wages when in fulltime employment, but it does give the (misleading) impression that the family is better off without paid work. It includes family and other payments when the family is out of paid work but omits them when the same family has fulltime paid employment.

The question mark shows the crucial pieces missing from this picture. The largest 'gap' in these figures is the Family Tax Benefits received by the family when in paid employment. *If the parent earns \$46,500, she receives the same Family Tax Benefit as she would out of paid work.*

This is a glaring omission in an article about who is financially worse off because family payments are designed in this way *precisely* to ensure that parents are not worse off financially if they take on a fulltime paid job: as a result this parent won't lose a cent in Family Tax Benefits by taking up fulltime employment<sup>[1]</sup>.

### The whole story

The table below tells the *whole* picture, comparing *all* income including wages, Parenting Payment, Family Tax Benefits, tax, and smaller supplementary payments for a sole parent family with four

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<sup>[1]</sup> Some income support payments are also received by the family earning \$46,500 but these are relatively small.

children (4, 7, 10, and 13 years) with no earnings from employment, earnings of \$46,500 and earnings of \$61,000 who is renting accommodation for \$400 a week (these are the three examples in the article).

**The full story: estimates of income of a sole parent with four children**

Earnings	0	46500	61300
Income support*	19674	3803	0
FTB A*	28313	28313	26434
FTB B*	4482	4482	4482
Tax	0	-7453	-11389
Medicare Levy	0	0	-1208
Schoolkids Bonus	1746	1746	1746
Income support bonus	223	223	0
<b>Disposable income (pre-costs)</b>	<b>54439</b>	<b>77615</b>	<b>81365</b>
Housing costs	-20800	-20800	-20800
<b>Disposable income after housing costs</b>	<b>33639</b>	<b>56815</b>	<b>60565</b>
<b>Difference</b>		<b>+23176</b>	<b>+26,926</b>

Source: David Plunkett (former social security official) On twitter @DPlunky

Note: Schoolkids Bonus and Income Support Bonus are being abolished.

\* Including Energy Supplement

The table above shows that when ‘apples are compared with apples’, a sole parent with four children is over \$20,000 better off when in paid work on a wage earning \$46,500 and over \$25,000 better off when earning \$61,300.

The main barriers to employment for sole parents on social security payments are the lack of jobs that offer flexibility for people caring for children alone (e.g. inflexible hours) and high child care costs, not social security payments.

**Is \$50,000 a lot of money for a family of five?**

The other implication of the piece is that the social security system is too generous for families with no paid work.

To make this point it chooses an unusual example, a sole parent with four children (only 7% of parents on Family Tax Benefits have four or more children).

There is a reason a large family receives much more money than 93% of others receiving Family Tax Benefit: children are expensive! Excluding Rent Assistance, its Family Tax Benefit payments average approx. \$7,000 per child (\$135 per week) which has to cover all child related costs including food, clothing, and school costs.

The family also receives Rent Assistance of approx. \$87 a week but this covers only a fraction of the \$400 a week in rent (which in any event won't be enough for decent housing for a large family in Sydney or Melbourne, or many other places).

After rent is subtracted, this family of five is living on \$34,000 or \$650 a week.

Despite our social security system, our recently released [‘Poverty in Australia’ Report](#) revealed that 40% of all children in sole parent families (291,000 children in all) were living in poverty.

**What happens to this family if the Government’s family payments cuts are legislated?**

[This single parent family with four children stands to lose approx. \\$4,000 a year \(\\$80 a week\) in Family Tax Benefit payments if legislation before the Parliament is passed.](#)

The family would lose the same amount whether the parent is out of paid work or employed fulltime and earning \$46,500.