

Welfare Reform Debate



Edited by Justin Healey

Welfare Reform Debate

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Edited by Justin Healey

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Introduction

Welfare Reform Debate is Volume 346 in the 'Issues in Society' series of educational resource books. The aim of this series is to offer current, diverse information about important issues in our world, from an Australian perspective.

KEY ISSUES IN THIS TOPIC

Although people of various political persuasions and financial means regularly espouse the need for Australia to reform its social security framework, what is considered a fair approach is open to debate. The current federal government has committed to reforming the welfare and family assistance payment system to foster responsibility and provide positive programs and incentives for people to move out of welfare dependency.

The test for any government in a welfare state, however, lies in addressing the challenges facing workforce participation in a way that makes a serious and long-lasting difference. How does Australia reduce welfare dependency without punishing the poor?

Issues for debate in this book include long-term unemployment benefit levels, disability support pension eligibility, 'welfare to work' schemes, and income management. Is fixing the welfare system the hardest job of all?

SOURCES OF INFORMATION

Titles in the 'Issues in Society' series are individual resource books which provide an overview on a specific subject comprised of facts and opinions.

The information in this resource book is not from any single author, publication or organisation. The unique value of the 'Issues in Society' series lies in its diversity of content and perspectives.

The content comes from a wide variety of sources and includes:

- Newspaper reports and opinion pieces
- Website fact sheets
- Magazine and journal articles
- Statistics and surveys
- Government reports
- Literature from special interest groups

CRITICAL EVALUATION

As the information reproduced in this book is from a number of different sources, readers should always be aware of the origin of the text and whether or not the source is likely to be expressing a particular bias or agenda.

It is hoped that, as you read about the many aspects of the issues explored in this book, you will critically evaluate the information presented. In some cases, it is important that you decide whether you are being presented with facts or opinions. Does the writer give a biased or an unbiased report? If an opinion is being expressed, do you agree with the writer?

EXPLORING ISSUES

The 'Exploring issues' section at the back of this book features a range of ready-to-use worksheets relating to the articles and issues raised in this book. The activities and exercises in these worksheets are suitable for use by students at middle secondary school level and beyond.

FURTHER RESEARCH

This title offers a useful starting point for those who need convenient access to information about the issues involved. However, it is only a starting point. The 'Web links' section at the back of this book contains a list of useful websites which you can access for more reading on the topic.

LONG-TERM UNEMPLOYMENT IN AUSTRALIA

AN AUSTRALIAN POLICY ONLINE TOPIC GUIDE BY **LISA FOWKES**

Long-term unemployment is defined as a person being unemployed for over 52 weeks. Of approximately 640,000 unemployed Centrelink customers in 2010, over 370,000 (59%) were identified as long-term unemployed – that is, having been in receipt of income support for over 52 weeks (FaHCSIA, 2011: 39-40).

Who are the long-term unemployed?

Long-term unemployed people are less well-educated than others – 49% did not reach year 12, compared with 41% of those unemployed for less than 12 months (ABS, 2011). Indigenous, mature aged and people with disabilities are all over-represented amongst the long-term unemployed.

Mature aged (over 45s) make up 34% of the unemployed and 46% of the long-term unemployed. In 2010-2011 33% of unemployed people aged 55-64 were long-term unemployed.

Some locations have a much higher rate of long-term unemployment than others. These communities often have social, health, and infrastructure disadvantages which may require action on a range of fronts (DEEWR, 2009a).

Australia has a higher incidence of jobless households by international standards. However, the vast majority (around 84%) of households that have been jobless for a year or more are headed by single parents, and over half have a child under 6 years old (Social Inclusion Board, 2011).

Impact of long-term unemployment

Long-term unemployment is associated with poor physical and mental health, social isolation and poverty (Butterworth, 2009; Saunders, 2006). Workers who remain outside the workforce for some time find it much harder to re-enter – their skills lose currency and employers tend to screen them out in favour of people with more recent experience (an effect described as “hysteresis”) (Chapman & Kapuscinski, 2000).

Mature aged unemployment

Australia’s labour force participation rate for older workers is less than many OECD countries – reflecting both voluntary early retirement and involuntary exit.

Discrimination by employers is a key factor impacting on older people’s ability to secure and retain work (HREOC, 2010).

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Poor education levels, outdated skills, or skills associated with declining industries/occupations reduce employment prospects for mature aged job seekers. Mature aged workers are less likely to participate in vocational training and generally respond to different approaches to training (SPOEHR et al, 2009).

Australia’s poor record in employing people with disabilities impacts on older workers who experience either age-related or work-related health conditions or injuries.

Structural unemployment

While, at an aggregate level, unemployment rises and falls with economic conditions, there is a group of people who tend to remain unemployed even in good times. In Australia today, unemployment can persist even at times of skills and labour shortage.

The 1994 *OECD Jobs Study* described structural



unemployment as arising from the “gap between the pressures on economies to adapt to change and their ability to do so”.

The study identified these pressures as arising from technological change and global competition. Structural changes in the economy have differentially impacted on men and women, and on particular locations.

Since 1994 the OECD has promoted a shift from “passive provision of income support” to “active measures which assist re-employment”. Active measures include making receipt of unemployment benefits conditional on job search, training, job counselling and job creation.

Since 1986 most unemployment benefit recipients in Australia have been subject to a requirement that, in order to receive their benefit, they undertake a certain level of job search and take any job deemed suitable (the “activity test”). In 1994 the Keating Government’s Working Nation package marked the start of more concerted efforts to address long-term unemployment through active labour market programs; however it was the Coalition Government (1996-2007) that established the basic architecture of the system we have in place today.

Employment services

In 1997 Australia became the first country in the OECD to completely privatise its public employment service. It established a suite of programs which included job matching, job search training and case management – collectively referred to as the Job Network. Contracts to deliver these services were put to tender and awarded to a mix of private, non-profit and public providers. At the same time the Government substantially reduced spending on labour market assistance.

The new approach to service provision was combined with increased compliance activity. In 1997 the Coalition implemented a “Work for the Dole” pilot program, requiring unemployed people to spend six months of each year in part-time, unpaid work experience on projects to benefit the community. These programs were designed to “hassle and help” – providing light touch assistance, and moving job seekers as rapidly as possible into work.

Current policies and programs

In 2009 the Labor Government replaced these programs with Job Services Australia (JSA). There are now greater provider incentives for job linked vocational training and for longer-term employment (over 26 weeks). Program places for the most disadvantaged have been uncapped. But the centrality of compulsion and low cost assistance remains.

The Commonwealth has also invested in some “place-based” employment initiatives with the appointment of Local Employment Coordinators and flexible funds to work in 20 identified employment priority areas (DEEWR, 2009b).

Evaluations of effectiveness

In its 2006 evaluation the Government identified a “net employment impact” for job seekers in Intensive Support Customised Assistance (generally long-term unemployed) of 10.1% (DEEWR, 2006: 8). By 2008 a slightly different measure, the “off or part benefit impact”, was estimated at around 5.8% (DEEWR, 2010c). This might reflect diminishing returns over time from new activity measures (Davidson, 2011: 80-81).

In March 2011, DEEWR’s *Labour Market Assistance Outcomes Report* identified overall employment outcomes of between 39.1% for those unemployed for 12-24 months and 30.5% for those unemployed 3 years or more. Most of these jobs were part-time or casual.

Criticisms of current policies

The Job Services Australia system and the Job Network that preceded it have been criticised for applying a “one size fits all” approach, which is poorly suited to long-term unemployed job seekers with complex needs (Social Inclusion Board, 2011a). It has been argued that this problem is a consequence of providers needing to ration resources in the context of competitive and financial pressure (Fowkes, 2011). Many job seekers participating in employment services have reported poor staff skills, high turnover and limited time with caseworkers (Murphy et al, 2011).

The Social Inclusion Board has suggested that the Government attempt to move the system to deliver more holistically, and to encourage provider collaboration (Social Inclusion Board, 2011b). Another reform option would place more control of resources in the hands of participants (Bennett & Cooke, 2007; Fowkes, 2011).

Income support and welfare traps

Government decisions over the last several years have

widened the gap between the unemployment benefit (Newstart) and pensions. The Australian Council of Social Service's (ACOSS) calls for the rate to be increased have been bolstered by recommendations from the Henry Tax review and the OECD's comments on the inadequacy of the rate (ACOSS, 2011; 2009; Whiteford, 2010).

When Newstart beneficiaries take on part time work they face significant effective marginal tax rates as benefits are withdrawn, as well as potential loss of other benefits (like access to social housing) (Saunders, 2006).

Successive governments have tried to reduce financial obstacles in the tax-transfer system to staying in work, and implemented initiatives to make training and JSA support available (Swan, 2011).

Debates over compulsion

While some degree of conditionality applied to income support appears to be widely (although not always warmly) accepted, the scope, severity and application of measures are the subject of continuing debate. The negative effect of "breaching" (suspension, partial or complete withdrawal of benefits) on particular groups of job seekers (youth, indigenous, people with mental illness) has been a particular area of concern (DEEWR, 2010a).

Compulsion is experienced by many job seekers as demeaning (Murphy et al, 2011). But there is evidence that intensive activity measures do make a difference to whether and how quickly long-term unemployed people move into work, although these impacts may be diminishing over time (van Ours, 2007). Proponents of compulsion point out that, even if unemployed people say that they want work, this does not necessarily mean that they will act on this (Saunders, 2003). Behavioural economics might provide insights into why people who say they want work sometimes act in ways that seem counterproductive (Fowkes, 2011).

The role of training

Evidence of the efficacy of training programs in helping long-term unemployed to secure work is mixed. This issue has been characterised as a debate between "work first" and "human capital" approaches (Davidson, 2011: 80-81).

Programs which include direct work experience with employers are more likely to succeed, as are those that integrate job search assistance. However, labour market assistance and vocational training investments have generally been poorly linked. The Productivity Places Program, a centrepiece of Labor's efforts to improve vocational skills (including for the unemployed), has been disappointing. The current overhaul of Commonwealth vocational skills investments includes an attempt to overcome some of the poor targeting in previous systems (DEEWR, 2010b).

Role of employers

Despite labour shortages in many areas, employers are often wary of engaging people who have been long-term unemployed (VECCI & Brotherhood of St Laurence, 2009). Perceived poor attitude, poor motivation and lack

of recent work experience are all reasons given for leaving jobs vacant rather than employing available job seekers.

Many employers are critical of employment service providers and the JSA is not widely used by larger employers. Successive Governments have struggled to improve the engagement of employers with the system but have faced challenges because of its complexity, and competition between providers.

Direct engagement of employers in development of tailored programs for the long-term unemployed is one of the most effective ways of motivating participants and ensuring that employers have access to this otherwise under-utilised pool of labour (Wren, 2011).

Stepping stones and career advancement

Most long-term unemployed people will move into part time or casual jobs, often low paid. Many argue that these provide a stepping stone to better paid, more permanent work (DEEWR, 2008). There is evidence that this is the case for some. However, indigenous employees, homeless and longer term unemployed are less likely to retain employment (DEEWR, 2008; Productivity Commission, 2006).

Employment creation

Australia's labour market programs aim at addressing employability, rather than at providing full employment. Very few long-term unemployed people will be fully employed, even after receiving labour market assistance.

Newcastle University's Centre of Full Employment and Equity has argued that the Government should act as "employer of last resort", guaranteeing a right to work and mitigating the effects of long-term unemployment (Mitchell, 2004).

Creation of jobs, either as long-term options or pathways into other work, has been a key driver in the development of social enterprise. Social enterprises are social purpose organisations that derive some or all of their income through trading. While these are limited in scale, the experience of social enterprise tends to support the view that paid work, even if subsidised, can provide excellent social and economic outcomes for long-term unemployed (Mestan et al, 2007).

Lisa Fowkes is an independent consultant working in the areas of workforce participation and non-profit management. For ten years she worked for Job Futures, one of Australia's largest non-profit employment services providers, most recently as its CEO.

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Long-term unemployment in Australia, Fowkes, Lisa (2011)
Australian Policy Online, 26 October. 2011
<http://apo.org.au>

Long-term unemployment

An article from *Australian Social Trends* by the Australian Bureau of Statistics

People who are unemployed for long periods of time may experience economic hardship and be at greater risk of poverty than those unemployed for shorter periods. They can also miss out on the networks and social interactions that employment can offer, while low income and lack of access to the job-market can lead to disadvantage and in turn social exclusion.¹ Families with members who are unemployed for a year or more (long-term unemployed) may also be negatively affected, and there is concern that this may contribute to intergenerational disadvantage.²

What's more, the longer people are unemployed, the harder it may become to return to, or gain, employment. This can be related to the gradual loss of social or workplace networks, relevant skills, confidence, motivation or because of employers' negative perceptions of their 'employability'.³

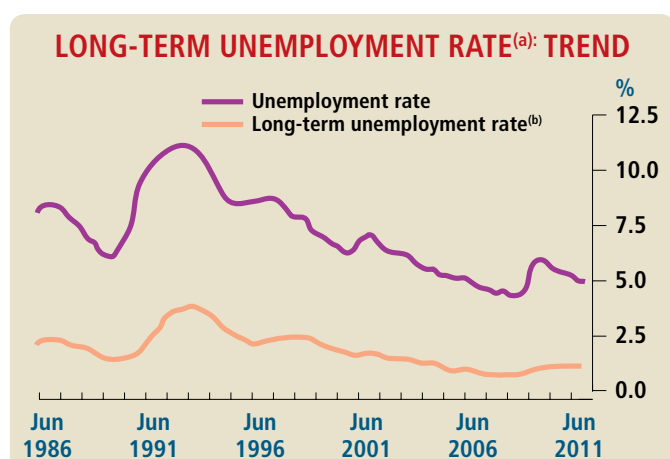
Long-term unemployment places a strain on the economy because of people's reliance on government pensions or allowances.

TRENDS IN LONG-TERM UNEMPLOYMENT

Australia's unemployment rate peaked soon after the economic downturn of the early 1990s. Since then it has generally declined, with only three notable increases – the biggest in mid-2009 around the time of the global financial crisis.

The long-term unemployment rate shows some of the same patterns as the general unemployment rate – peaking in the early 1990s and generally declining since.

However, the long-term unemployment rate was less volatile over the period, not showing the same peaks and troughs as the general unemployment rate.



(a) People unemployed for 52 weeks and over as a proportion of the labour force.

(b) Break in series at April 2001 due to changes in methodology. For more information see Explanatory Note 18 in ABS *Labour Force Australia* (cat. no. 6202.0).

Source: ABS 'Labour Force Australia', Detailed – Electronic Delivery, February 2011 and June 2011 (cat. no. 6291.0.55.001); ABS 'Labour Force, Australia', June 2011 (cat. no. 6202.0)

DATA SOURCES AND DEFINITIONS

Most of the data in this article has been sourced from the ABS *Labour Force Survey*.

A person is **unemployed** if they were aged 15 years and over and were not employed in the reference week, and:

- ★ Had actively looked for full-time or part-time work at any time in the four weeks up to the end of the reference week and were available for work in the reference week, or
- ★ Were waiting to start a new job within four weeks from the end of the reference week and could have started in the reference week if the job had been available then.

A person is **long-term unemployed** if they were continuously unemployed for 52 weeks or more.

The **unemployment rate** is the proportion of the labour force who were unemployed.

The **long-term unemployment rate** refers to the proportion of the labour force who were long-term unemployed.

In this article, the **long-term unemployment ratio** refers to the proportion of the unemployed population who were long-term unemployed.

Non-dependent children are people aged 15 years and over who:

- ★ Do not have a spouse or offspring of their own in the household
- ★ Have a parent in the household, and
- ★ Are not full-time students aged 15-24 years.

NewStart allowance is a Centrelink payment for people looking for paid work, who are aged at least 21 but below the Age Pension age, who are prepared to enter into an Employment Pathway Plan and meet activity test requirements, and who are not involved in industrial action.

The long-term unemployment rate was, like general unemployment, at an all-time low throughout most of late 2007 and 2008 (0.6%), although both increased going into 2009. While unemployment started to decline again in late 2009, long-term unemployment has not shown the same pattern, appearing relatively stable over the 12 months to June 2011 (at 1.0%).

... as a ratio to unemployment

In January 1994, following the recession of the early 1990s, one in three (34%) unemployed people were long-term unemployed. The ratio for men (38%) was higher than for women (28%). A decline over the following years in long-term unemployment numbers relative to general unemployment saw a decrease in the long-term unemployment ratio. By February 2009 just over one in eight (13%) unemployed men and women were long-term unemployed.

Since then, the long-term unemployment ratio has risen and in June 2011 it had increased to one in five (20%) and a small difference had reopened between men (21%) and women (19%).

WHO ARE THE LONG-TERM UNEMPLOYED?

In 2010-11, there were on average 116,700 long-term unemployed people, and over half (56%) were men. In



comparison, 52% of all unemployed people were men. While around two-thirds (66%) of the long-term unemployed were aged 15-44 years, the long-term unemployed did tend to be older than the general unemployed population (33% were aged 45-64 years compared with 22% of the total unemployed).

Many people (45%) who were in long-term unemployment had in fact been unemployed for two years or more. Most of these people were men (58%), and most were aged 15-44 years (60%).

The annual average long-term unemployment rate for 2010-11 was 1.0%, and this represented around one-fifth (19%) of the unemployed population (the long-term unemployment ratio). While the rate was similar between men (1.0%) and women (0.9%), there was a slight difference in the ratio (21% for men compared with 17% for women) and there was further variation across age groups.

... younger people

The long-term unemployment rate was highest for

people aged 15-24 years (1.5%, compared with around 0.8% for most other age groups). However of all age groups, they had the lowest long-term unemployment ratio (13%), due to high overall unemployment for young people.

... older people

In older age groups, long-term unemployment rates were fairly consistent at around 0.8%, except for men aged 55-64 years where the long-term unemployment rate increased to 1.2%.

Generally, the older unemployed people were, the more likely they were to have been in long-term unemployment. In 2010-11, one-third (33%) of unemployed people aged 55-64 years were long-term unemployed. This compared with 22% of those aged 35-44 and 13% of those aged 15-24.

Generally, the older unemployed people were, the more likely they were to have been in long-term unemployment.

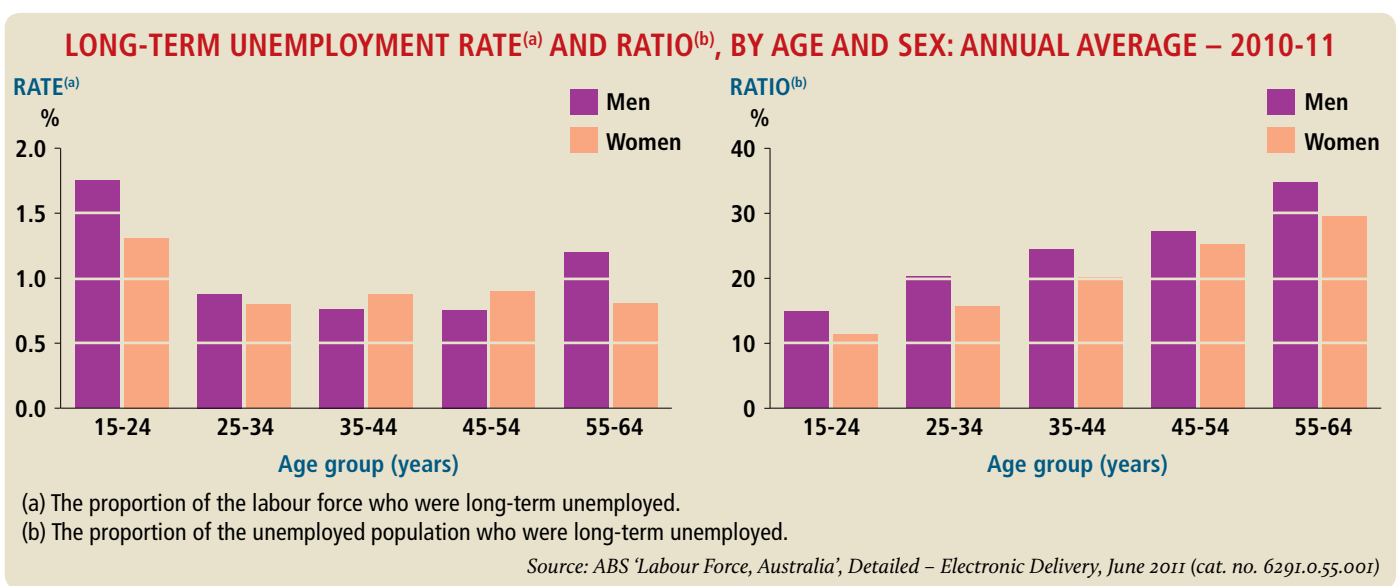
... across Australia?

In 2010-11, New South Wales had a high long-term unemployment rate (1.1%) and ratio (22%) while Western Australia (0.6% and 14%), the NT (0.4% and 15%) and the ACT (0.4% and 11%) had both low rates and ratios.

Within the states, there was also a difference in long-term unemployment between the capital city and the balance of the state. The long-term unemployment rate was slightly higher outside the state capitals (1.2%) than within them (0.9%). The long-term unemployment ratio was also slightly higher outside state capital cities (22% compared with 18%).

At a regional level, some of the highest rates of long-term unemployment, over double the national average, could be found in the Statistical Regions of Far North (QLD), Fairfield-Liverpool (NSW), and Northern Adelaide (SA).

Fairfield-Liverpool (NSW) was also a region with a high long-term unemployment ratio (34%), with one-third of all unemployed people in long-term unemployment. North



SELECTED REGIONS OF HIGH LONG-TERM UNEMPLOYMENT (LTU); ANNUAL AVERAGE – 2010-11

| | LTU RATE % | LTU RATIO % | LABOUR FORCE ('000'S) |
|---------------------------------|------------|-------------|-----------------------|
| HIGH RATES | | | |
| Far North (QLD) | 2.5 | 27.6 | 148.8 |
| Fairfield-Liverpool (NSW) | 2.4 | 33.8 | 169.9 |
| Northern Adelaide (SA) | 2.1 | 26.7 | 193.8 |
| HIGH RATIOS | | | |
| Fairfield-Liverpool (NSW) | 2.4 | 33.8 | 169.9 |
| Nthn, N.Western & C.West (NSW) | 1.7 | 30.8 | 258.9 |
| Central Highlands-Wimmera (Vic) | 1.9 | 28.5 | 112.3 |
| AUSTRALIA | 1.0 | 19.2 | 11,993.8 |

Source: ABS 'Labour Force, Australia', Detailed - Electronic Delivery, June 2011 (cat. no. 6291.0.55.001)

Western and Central Western (NSW) – which includes towns such as Armidale, Dubbo and Bathurst – and Central Highlands-Wimmera (Vic) were also regions where a large proportion of unemployed people were long-term unemployed (31% and 29% respectively).

Long-term unemployment has the potential to impact upon not just the individual concerned, but also their families.

... in different types of households?

Long-term unemployment has the potential to impact upon not just the individual concerned, but also their families. Children with unemployed parents may face additional challenges and may see a negative impact upon their education and future prospects.² In this context it is important to see what kind of Australian households are most likely to be affected by long-term unemployment. One group with a high rate of long-term unemployment were non-dependent male children aged 15 years and over living with their parents. Their long-term unemployment rate was two and half times the average (2.5%, with a ratio of 23%). Lone mothers also had a high rate of long-term unemployment (2.4% and a ratio of 26%). Men living alone had a relatively high rate of long-term unemployment (1.7%), and a relatively high long-term unemployment ratio (30%).

While people in couple relationships (with or without children) had a low long-term unemployment rate (0.5%), the sheer size of this group meant that it made up one-third (33%) of all long-term unemployed people.

HOW SKILLED ARE THEY?

While not all jobs require vocational or higher education, having such qualifications may provide people with the skills and knowledge that can help them obtain employment.

The ABS *Job Search Experience Survey* shows that in

July 2010, around half of long-term unemployed people (49%) had not attained Year 12 or above as their highest educational attainment. This compared with around two fifths (41%) of people who had been unemployed for less than 12 months and with around one-quarter (24%) of those who had started their current job in the last 12 months.

HOW MANY HOURS WOULD THEY PREFER TO BE WORKING?

Many long-term unemployed would prefer to be working full-time hours.

In July 2010, three-quarters (75%) of long-term unemployed men and half (50%) of long-term unemployed

DISCOURAGED JOB SEEKERS

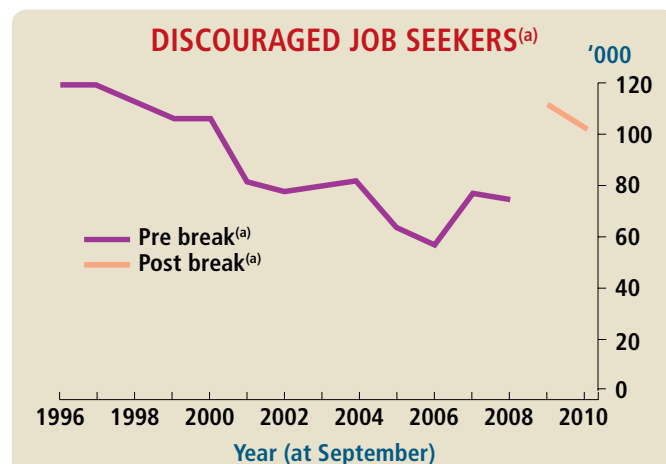
The official measure of unemployment requires a person aged 15 years or over to be wanting to work, available to start work and actively looking for work. Discouraged job seekers are people who wanted to work, were available to start work, but were not actively looking for work because they believed they would not find a job for any of the following reasons:

- * Considered to be too young by employers
- * Considered to be too old by employers
- * Believes ill health or disability discourages employers
- * Lacked necessary schooling, training, skills or experience
- * Difficulties because of language or ethnic background
- * No jobs in their locality or line of work
- * No jobs in suitable hours, and
- * No jobs at all.

In September 2010 there were 102,100 discouraged job seekers. Although there were fewer discouraged job seekers than a year prior (111,800 in 2009), the figure was still higher than any other year since 2000.

In September 2010, around one-third (35%) of discouraged job seekers were aged 65 years and over, with similar proportions aged 15-44 years (35%) and 45-64 years (30%).

Around three-quarters (74%) of discouraged job seekers aged 65 years and over reported that the main reason they were not actively looking for work was because they were considered too old by employers. Younger discouraged job seekers aged 15-44 years were more likely to have cited their lack of necessary schooling, training, skills or experience (34%) or the lack of jobs in their locality or line of work (22%).



(a) There is a break in the series between 2008 and 2009, although it only has a small impact on the numbers. See the Explanatory Notes in the source below.

Source: ABS 'Persons Not in the Labour Force, Australia', September 1996-2010 (cat. no. 6220.0)

LONG-TERM UNEMPLOYMENT AND HEALTH

The ABS 2007-08 *National Health Survey* allows us to see where health differs between people who are long-term unemployed and those in employment.

While a person's poor health may impact upon the amount of time they spend in unemployment, extended periods of unemployment and the potential resultant financial and/or psychological stress may also contribute to poor health.

People aged 15 years and over who were long-term unemployed were four times as likely as employed people to say that their health was only fair or poor (34% compared with 9%). They were twice as likely as employed people to be a current smoker (44% compared with 22%), twice as likely as those employed to have back pain, back problems or disc disorders (32% compared with 16%) and almost three times as likely to have mental or behavioural problems (27% compared with 11%).

The 2009 *Survey of Disability, Ageing and Carers* allows us to see where disability status differs between people who are long-term unemployed and those in employment. Of people aged 15-64 years living in households, people who were in long-term unemployment were around twice (or 2.3 times) as likely as employed people to have a disability (23% compared with 10%).

women stated they would have preferred to have been working full-time hours (35 hours or more per week).

DIFFICULTIES IN FINDING WORK

The most common difficulty in finding work reported by long-term unemployed people was that there were too many applicants for the available jobs (54%). This was also the most common difficulty cited by people unemployed for a shorter period (47%).

The most common difficulty in finding work reported by long-term unemployed people was that there were too many applicants for the available jobs.

Long-term unemployed people were more likely than those who had been unemployed for a shorter period to cite insufficient work experience (46% compared with 33% of short-term unemployed), lack of necessary skills or education (40% compared with 29%), and more likely to say that a job was too far to travel or they had transport problems (34% compared with 18%). They were also twice as likely to have cited their own health or a disability as one of the difficulties they faced in finding work (26% compared with 12%).

STEPS TAKEN TO FIND WORK

Long-term unemployed people may undertake a variety of steps to find work. In July 2010, some of the most common steps taken included looking at ads for jobs in a newspaper (91%); or on the internet (77%); and writing, phoning, or applying in person to an employer for work (87%).

These were also common steps for those who were only unemployed for a shorter period (77%, 78% and 84% respectively). They were also some of the most common steps for those who had started their current job in the

last 12 months and who had been looking for work prior (48%, 62% and 70%).

Where the steps taken to find work by the long-term unemployed population differed the most from these other groups was in the proportion who reported registering or checking with Job Services Australia (JSA) and/or Centrelink. In July 2010, around three quarters (77%) of the long-term unemployed had registered with Centrelink as a job seeker, two-thirds (66%) had registered with a JSA provider and a similar proportion (65%) had checked with a JSA provider. These rates were almost double those for people unemployed for a shorter period, and around four times as high as those for people who had started their current job in the last 12 months and who had been looking for work prior. Despite this, there were still 14% of the long-term unemployed who had not registered/or checked with a JSA provider, with another employment agency, or registered as a job seeker with Centrelink.

INTERNATIONAL COMPARISONS

Australia's long-term unemployment rate in 2010 (1.0%) was low relative to rates in the United States (2.8%) and many European countries; however the long-term unemployment rate in New Zealand (0.5%) was around half that of Australia (1.0%).

Australia's long-term unemployment ratio in 2010 (19%) was also relatively low compared with most of the countries mentioned above; however again New Zealand's ratio was lower (8%).

Between 2008 and 2010 (which shows the impact of the global financial crisis), the long-term unemployment rate increased in all these selected countries. The most dramatic rise was in the United States, where it more than quadrupled from 0.6% to 2.8%. The largest increase in the long-term unemployment ratio was also in the United States. In 2008, only 1 in 10 (11%) unemployed people in the United States were long-term unemployed, whereas in 2010 over 1 in 4 (29%) were in the same situation.

LONG-TERM UNEMPLOYMENT^(a), SELECTED COUNTRIES; ANNUAL AVERAGE – 2010

| | RATE ^(b) | | RATIO ^(c) | |
|----------------|---------------------|------|----------------------|------|
| | 2008 | 2010 | 2008 | 2010 |
| Greece | 3.6 | 5.6 | 47.5 | 45.0 |
| France | 2.7 | 3.7 | 37.1 | 39.7 |
| Italy | 3.0 | 4.0 | 45.2 | 48.0 |
| United States | 0.6 | 2.8 | 10.6 | 29.0 |
| United Kingdom | 1.4 | 2.5 | 24.1 | 32.6 |
| Sweden | 0.8 | 1.5 | 12.5 | 17.4 |
| Australia | 0.6 | 1.0 | 14.9 | 18.6 |
| New Zealand | 0.2 | 0.5 | 4.0 | 8.1 |

(a) 'Long-term unemployment' can refer to different durations of unemployment in various countries. In this table it refers to unemployment of approximately more than one year (see the original source for accurate definitions).

(b) Long-term unemployed as a proportion of the labour force.

(c) Long-term unemployed as a proportion of the unemployed.

Note: Rates and ratios were derived from rounded data, therefore rounding errors may exist.

Source: International Labour Organization, 'Short term indicators of the labour market', viewed 29 August, 2011, laborsta.ilo.org

COMPARING UNEMPLOYMENT AND THE CLAIMANT COUNT

The ABS *Labour Force Survey* (LFS) has provided the official measures of employment and unemployment on a monthly basis for over 50 years. Another important source of data is compiled by the Department of Education, Employment and Workplace Relations (DEEWR) and relates to a count of the number of Labour Market Payment (LMP) recipients.

While both of these series have tended to move broadly in line with each other over time, the two measures differ in many ways. For example, some people may be considered unemployed by the ABS, but they may have not have received LMP due to income from other sources. At the same time, other people who would not be considered unemployed by the ABS may be receiving LMP while working to supplement their income.

For a more in-depth discussion of the differences between these two perspectives see 'Comparing unemployment and the claimant count' in *Australian Labour Market Statistics*, Jan 2009 (cat. no. 6105.0).

PATHWAYS INTO LONG-TERM UNEMPLOYMENT

Long-term unemployed people were more likely than the short-term unemployed to have lost their last job (mostly through being laid off, retrenched, or because the job was temporary or seasonal) rather than having left it (either for unsatisfactory work arrangements or for other reasons such as returning to studies). Of those who were long-term unemployed, almost three-quarters (72%) had lost their last job while around a quarter (27%) had left their last job.⁴ This compared with 57% of short-term unemployed people having lost their last job and 43% having left their last job.

Long-term unemployed people were more likely than the short-term unemployed to have lost their last job rather than having left it.

GOVERNMENT PENSIONS AND ALLOWANCES

In 2009-10, almost all (96%) of households with at least one long-term unemployed person had received some form of government pension or allowance in the previous financial year. Newstart allowance was one of the most common payments, with around half (53%) of these households having someone who received this payment.

In 2009-10, nearly three-quarters (71%) of households with at least one long-term unemployed person had at least 20% of their household income coming from government pensions or allowances, and over two-fifths (43%) had at least 90% of their household income coming from these sources. This financial dependence was less common for households without any long-term unemployed people. Around one-third (34%) of these households had at least 20% of their household income coming from government pensions or allowances.



LOOKING AHEAD

Despite a recent peak, for almost eight years Australia's unemployment rate has been lower than at any other time within the last quarter of a century. This indicates an economy with a high demand for workers. In this context, people in long-term unemployment may be presented with more opportunities now than ever before to overcome barriers to their employment.

In the 2011-12 Australian Government Budget two measures, costing \$227.9 million, were announced that aim to specifically target the Very Long-term Unemployed (VLTU). One measure increases the obligations of VLTU job seekers to participate in activities designed to help them secure a job (increasing required participation from 6 to 11 months in a year). The second measure is a new wage subsidy that is designed to encourage employers to take on VLTU job seekers.⁵

ENDNOTES

1. Australian Social Inclusion Board, *A Compendium of Social Inclusion Indicators: How's Australia Faring?*, Canberra, p.vii, www.socialinclusion.gov.au
2. Kalil, A., 2009, 'Joblessness, family relations and children's development' in *Family Matters*, No. 83, Australian Institute of Family Studies, www.aifs.gov.au
3. Australian Social Inclusion Board, *A Compendium of Social Inclusion Indicators: How's Australia Faring?*, Canberra, p.29, www.socialinclusion.gov.au
4. Excluding those who had never worked, whose last job was for less than two weeks or was more than two years prior
5. Department of Education, Employment and Workplace Relations, 'Building Australia's Future Workforce: Very Long Term Unemployment' fact sheet within the *Budget 2011-12* section of DEEWR's website, www.deewr.gov.au

Australian Social Trends 4102.0, September 2011
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JOB SEARCH EXPERIENCE

A summary of findings from a report by the **Australian Bureau of Statistics**

OVERVIEW

In July 2011, there were 572,200 persons (300,300 males and 271,900 females) who were unemployed.

Of these:

- 80% of unemployed males were looking for full-time work
- 61% of unemployed females were looking for full-time work, and
- 85% of unemployed persons had not started a job in the previous 12 months.

In July 2011, there were 1.7 million job starters (employed persons who had started their current job in the previous 12 months).

Of these:

- 59% searched for work for less than 1 year before starting current job
- 67% were working full-time
- 28% were aged 25-34 years, and
- 20% were aged 45 years and over.

UNEMPLOYED PERSONS

Duration of unemployment

The majority (81%) of unemployed persons had been unemployed for less than one year. The percentage of unemployed persons who had been unemployed for one year or more was 18% in 2010 and 19% in 2011. The median duration of unemployment is the same as it was in 2010, that is, 14 weeks.

Difficulties in finding work

In July 2011, the main difficulty in finding work for unemployed persons was 'too many applicants for available jobs' (12%), followed by 'insufficient work experience' (10%).

The difficulties in finding work for unemployed persons varied with age, sex, duration of unemployment and the type of work for which they were looking (full-time or part-time).

The main difficulty for persons aged 15-19 years was 'insufficient work experience' (19%) whereas, the main

LONG-TERM UNEMPLOYMENT RISES

The percentage of long-term unemployed (people unemployed for one year or more) was 19% in July 2011 compared to 18% in July 2010 according to the Australian Bureau of Statistics (ABS). Of these, around 83,000 (or three quarters of long-term unemployed people) were looking for full-time work in July 2011.

For long-term unemployed people the most common difficulties in finding a job were 'own health or disability' (17%), 'lacked necessary skills or education' (13%), followed by 'too many applicants for available jobs' (11%).

The majority of unemployed people, (81%) were unemployed for less than one year (short-term unemployed), with over a quarter of these (26%) having been unemployed for less than four weeks.

Of the short-term unemployed people, 13% reported that they had no difficulties in finding another job.

For unemployed people aged 15 to 24 years, the main difficulty in finding work was 'insufficient work experience' (17%), while for those aged 45 years and over it was 'considered too old by employers' (18%).

Of all unemployed people, 20% had never worked before and 21% had worked previously, but not in the last two years. Four out of five unemployed people (80%) had not received any offers of employment in the current period of unemployment.

Further information is available in *Job Search Experience, Australia, July 2011* (cat. no. 6222.0).

Media release, 24 January 2012, Australian Bureau of Statistics | www.abs.gov.au

difficulty in finding work for persons aged 45 years and over was 'considered too old by employers' (18%).

(10%) and

- 'No vacancies at all' (9%).

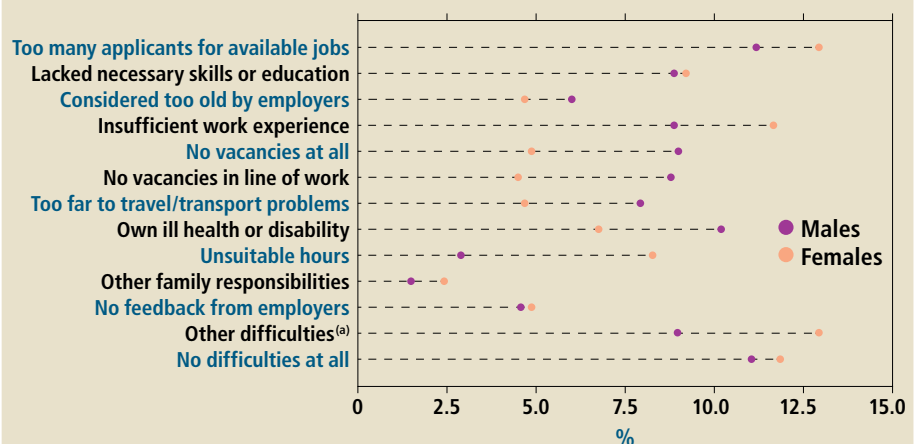
For unemployed males, the most commonly reported main difficulties in finding work were:

- 'Too many applicants for available jobs' (11%)
- 'Own ill health or disability'

For unemployed females, the most commonly reported main difficulties in finding work were:

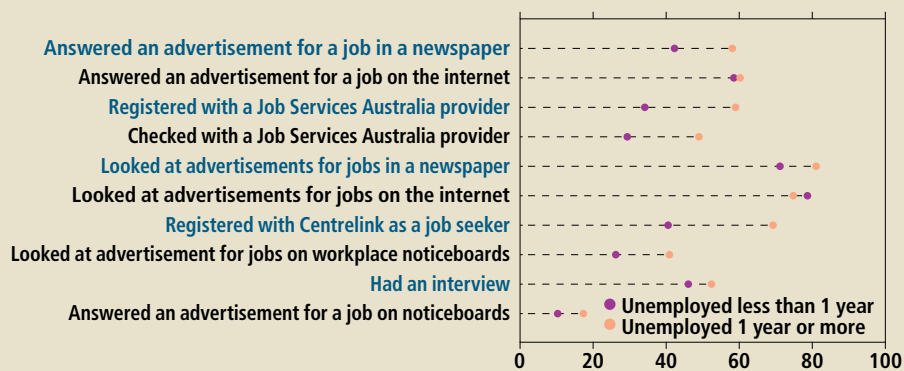
- 'Too many applicants for available jobs' (13%)
- 'Insufficient work experience' (12%), and

UNEMPLOYED PERSONS, MAIN DIFFICULTY IN FINDING WORK – BY SEX



(a) Includes people who reported 'considered too young by employers', 'language difficulties', 'difficulties with finding child care' or 'difficulties because of ethnic background'.

UNEMPLOYED PERSONS, SELECTED STEPS TAKEN TO FIND WORK^(a) – BY DURATION OF CURRENT PERIOD OF UNEMPLOYMENT



(a) Refers to steps taken to find work, therefore people may appear in more than one category.

- 'Lacked necessary skills or education' (9%).

For long-term unemployed persons, the most commonly reported main difficulties were:

- 'Own ill health or disability' (17%), and
- 'Lacked necessary skills or education' (13%).

For persons who had been unemployed for less than one year the most commonly reported main difficulties were:

- 'Too many applicants for available jobs' (12%)
- 'Insufficient work experience' (10%), and
- 'Lacked necessary skills or education' (8%).

There were 65,800 unemployed persons who reported that they had 'no difficulties at all' in finding work. Of those reporting no difficulties, 70% had been unemployed for less than eight weeks.

All steps taken to find work

In July 2011, the percentage of persons looking for full-time work was 71% of unemployed persons. This compares with 72% of unemployed persons in 2010.

The most common steps taken to find work (both full-time and part-time) reported by unemployed persons were:

- 'Wrote, phoned or applied in person to an employer for work' (85%)
- 'Looked at advertisements for

- jobs on the internet' (78%)
- 'Looked at advertisements for jobs in a newspaper' (73%), and
- 'Answered an advertisement for a job on the internet' (59%).

For steps taken to find work, the largest percentage point difference between long-term unemployed persons and those who had been unemployed for less than 1 year were:

- 'Registered with Centrelink as a job seeker' (70% and 40% respectively)
- 'Registered with a Job Services Australia provider' (59% and 34%

respectively), and

- 'Checked with a Job Services Australia provider' (49% and 29% respectively).

Older and younger unemployed

In July 2011, 37% (213,200) of unemployed persons were aged 15-24 years compared to 25% (141,700) of unemployed persons who were aged 45 years and over.

The most common steps taken to find work reported by those aged 15-24 years were 'wrote, phoned or applied in person to an employer for work' (84%) and 'looked at advertisements for a job on the internet' (79%). The most common steps reported by those aged 45 years and over were 'wrote, phoned or applied in person to an employer for work' (87%) and 'looked at advertisements for a job in the newspaper' (82%).

ALL JOB STARTERS

In July 2011 there were 1.7 million job starters (employed persons who started their current job in the previous 12 months).

Of these:

- 93% were employees (including OMIEs)





- 35% usually worked part-time hours, of whom 38% preferred to work more hours
- 59% were aged 15-34 years
- 7% were aged 55 years and over
- 61% had a non-school qualification
- 59% looked for work for less than 1 year before attaining their current job (of whom 74% looked for work for between 1 and 13 weeks)
- 5% looked for work for 1 year or more, and
- 36% did not look for work.

EMPLOYEE JOB STARTERS (EXCLUDING OMIES)

In July 2011 there were 1.6 million employee¹ job starters, of whom 42% did not have paid leave entitlements in their current job. Of those without leave entitlements:

- 42% were aged 15-24 years
- 17% were aged 45 and over, and
- 55% were females.

The majority (90%) of employee¹ job starters had worked before. Of these:

- 37% were out of work prior to starting their current job, and
- 30% were aged 25-34.

All steps taken to attain a job

Of employee¹ job starters, the most commonly reported step to attain a job was 'had an interview with an employer' (66%).

Around 153,700 employee¹ job starters had either considered or had actually started or purchased a business in the last 12 months.

For the steps taken to attain a job, the largest percentage point difference between those who had worked before and first job holders were:

- 'Answered an advertisement for a job on the internet' (40% and 31% respectively)
- 'Looked for advertisements for jobs on the internet' (50% and 42% respectively)

- 'Registered with other employment agency' (13% and 8% respectively), and
- 'Answered an advertisement for a job in a newspaper' (21% and 16% respectively).

Around 153,700 employee¹ job starters had either considered or had actually started or purchased a business in the last 12 months. Of these, 24,900 had started or purchased a business but had not continued with it.

OWNER MANAGERS

In July 2011, there were 162,100 owner managers who started their current business in the previous 12 months.

The main reasons most commonly reported for starting or purchasing a business were:

- 26% wanted to be their own boss
- 23% wanted financial gain
- 20% for other reasons, and
- 15% wanted control over working conditions.

PERSONS EMPLOYED FOR MORE THAN A YEAR IN THEIR CURRENT JOB AND LOOKED FOR WORK

In July 2011, there were 544,600 persons employed for more than a year in their current job who looked for work in the previous 12 months.

Of these:

- 52% were males
- 61% were full-time workers
- 30% were aged 25-34, and
- 88% were employees (excluding OMIEs).

The main reasons for looking for work were:

- Wanted better pay (42% males and 33% females), and
- Wanted a change (33% males and 38% females).

ENDNOTE

1. Excludes owner managers of incorporated enterprises (OMIEs).

Job Search Experience, Australia, July 2011 – 6222.0, Summary of Findings
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Income support among people of working age

AUSTRALIAN SOCIAL TRENDS REPORT BY AUSTRALIAN BUREAU OF STATISTICS

INTRODUCTION

Over most of the 20th century an increasing proportion of the population received income support. In 1901, only 1% of Australians aged 15 years and over received an income support payment. By the early 1970s, 12% received income support and this increased rapidly during the 1970s to reach 23.5% in 1979. The proportion peaked in 1996 at 33% before declining to 27% in 2008.¹

In 1901, only 1% of Australians aged 15 years and over received an income support payment. By the early 1970s, 12% received income support increasing during the 1970s to reach 23.5% in 1979, and peaking in 1996 at 33%.

TRENDS IN RATES OF INCOME SUPPORT RECEIPT AMONG THE WORKING AGED

One of the explanations for the long-term increase in the overall rate of income support receipt among people aged 15 years and over is that, because Australians are living longer, an increasing proportion of the population has become eligible to receive the Age Pension. Yet the proportion of working age people receiving income support also grew until the mid 1990s. The reasons for the increase in this proportion between June 1978 (about 14%) and June 1996 (around 25%) include declines in full-time employment, an increase in the proportion of people without partners, and higher levels of education participation among young people (see *Australian Social Trends 2001*, 'Income support among people of workforce-age').²

This article focuses on the subsequent decrease in the proportion of working age people receiving an income support payment between June 1996 (about 25%) and June 2007 (about 17%).² Factors contributing to this decrease include strong jobs growth, the closure or phasing out of some payments, and tightening of eligibility criteria to receive some other payments.

Strong jobs growth

A sustained increase in employment opportunities saw the proportion of working age people receiving an unemployment payment fall from 6.9% in June 1996 to 3.3% in June 2008 before rising to 4.2% in June 2009. These movements closely mirror changes in the unemployment rate (see *Australian Social Trends March 2010*, 'The labour market during recent economic downturns').

While it is a major contributor, the lower rate of receipt of an unemployment payment accounts for less than half of the 7.5 percentage point fall in the proportion of working age people receiving income support between June 1996 and June 2007. Given that the proportions of working age

DATA SOURCES AND DEFINITIONS

Some of the data presented in this article have been sourced from publications and papers freely available on the websites of various Australian Government agencies. ABS Estimated Resident Population has been used to calculate rates of income support receipt. Other data are sourced from the ABS 2007-08 *Survey of Income and Housing*.

Detailed information about this survey can be found in:

- ★ *Household Income and Income Distribution, Australia, 2007-08* (ABS cat. no. 6523.0).
- ★ *Information Paper: Survey of Income and Housing, User Guide, Australia, 2007-08* (ABS cat. no. 6553.0).

Income support from the Australian government is designed to provide a basic, acceptable standard of living for people unable to fully support themselves. The amount paid reflects prevailing community standards, and is largely determined by the application of income and asset thresholds and tapers (i.e. **means testing**). As a result of means testing, a claimant may receive a full-rate income support payment, a part-rate payment, or be assessed as ineligible to receive income support.

Not all payments from government are considered to be income support. Payments which are not means tested (e.g. economic stimulus payments, one off payments to seniors and carers), payments intended to help meet specific costs (e.g. Family Tax Benefit, Baby Bonus, Utilities Allowance), and payments which represent compensation for loss (e.g. DVA Disability Pension, War Widow(er)'s Pension and Orphan's Pension) are not regarded as income support.

In June 2007, **income support payments** comprised the following payments: Age Pension, Disability Support Pension, Newstart Allowance, Parenting Payment (Single), Youth Allowance (Full-time study), Service Pension, Parenting Payment (Partnered), Carer Payment, DVA Income Support Supplement, Youth Allowance (Other), Partner Allowance, Widow Allowance, Wife Pension, Abstudy, Exceptional Circumstances Relief Payment, Austudy, Sickness Allowance, Special Benefit, Mature Age Allowance, Widow B Pension, Bereavement Allowance, and Farm Family Restart.¹

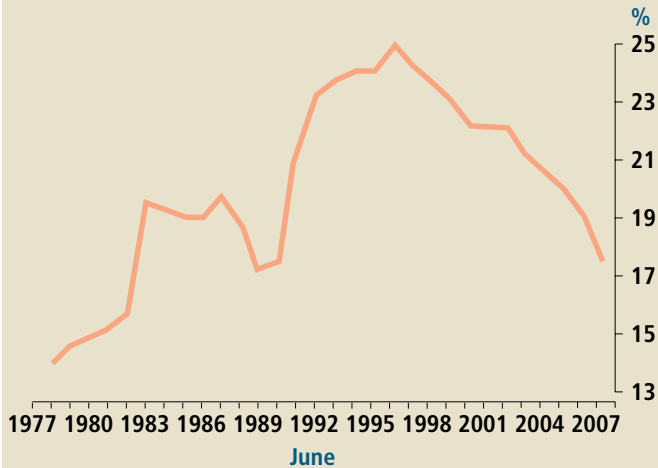
In this article, people of **working age** are people aged 16-64 years. Children aged 15 years are often excluded from the working age range when calculating rates of income support receipt as very few 15 year olds are eligible to receive an income support payment. This article excludes 15 year olds from the working age population to maximise comparability between different data sources.

people receiving Disability Support Pension and Carer Payment actually increased over the same period, factors other than lower unemployment clearly also contribute to the fall in income support receipt among people of working age.

Several payments closed or being phased out

One of the other reasons for the decrease in the rate of income support receipt among working age people between June 1996 and June 2007 has been the closure and/or phasing out of a number of income support payments. Wife Pension was closed to new entrants in 1995. Access to Widow B Pension was limited in 1987, and then closed to new entrants in 1997. Partner Allowance and Mature Age Allowance were both closed to new claimants in 2003, and by 2008 there were no longer any recipients of Mature Age Allowance. Since 2005, new grants of Widow Allowance

PROPORTION OF WORKING AGE PEOPLE RECEIVING INCOME SUPPORT^(a) – 1978-2007



(a) Excluding DVA Income Support Supplement, Exceptional Circumstances Relief Payment, and Farm Family Restart.

Source: Parliament of Australia Parliamentary Library 2008, 'Trends in the receipt of income support by workforce age people 1978 to 2007'.

have been limited to women born on or before 1 July 1955.

The proportion of working age people receiving either Wife Pension, Widow B Pension, Partner Allowance, Mature Age Allowance or Widow Allowance decreased from 4.2% in June 1995 to 0.6% in June 2009. None of these closed or restricted income support payments have participation or activity requirements such as studying, training or searching for work. When introduced, the payments reflected attitudes and policies of the time about which groups of working age people could not reasonably be expected to find paid work to support themselves. However, attitudes and policies about the capacity for workforce participation by working age people without recent job experience have changed over recent decades.

Attitudes and policies about the capacity for workforce participation by working age people without recent job experience have changed over recent decades.

Tightened eligibility for some payments

Another reason for the decrease in the rate of income support receipt among 16-64 year olds has been the gradual raising of the age at which women qualify for receipt of a pension for having reached retirement age. In June 1996, women needed to be aged 60.5 years to qualify for receipt of the Age Pension and 55.5 years to qualify for an equivalent retirement pension from the Department of Veteran's Affairs. By June 2007, these qualifying ages had risen to 63 years and 58 years respectively. This has resulted in progressively fewer working age people receiving the Age Pension. In June 1995 there were 211,685 women under 65 receiving the Age Pension (representing 1.8% of all working age people). By June 2007 the number of women under 65 receiving the Age Pension had more than halved.²

Until 10 May 2005, people qualified for the Disability

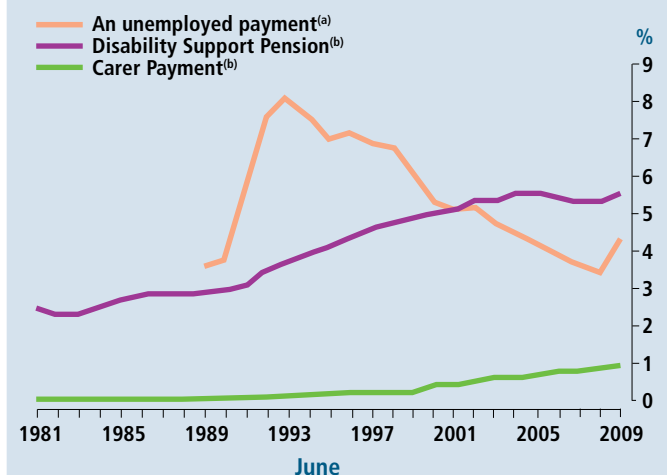
Support Pension if they had an impairment that prevented them from working (or being re-skilled to work) for 30 hours a week at or above the minimum wage for at least the next two years. This changed from 30 hours a week to 15 hours a week for some working age people applying for this income support payment between 11 May 2005 and 30 June 2006, and for all new claimants from 1 July 2006. After rising from 1.7% in June 1972 to 5.3% in June 2004, the proportion of working age people receiving the Disability Support Pension changed little to June 2009 (5.2%).

Immediately prior to 1 July 2006, Parenting Payment was available (subject to means testing and residence rules) to the principal carer of a child aged under 16 years. Since 1 July 2006, new recipients needed to have a child under six (if partnered) or eight (if single). New recipients were required to look for at least 15 hours work per week when their youngest child turned six, and existing recipients were required to do so on 1 July 2007 or when their youngest turned seven (whichever was later).^{1,3} The proportion of working age people receiving Parenting Payment (Single) increased from under 1.6% in June 1978 to 3.4% in June 2005. Over the next four years it steadily fell to 2.4%. The rate of receipt of Parenting Payment (Partnered) has also declined; from 2.0% in June 1996 to 0.9% in June 2009.

WHO RECEIVES INCOME SUPPORT?

The age/sex distribution of working age income support recipients is shaped by factors such as the incidence of

PROPORTION OF WORKING AGE PEOPLE RECEIVING SELECTED INCOME SUPPORT PAYMENTS

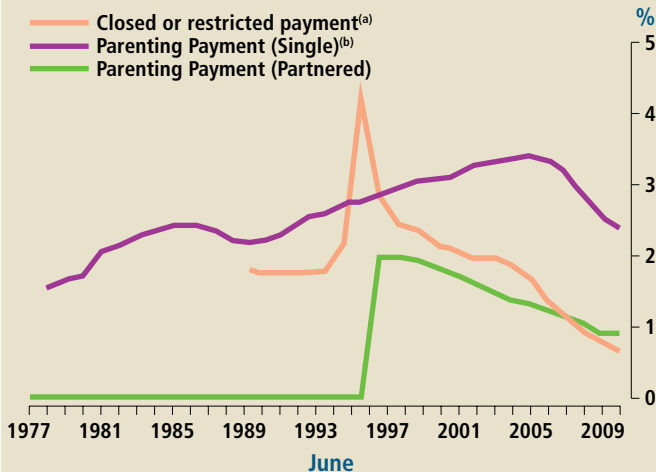


(a) Currently comprises Newstart Allowance and Youth Allowance (Other). Some recipients of Youth Allowance (other) are under 16. These recipients are in the numerator but not the denominator of the proportion.

(b) Some recipients are over 65 or over, and some live overseas. These recipients are in the numerator but not the denominator of the proportion.

Source: Australian Government Department of Families, Housing, Community Services and Indigenous Affairs 'Occasional Paper No. 1 Income support and related statistics: a 10-year compendium, 1989-1999'; 'Occasional Paper No. 7 Income support customers: A statistical overview 2001'; 'Statistical Paper No. 1 Income support customers: a statistical overview 2002'; 'Statistical Paper No. 4 Income support customers: a statistical overview 2005'; Annual Report 2005-06, 2006-07, 2007-08, 2008-09; Australian Government Department of Education, Employment and Workplace Relations Annual Report 2005-06, 2006-07, 2008-09; 'Population by Age and Sex, Australian States and Territories, June 2009' (ABS cat. no. 3201.0)

PROPORTION OF WORKING AGE PEOPLE RECEIVING SELECTED INCOME SUPPORT PAYMENTS



(a) Comprises Mature Age Allowances, Partner Allowances, Wife Pension, Widow B Pension and Widow Allowance. Some recipients are 65 or over, and some live overseas. These recipients are in the numerator but not the denominator of the proportion.

(b) Recipients living overseas are in the numerator but not the denominator of the proportion.

Source: Australian Government Department of Families, Housing, Community Services and Indigenous Affairs 'Occasional Paper No. 1 Income support and related statistics: a 10-year compendium, 1989-1999'; 'Statistical Paper No. 1 Income support customers: a statistical overview 2002'; 'Statistical Paper No. 4 Income support customers: a statistical overview 2005'; Annual Report 2005-06, 2006-07, 2007-08, 2008-09; Australian Government Department of Education, Employment and Workplace Relations Annual Report 2005-06, 2006-07, 2008-09; 'Labour Market and Related Payments, January 2010'; Parliament of Australia Parliamentary Library 'Trends in the receipt of income support by workforce age people 1978 to 2007'; 'Population by Age and Sex, Australian States and Territories, June 2009' (ABS cat. no. 3201.0)

disability (which rises with age) and parenting activity (which increases for women when they have children then decreases as their children age).

The age/sex distribution of working age income support recipients is shaped by factors such as the incidence of disability and parenting activity.

In 2007-08, women represented nearly two-thirds (63%) of all working age income support recipients living in private dwellings. Yet men are more likely than women to receive certain types of payments. In June 2007, men comprised 63% of Newstart Allowees and 58% of Disability Support Pensioners. Rates of receipt of the Disability Support Pension rise with age for both men and women, which partly explains the relatively high proportion of working age income support recipients who are aged 55-64 years.¹

In June 2007, some payments to people of working age (i.e. Wife Pension, Widow B Pension, Widow Allowance and the Age Pension) were received by women only, while some others (e.g. Carer Payment, Partner Allowance and Bereavement Allowance) were mainly received by women. These payments also partly explain the relatively high proportion of working age income support recipients who are 55-64 year old women.

Among younger age groups, there were other reasons

why there were more female than male income support recipients. High proportions of people receiving Parenting Payment (Single) (93%) and Parenting Payment (Partnered) (91%) were women, as were more than half (54%) of all students receiving either Youth Allowance (Full-time study), Austudy or Abstudy.

CHARACTERISTICS AND LIVING STANDARDS

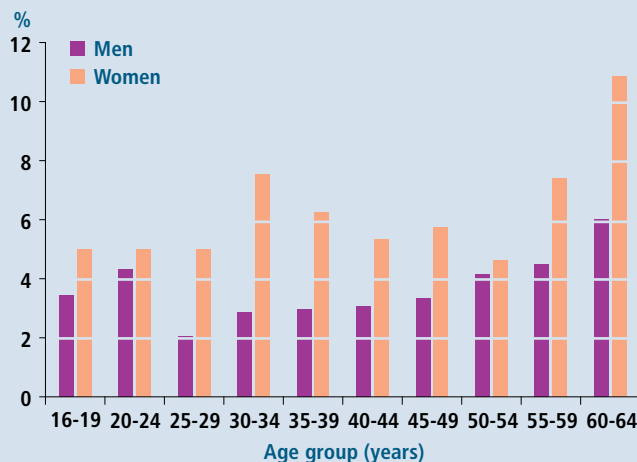
On some socioeconomic measures collected in the ABS 2007-08 *Survey of Income and Housing*, working age people receiving income support appear broadly similar to working age people not receiving income support. On other measures, the income support recipients do not fare nearly as well.

Largely because their rate of participation in paid employment was relatively low (26% compared with 84% of other 16-64 year olds), income support recipients had lower income-related consumption possibilities. In 2007-08, their mean weekly disposable personal income (\$371) was less than half (47%) that of 16-64 year olds who did not receive income support (\$787). Taking into account the income of other household members and the economy of scale benefits derived from sharing household expenses, the average weekly household equivalised disposable income of working age income support recipients (\$525) was 59% that of other 16-64 year olds (\$895).





AGE/SEX DISTRIBUTION OF WORKING AGE INCOME SUPPORT RECIPIENTS^(a) – 2007-08



(a) Some income support recipients are excluded from this distribution because of the scope of the survey, and some are excluded because the survey did not determine that they were receiving an income support payment.

Source: ABS 2007-08 'Survey of Income and Housing'

family household (compared with 3% of other 16-64 year olds) and 52% lived in a couple family household (compared with 77% of other 16-64 year olds).

Other measures show little difference between recipients and non-recipients of income support. For example, 20% of working age income support recipients were studying (compared with 17% of other 16-64 year olds), 92% had a sufficient number of bedrooms in their dwelling (96% of other 16-64 year olds), 91% felt safe when home alone during the day (96% of other 16-64 year olds) and 17% wanted to move in the year ahead (13% of other 16-64 year olds).

Working age income support recipients were also less likely than other working age people to be living with a partner (41% compared with 65%) yet were more likely to be the parent or guardian of one or more children aged under 15 (21% compared with 13%). Around 13% of working age income support recipients lived alone (compared with 9% of other 16-64 year olds), 19% lived in a one-parent

The Age Pension qualifying age is scheduled to gradually increase to 67 years for both men and women.⁵ This may extend the upper age limit of what is regarded as 'working' age.

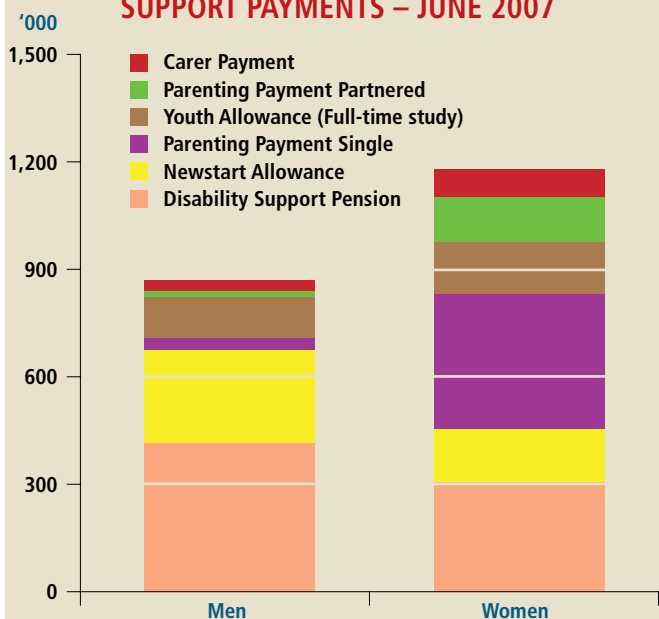
LOOKING AHEAD

Government policy to maximise workforce participation combined with recent indications of improving labour market conditions might be expected to keep rates of income support receipt relatively low among people of working age. Further tightening of eligibility criteria to receive income support could be expected to have a similar effect.

One example of further eligibility tightening took effect on 1 July 2009, when there were changes to what Centrelink defined as assessable income for determining eligibility to receive most means tested income support payments. Assessable income could no longer be reduced by investment losses or salary sacrificed superannuation contributions.⁴

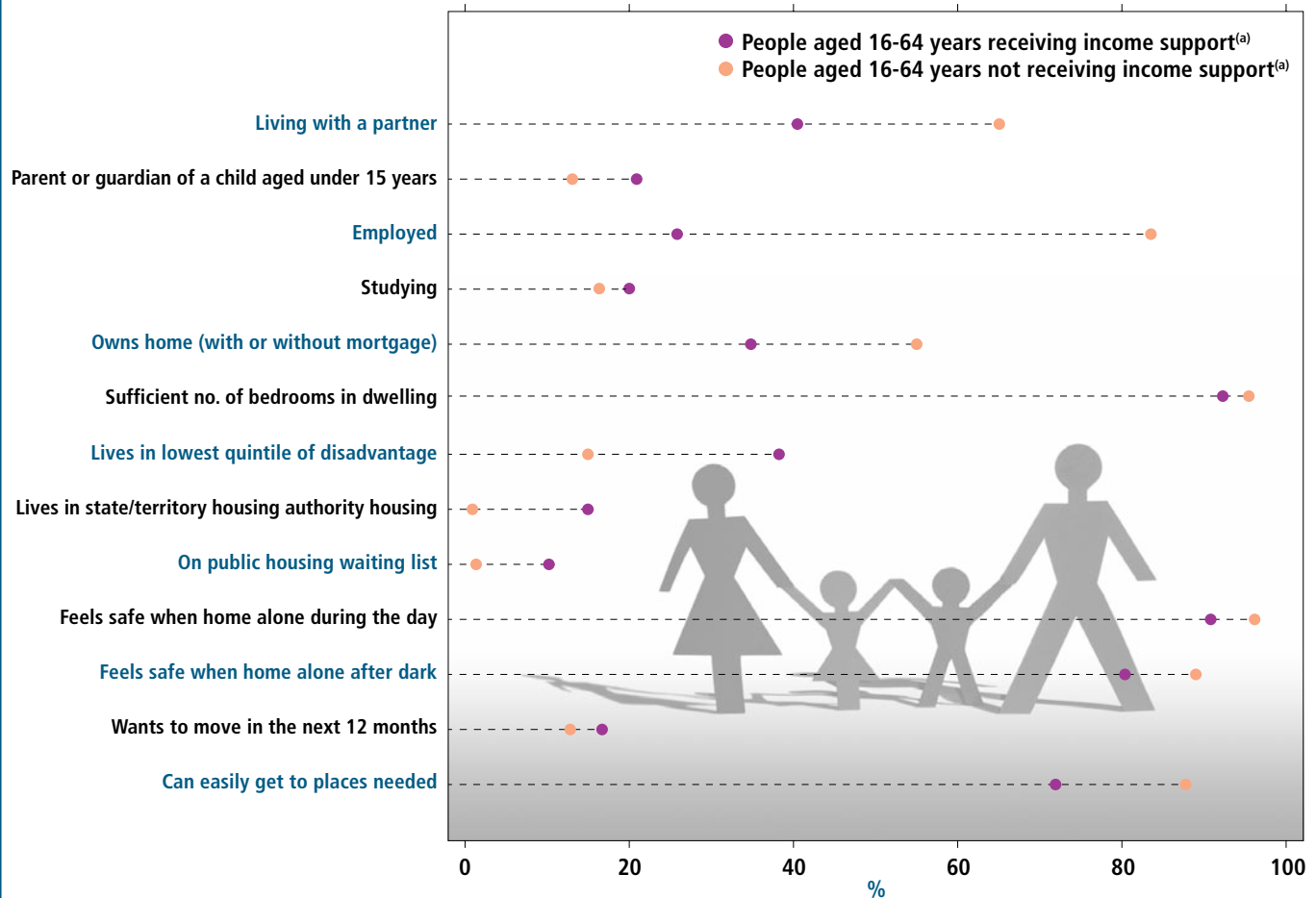
Another example of further eligibility tightening is that the Age Pension qualifying age is continuing to increase.

RECIPIENTS OF SELECTED INCOME SUPPORT PAYMENTS – JUNE 2007



Source: Harmer, J. 2008, 'Australia's future tax system: Pension Review Background Paper'

SELECTED SOCIOECONOMIC CHARACTERISTICS AND SELECTED INDICATORS OF LIVING STANDARDS – 2007-08



(a) Some income support recipients are excluded from these proportions because of the scope of the survey, and some are included in the 'not receiving income support' population because the survey did not determine that they were receiving an income support payment.

Source: ABS 2007-08 'Survey of Income and Housing'

Rates of income support receipt observed among 63 and 64 year olds in 2007-08 may lower in forthcoming years as the Age Pension qualifying age for women incrementally increases from 63 to 65 years between 2007 and 2013. Between 2017 and 2023, the Age Pension qualifying age is scheduled to gradually increase to 67 years for both men and women.⁵ This may extend the upper age limit of what is regarded as 'working' age.

The Australian Government is currently considering a wide-ranging review of the tax and transfer system, aiming to improve incentives to work, reduce complexity and maintain cohesion.¹ The review made recommendations to meet looming demographic, social, economic and environmental challenges.⁶ Changes to aspects of some working age income support payments are one possible outcome of the government's response to the review.

ENDNOTES

1. Harmer, J., 2008, *Australia's future tax system: Pension Review Background Paper*, Canberra, www.fahcsia.gov.au
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Very long-term unemployed

A fact sheet from the *Department of Education, Employment and Workplace Relations*

People who are unemployed for a long period of time find it difficult to gain full-time employment. They often lack the necessary skills and work experience to move into full-time work and instead find themselves moving between unemployment and part-time low-skilled jobs.

Nearly 230,000 job seekers participating in Job Services Australia (JSA) are considered to be very long-term unemployed (VLTU) as they have been receiving income support for two years or more. Of these nearly 83,000 are highly disadvantaged job seekers – those who have multiple and complex barriers preventing them from gaining employment.

As the Australian economy strengthens the Government is committed to providing the resources to support employers and the VLTU to maximise the opportunities for their employment.

WHAT IS THE GOVERNMENT DOING?

A major boost to existing assistance from employment services will come from two new measures specifically targeting the Very Long-term Unemployed (VLTU) that will be introduced at a total cost of \$227.9 million.

In addition, JSA demonstration pilots will be able to leverage support for highly disadvantaged jobseekers.

Tougher obligations and greater support

The VLTU will have additional participation obligations from 1 July 2012 when they will be required to undertake activities for 11 months a year when they begin the second year in the Work Experience Phase (i.e. those who have generally been unemployed for 24 months). This obligation will continue in subsequent years.

This will be renamed the 'Compulsory Activity Phase' and will be supported by provision of a new \$1,000 Employment Pathway Fund (EPF) credit so that JSA providers can

give additional assistance to each job seeker. JSA providers will facilitate the activities the VLTU are required to undertake under the Compulsory Activity Phase.

The additional funding will support skills based work experience activities such as Work for the Dole, other group based work experience activities, job trials and purchase of training. This group will undertake Work for the Dole if suitable alternative activities are not available.

Wage subsidy for the VLTU

From 1 January 2012 a new wage subsidy equating to the average rate of Newstart Allowance a job seeker receives for six months (approximately \$5,700 in the first year, rising as a result of indexation to approximately \$6,000 in later years) will be available to support employment of VLTU job seekers nationwide.

The subsidy will be paid for at least six months but could be available for longer (providing the overall total subsidy limit is not exceeded) based on the needs of the job seeker. A pro rata subsidy will be provided for eligible job seekers with a part time capacity to work.

Private sector employers, as well as social enterprises, will be eligible to employ job seekers using this subsidy.

JSA and Disability Employment Services (DES) providers will be able to use the wage subsidy as an additional tool to assist highly disadvantaged job seekers into paid employment.

Job Services Australia Demonstration Projects

Twenty pilot projects for Job Services Australia (JSA) services providers will model potential enhancements to Stream 4 (highly disadvantaged job seekers) service delivery. The pilots will include alternative approaches to coordinating non-vocational services for highly disadvantaged job seekers.

As an industry-led measure, the pilots will be delivered by high performing JSA providers and involve



partnerships with other complementary service providers in identified areas of disadvantage. These high-performing JSA providers will also be able to draw on the additional assistance being provided through the new wage subsidy program for very long-term unemployed job seekers.

WHY IS THE GOVERNMENT DOING IT?

As a result of the surge in unemployment caused by the Global Financial Crisis a number of job seekers, many of whom lack the skills employers need, have been unable to regain employment and are either now VLTU or in danger of becoming so.

Once a job seeker has been unemployed for one year, they have a 54 per cent chance of becoming very long-term unemployed (i.e. unemployed for two years). Chances that they will be unemployed for a further year increase to 68 per cent, once job seekers have been unemployed for two years. They also have low job placements and outcomes.

Currently the VLTU in the Work Experience Phase, in return for income support, are required to look for a certain number of jobs each week as well as undertake an activity for six months for each year that they are unemployed in order to improve their chances of finding a job. The amount of time spent on the activity each week depends on the job seeker's age and the type of activity but generally

it is around two days per week. In the other six months of the year job seekers have no requirements placed on them, other than looking for a certain number of jobs.

This lack of activity is detrimental to the health and wellbeing of job seekers and undermines their job readiness.

Together, the increased obligations, great funding for activities and wage subsidy measures are designed to provide the additional support and services that will ensure job seekers are constantly engaged in activities designed to help them secure a job.

Evaluations of the use of wage subsidies, both here and overseas, have found that they are effective in getting people into sustainable jobs if they are carefully designed to target the most disadvantaged job seekers.

- The 2007 Active Participation model evaluation showed that six months after the wage subsidy ceased around 58 per cent were off benefit
- A 2007 study of targeted wage subsidies for hard-to-place workers in Germany found that wage subsidies can increase the employment prospects of previously unemployed individuals by 25-42 per cent in comparison to a matched control group.

WHAT HAS THE GOVERNMENT ALREADY DONE?

Australian Government funded employment services play an important role in lifting workforce participation and boosting productivity by building a skilled labour force.

JSA was introduced on 1 July 2009 to assist job seekers secure ongoing employment. JSA provides flexible and tailored support according to job seekers' individual needs and circumstances. Assistance includes training, skills development, work experience, and help with job search techniques to help unemployed people find and retain a job.

JSA is already delivering results. In its first 20 months of operation, JSA providers made more than 686,500 placements into jobs, delivering a 10 per cent increase from the previous arrangements.

Most encouragingly, the most disadvantaged job seekers, including people who are long-term unemployed, homeless, indigenous, have a mental illness or are from jobless families, are benefiting from the rewards of paid work.

Employment outcomes for the most disadvantaged job seekers are up to 50 per cent higher than under the previous arrangements. More disadvantaged job seekers are also accessing services, with over 28,000 more of the most disadvantaged job seekers being actively assisted under JSA, rather than being left on a waiting list as was the case under the arrangements in place prior to the JSA model.

An important component of the success of JSA providers has been the Employment Pathway Fund which providers can use to purchase vocational and non-vocational goods and services that assist the job seeker to obtain employment. This can include the purchase of essential work clothing and tools, licences and travel assistance as well as mental health support and counselling for drug and alcohol addiction.

These additional two measures will further enhance the effectiveness and flexibility of JSA.

WHO WILL BENEFIT?

The VLTU require additional assistance as they often face multiple barriers to work.

- For example:
- 17 per cent are indigenous compared to 10 per cent of the non-VLTU caseload
 - 13 per cent are homeless compared to 8 per cent of the non-VLTU caseload
 - 12 per cent are ex-offenders compared to 10 per cent of the non-VLTU caseload
 - 24 per cent are aged over 50, compared to 16 per cent of the non-VLTU caseload, and
 - 59 per cent have not completed Year 12 at school non-VLTU caseload
 - 46 per cent of the unplaced DES caseload (i.e. job seekers with disability) are VLTU.

New obligations

VLTU entering their second period of Work Experience (normally those who are entering their third year of unemployment) will be required to undertake the Compulsory Activity Phase.

Wage subsidy for the VLTU

The subsidy will be targeted at job seekers who have been on income support for at least the last two years, are currently participating in Job Services Australia or Disability Employment Services and have had no or minimal recent paid employment – that is people who have demonstrated by their lack of work history that they would not otherwise get a job without the subsidy.

WHAT FUNDING IS THE GOVERNMENT COMMITTING TO THIS INITIATIVE?

The Australian Government will invest more than \$8.5 billion over the next four years in employment services.

This will include the:

- Tougher Obligations measure which will cost \$133.3 million and target approximately 149,000 very long-term unemployed job seekers over three years from 2012
- VLTU wage subsidy which will support employment of 35,000 eligible job seekers (10,000 per annum with a half year effect in 2011-12) and cost \$94.6 million over three and half years from January 2012
- Job Services Australia Demonstration Projects which will result in the Government investing \$4.7 million over three years, to fund an anticipated 20 pilots. The pilots will run for up to 24 months, commencing from 1 July 2011 and ending 30 June 2013.

FOR MORE INFORMATION

Visit www.skills.gov.au or www.deewr.gov.au/budget

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WELFARE FRAUD IN AUSTRALIA: DIMENSIONS AND ISSUES

There is a need for greater consensus on the best ways to prevent fraud and deal with offenders, observes **Tim Prenzler** in this Australian Institute of Criminology issues paper

FOREWORD

Australia has a long tradition of providing welfare payments to vulnerable and disadvantaged citizens.

The Australian Government introduced the aged pension in 1909 and the invalid pension in 1910. During World War II, and in the decades since, numerous additional benefits have been made available to a wide range of recipients.

Almost one-third of Australians now receive some kind of direct welfare payment. For many, welfare provides a permanent, secure source of income. For others, government benefits are a vital stop-gap measure that contributes to equality of opportunity and longer term employment and career opportunities.

However, the availability of welfare also creates temptations for fraud and allegations of fraud contribute to controversy about the appropriateness of welfare. This controversy can detract from public perceptions of the legitimacy of the welfare system and the dignity of welfare recipients. A major purpose of this paper is to help inform the debate about welfare by providing data on the size and dimensions of welfare fraud, including substantiated fraud, as evidenced by criminal convictions.

Substantiated fraud represents a very small fraction of all welfare allocations, but losses can involve scams worth hundreds of thousands of dollars.

Another Trends & Issues paper (Prenzler 2011) will examine current anti-fraud strategies and their impacts.

Adam Tomison, Director

This paper reports on key aspects of welfare fraud in Australia. It begins by outlining the basic aims of welfare systems that provide direct economic support, the vulnerability of these systems to fraud and issues around culpability and appropriate responses to suspected fraud. The paper also describes problems experienced when attempting to measure fraud and provides an analysis of available data about the size and dimensions of the problem, including case studies of major frauds. Overall, demonstrable fraud represents a very small fraction of all welfare transactions, but it also represents significant losses, demand for prosecution and loss recovery action. Overall, there is a need for greater consensus on the best ways to prevent fraud and deal with offenders.

The welfare state and the challenge of fraud

Welfare fraud – or ‘benefit’ or ‘social security’ fraud – is a controversial problem that has accompanied the growth of the welfare state. The modern welfare state developed

in conjunction with the post World War II economic boom. It was designed, often in an ad hoc fashion, as a comprehensive system through which governments provide support for all citizens in need, with a view to eliminating poverty and enhancing health and wellbeing (McMahon 2005). Welfare systems frequently entail a wide range of living allowances paid to the elderly, unemployed, those with intellectual and physical disabilities, sole parents and students. Support also normally includes a range of partial, indirect or in-kind government funded benefits, such as child support payments and free or discounted medical services and childcare.

The welfare state has been the target of numerous criticisms. One standard critique is that it attracts fraud. There can certainly be little doubt that early benefit systems were highly vulnerable to abuse (Reeve 2006). It was not without justification that the terms ‘dole bludger’ or ‘welfare queen’ became part of the social and political discourse in many countries in the 1970s and 1980s.

Anecdotes about people feigning illness or disability, living on welfare while avoiding work, or collecting benefits while working, became a standard part of social gossip (Bradbury 1988). The right to apply for welfare and the availability of money created intrinsic temptations for people to attempt to obtain benefits fraudulently (Kuhlhorn 1997).

Welfare is usually organised around two main criteria – universal eligibility or means testing. Under universal eligibility, all persons fitting general criteria receive a benefit. For example, anyone over a specified age receives an old age pension. Conversely, means testing involves a second set of criteria related to income and assets. Recipients must meet a criterion, such as age, and also have income and assets below a specified threshold. Means testing is the primary form of welfare provision in Australia. It appears to be less costly, by reducing the number of recipients, and appears to be fairer in providing income only to those in genuine need. Alleged disadvantages of means testing include the requirement for a more complex bureaucracy and the creation of temptations for some applicants to understate or hide income and assets (Kuhlhorn 1997).

Something of the scope for fraud can be seen in statistics for Australia’s federal welfare agency Centrelink (located in the Department of Human Services portfolio).

In 2008-09, Centrelink distributed approximately \$86.6 b to 6.8 million customers, including \$10.4 m in individual entitlements, across 140 benefit types on behalf of 27 government departments and agencies. It approved 2.7 million new claims, operated over 1,000 service delivery

centres, employed just under 28,000 staff and made over six billion transactions on customer records (Centrelink 2009a: 28).

Ensuring payment integrity

A number of factors have led to reassessments of liberal access to welfare and a concern for ‘payment integrity’ (Centrelink 2009b; Reeve 2006). One factor was the strain on existing allocations caused by the continuing enlargement of entitlements. A second was the contraction of state resources under global recessions from oil crises and other shocks from the 1970s. Another was the rise of ‘economic rationalism’ and ‘user pays’ philosophies associated with voter revolts against high spending, high tax and high debt governments. Media exposés of fraud also fuelled popular opinion against welfare cheats. An Australian public opinion survey in the mid 1980s found that social security fraud worth \$1,000 was considered worse than tax evasion or medical fraud worth \$5,000 (Wilson, Walker & Mukherjee 1986).

One effect of these developments was to focus attention on improving mechanisms for ensuring benefits went to genuine cases. ‘Modernisation’ of systems entailed better screening processes at the point of application for support, as well as closer scrutiny of existing welfare recipients to ensure they remained eligible (Green 2008). In Australia, the Fraser Government (1975-1983) and the Hawke-Keating Government (1983-1996) tightened compliance measures in a number of areas, including stricter work search tests for the unemployed and data-matching. The Howard Government (1996-2007) made combating fraud a major plank in its first victorious election campaign and expanded existing prevention and detection measures while introducing new initiatives (Dunlevy & Hannon 1997; Kingston 1996).

Innovations in combating welfare fraud

Centrelink was created in 1997 by the Howard Government as a ‘one-stop-shop’ for government social security services. This was primarily an efficiency measure in terms of service delivery. At the same time, the establishment of Centrelink allowed for the centralisation and standardisation of anti-fraud methods. The Centrelink system represented the introduction of a ‘purchaser/provider separation’, with arrangements between Centrelink and other departments based on a ‘business partnership’ agreement (Mulgan 2002).

Internationally, the last 30 years have seen considerable innovation in welfare systems, focused on identifying both ‘error’ and ‘fraud’. In the United Kingdom, for example, three categories are used to describe inaccuracies in benefits claimed or provided:

The Department (for Work and Pensions) defines fraud as those cases where customers deliberately claim money to which they are not entitled. Customer error occurs when customers provide information to the Department which is inaccurate, incomplete or untimely, but without dishonest intent, and as a result the benefit paid is inaccurate. Official error occurs when officials fail to apply specific rules or do not take into account all the notified circumstances (NAO 2008: 6).

Many of the innovations aimed at improving compliance have been driven by legislative requirements. Centrelink is subject to the Commonwealth *Financial Management and Accountability Act 1997* and must comply with the Commonwealth Fraud Control Guidelines (AGD 2002). Fraud management reviews by the Australian National Audit Office (e.g. 2008a, 2007, 2006, 2001) have also driven change.

Anti-fraud measures adopted overseas and in Australia include the following:

- Data-matching between government agencies
- Stepped up identity verification checks
- Covert surveillance and video recording
- Stepped up investigations, with greater use of forensic accounting and site visits
- Increased prosecutions
- Increased recoveries through debt collection strategies and asset forfeiture
- Advertising rules and compliance requirements
- Deterrence through advertising prosecutions and convictions, and
- Public tip-off lines (Prenzler 2011).

Measuring welfare fraud and the welfare debate

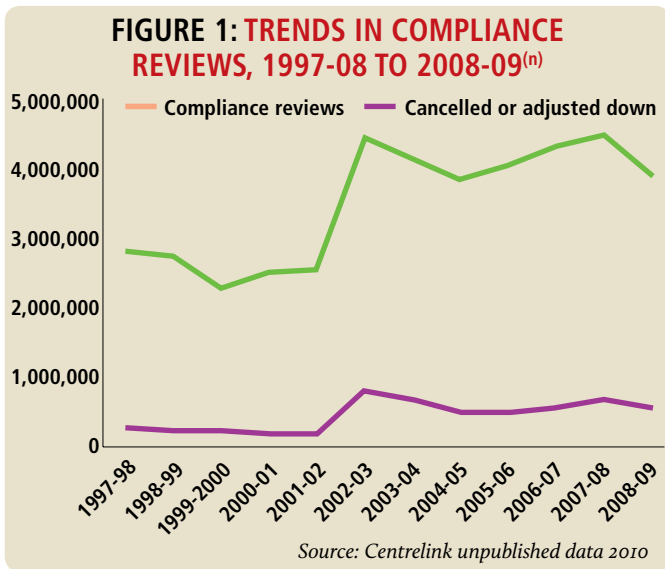
Many of these anti-fraud measures have been criticised as stigmatising welfare recipients and generating ‘a punitive approach to income support’ that is overly-reliant on criminal prosecutions (Bradbury 1988: 26). Administrative assessments and adjustments, it is claimed, are more efficient and provide for a potentially better resolution

TABLE 1: COMPLIANCE AND ANTI-FRAUD OUTCOMES, 2006-07 TO 2008-09

| Year | Customers '000s | Reviews | Cancelled or adjusted down | Referred to Director of Public Prosecutions | Prosecutions | Convictions | Prosecutions resulting in conviction (%) | Fraud-related investigations | Debts and savings from fraud investigations |
|--------------|-----------------|-------------------|----------------------------|---|--------------|--------------|--|------------------------------|---|
| 2006-07 | 6,500 | 4,276,281 | 628,705 | 5,261 | 3,400 | 3,355 | 98.7 | 42,000 | \$127,000,000 |
| 2007-08 | 6,520 | 4,431,309 | 702,624 | 5,312 | 2,658 | 2,624 | 98.6 | 35,885 | \$140,200,000 |
| 2008-09 | 6,840 | 3,867,135 | 641,504 | 5,082 | 3,388 | 3,354 | 98.9 | 26,084 | \$113,400,000 |
| TOTAL | | 12,574,725 | 1,972,833 | 15,655 | 9,446 | 9,333 | 98.7 | 103,969 | \$380,600,000 |

Source: Centrelink 2010

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of disputed assessments (Freiberg 1989). A ‘get tough’ approach easily criminalises recipients who have made genuine errors in reporting their circumstances and this potential is exacerbated by the casualisation of labour and the shifting circumstances of the working poor and unemployed (Marston & Walsh 2008).

Welfare fraud is difficult to measure because it falls outside the two main crime measures of incidents reported to police and victim experience surveys. One recent attempt to measure welfare fraud, using international econometric benchmarks, was unspecific but nonetheless assumed high levels of fraud based on the relative generosity of the Australian system. Bajada (2005: 184) concluded that, ‘there appears to be a significant number of people in Australia fraudulently accepting welfare benefit payments while in receipt of subterranean income’. From a different perspective, Peter Saunders, from the Centre for Independent Studies, has argued that, although ‘the welfare lobby insists fraud is not a serious problem’, surveys of the unemployed show that up to 75 per cent are not genuinely willing to search for or accept available jobs and are therefore, in a sense, ‘fraudulent’ (Saunders 2003: 11-12; see Colmar Brunton Social Research 2002: 20). In contrast,

Michael Raper, President of the National Welfare Rights Network, using conviction rates, has argued there is very little fraud in social security – ‘It’s pretty tight and hard already. Less than half of one per cent of social security debt is fraud’ (in Karvelis 2008: 4).

Overseas findings

The UK Department for Work and Pensions estimated that in 2008-09, approximately 2.2 per cent of all benefit expenditures, or £3 b, was overpaid as a result

of fraud and error (DWP 2009). Half of this, about £1.1 b, was attributed to fraud, although this was based on a sampling procedure rather than convictions. The figure represented an increase, from a low of £0.6 b in 2005-06, despite concerted efforts by the department to stop fraud (NAO 2008).

In the United States in 2008-09, the Social Security Administration Office of the Inspector General (2009) received 129,495 allegations of fraud and closed 8,065 cases, with 1,486 criminal prosecutions. These activities involved over US\$ 2.9 b in ‘questioned costs’; with US\$ 23.3 m in recoveries, US\$ 2.8 m in fines and a further US\$ 25.5 m in settlements, judgement and restitution orders.

Australian data

The following section presents data supplied by Centrelink on its compliance and fraud-related activities and outcomes. Unlike the UK Department for Work and Pensions, Centrelink does not provide estimates of fraud but reports on detected errors and fraud prosecution actions and outcomes.

Formal fraud investigations are usually initiated through compliance and eligibility reviews. Reviews occur in large numbers each year. There is a crossover of triggers and methods, including routine datamatching, random sampling, identity checks and public tip-offs.

Table 1 reports on the outcomes of reviews for the three year period 2006-07 to 2008-09. Of note is the fact that typically, only 15.7 per cent of reviews led to cancellations or reductions in payments. Of these, as few as 0.8 per cent were referred to the Commonwealth Director of Public Prosecutions (CDPP); with 0.5 per cent being prosecuted. Prosecutions resulted in a 98.8 per cent conviction rate. Overall, in the three years, 0.04 per cent of customers were convicted of fraud. For the same period, fraud investigations were estimated to have produced \$380.6 m in gross savings and amounts targeted for recovery. This compares with \$1.4 b in overpayments identified and debts generated from the review process. Fraud therefore accounted for approximately 26.2 per cent of invalid payments. Furthermore, on average, only 15.1 per cent of investigations resulted in a prosecution referral. In 2008-09, Centrelink referrals accounted for 69 per cent of defendants prosecuted by the CDPP (2009: 115-116).

Table 2 provides a snapshot of fraud across the top 15 benefit types. Within this group, the Single Parenting Payment and Newstart Allowance (unemployment benefit) together accounted for 72 per cent of convictions and \$33.5 m of debt. The Disability Support Pension and Partnered Parenting Payment together accounted for a further 14.7 per cent and \$7.6 m of debt.

Figure 1 shows longer term trends for compliance reviews and adjustments for the 12 year period from 1997-2008 (when Centrelink was established) to 2008-09.

They show that, in terms of the number of Centrelink customers, compliance reviews increased by 54.5 per cent from an average of 41.1 per cent of customers up to 2001-02, to an average 63.4 per cent subsequently, while cancellations or adjustments more than doubled from 4.3



TABLE 2: FRAUD ACROSS TOP 15 BENEFIT TYPES, 2008-09

| Rank | BENEFIT TYPE | Convictions | Debt associated with prosecution (\$) |
|------|-------------------------------|-------------|---------------------------------------|
| 1 | Parenting Payment – Single | 1,280 | 22,157,531 |
| 2 | Newstart Allowance | 1,045 | 11,303,971 |
| 3 | Disability Support Pension | 301 | 5,675,043 |
| 4 | Parenting Payment – Partnered | 174 | 1,896,174 |
| 5 | Youth Allowance Student | 85 | 1,180,800 |
| 6 | Austudy (Centrelink) | 69 | 964,492 |
| 7 | Age pension | 59 | 1,270,728 |
| 8 | Carer (Disability Support) | 44 | 600,458 |
| 9 | Carer Pension (Other) | 40 | 497,621 |
| 10 | Carer (Age) | 25 | 337,888 |
| 11 | Youth Allowance Job Seeker | 26 | 168,395 |
| 12 | Widow Allowance | 24 | 607,314 |
| 13 | Family Tax Benefit | 23 | 366,385 |
| 14 | Sickness Allowance | 17 | 179,109 |
| 15 | Carers Allowance (Adult) | 16 | 63,192 |

Source: Centrelink unpublished data 2010
Note: Cases can be recorded against more than 1 benefit type

per cent to 10.1 per cent.

Figure 2 shows that referrals to the CDPP have increased less dramatically, with prosecutions and convictions at a fairly stable rate.

CASE STUDIES

Case studies provide another source of information concerning welfare fraud. Media releases about major cases alert the public to the anti-fraud work of welfare departments and the costs of fraud. For example, a conviction in early 2008 reported in a media release involved benefit fraud of more than \$195,000. The fraud was perpetrated through the creation of a false identity and continued for 22 years (Ludwig 2008b). Case studies are also reported in order to deter potential offenders. The recent case studies below, provided by Centrelink, show how scams can operate for many years and involve multiple identities, adding up to hundreds of thousands of dollars of fraudulent payments.

The examples also show how Centrelink uses case study analysis as a learning tool to improve prevention.

Case study 1

A 52 year old male received a disability support pension under a fraudulent identity, created with fake documents, while also receiving disability support pension under his legitimate identity. The offences extended over a 14 year period. They were discovered when a group of customers was examined for not using their Medicare cards during a five year period. After examination of customer files, it was established that there were two customers who shared many similarities including similar handwriting, similar medical histories and similar past addresses, and the same address was used for correspondence. As a result

of this fraud, the offender incurred a debt of approximately \$240,000. In response to this case, Centrelink introduced regular data-matching with Medicare to detect customers who have not used their Medicare cards for five years.

Case study 2

A 35 year old government employee fraudulently created 23 Baby Bonus claims involving 58 fictitious children. The offences occurred over a four-month period. As a result of the fraud, the offender incurred a debt of \$318,286. The offender targeted age pension recipients and accessed customer records to obtain the tax file numbers of recently deceased customers.

He then created new customers and granted claims for Baby Bonus and Maternity Immunisation Allowance payments. In many of the claims, the children were registered as stillborn, so additional payments of Bereavement Allowance were paid. The fraud was discovered by internal controls that detect suspicious access to customer records, as well as by 'identity scoring controls' that detect fabricated identities. As a result of this case, system enhancements were implemented to prevent the use of encrypted tax file numbers in this unauthorised manner.

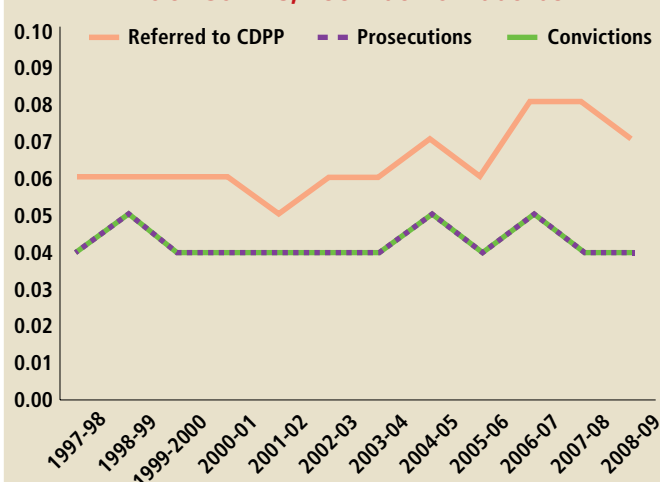
Case study 3

A 35 year old female fraudulently claimed the Australian Government Disaster Relief Payment and the Recovery Subsidy Assistance. A total of 21 claims were lodged. As a result of the fraud, the customer incurred a debt of \$47,925. The offences occurred over a three week period.

The customer took advantage of the proof of identity protocols that were relaxed to assist disaster victims. She fabricated identities and manufactured circumstances to meet disaster relief eligibility rules.

The fraud was discovered through claim analysis, where similarities in names were identified and in some cases, common destination bank accounts were used. As a result of this case, standard analysis rules were developed and implemented, and these are now run against all relief payments after disasters.

FIGURE 2: TRENDS IN PROSECUTION REFERRALS AND OUTCOMES, 1997-08 TO 2008-09 (%)



Source: Centrelink unpublished data 2010

Discussion

The first sections of this paper introduced some themes in the debate about welfare fraud. There is a lobby that sees anti-fraud measures as overly punitive, with recipients who make mistakes being criminalised and driven further into debt by recovery orders. By contrast, there is also a lobby that argues that welfare is too easy to obtain, that it attracts fraud and reduces government spending in areas of general welfare such as health and education.

Both sides in the debate tend to agree that public opinion on the topic is important and that the fair delivery of services to disadvantaged persons should be a consensus public policy position (Bajada 2005; Green 2008). Finding common ground on fair and effective strategies for reducing fraud and dealing with non-compliance is therefore a potentially important means of enhancing trust in the system.

The data outlined above provide some openings into this debate. It can be seen that in Australia, prosecution referrals for welfare fraud account for a small fraction of all assessments and that on average, only 0.04 per cent of the 6.5 million plus welfare recipients are convicted of fraud each year. The system of referrals to the CDPP also ensures cases go through an independent filtering process. Only the strongest cases are pursued, as indicated by the very high conviction rates achieved in the tough arena of the criminal courts – with a standard of evidence ‘beyond reasonable doubt’. Analysis of the types of serious fraud cases outlined above shows that these are usually carefully planned with clear criminal intent (Webb 2001). The Commonwealth Fraud Control Guidelines include an obligation to prosecute offenders (AGD 2002), subject to consideration of mitigating circumstances and a number of other factors set out in the Prosecution Policy of the Commonwealth (AGD 2008). However, the apparent high threshold for welfare fraud prosecutions means that cases potentially involving fraud might be categorised as ‘error’. It should also be kept in mind that most welfare agencies consistently ‘write off’ large amounts of debt. For example, Centrelink waived \$67 m in debt in 2008-09 – in some cases because the pursuit of debtors was considered unwarranted (ANAO 2008b; Centrelink 2009b).

The official data reported in this study only take us so far. More detailed studies might assist in developing greater consensus about how to respond to fraud. For example, some preliminary research has been done on the range of losses involved in convicted fraud cases and the sentencing outcomes. Marston and Walsh (2008) studied 80 social security fraud cases in two Magistrates’ courts. They found that the average amount involved was just over \$10,000. The largest amount was \$30,105 and the lowest was \$162. There were no cases of identity fraud or elaborate scams.

In their view, the findings ‘challenge the stereotype of the organised criminal willingly defrauding the Commonwealth Government for large sums of money’ (Marston & Walsh 2008: 297). The researchers concluded that in many cases, it was plausible that circumstances pointed to error rather than criminal intent (see also Hughes 2008). In questioning the value of prosecuting many of

these cases they also pointed to the fact that 85 per cent of persons had already repaid all or some of the debt, were further burdened with court costs and that very low tariff penalties were imposed in almost all cases. Of 96 penalties, there were only two prison terms. The remainder involved good behaviour bonds (58%), community service orders (16%), suspended sentences (14%), fines (6%), or probation (3%). This study did not include higher courts where more serious cases are prosecuted. Nonetheless, the findings suggest there may be little value in pursuing minor matters in the criminal courts when administrative remedies are available.

A final issue concerns the preventive effects of anti-fraud measures. At present, ‘success’ against welfare fraud appears to lie primarily in the area of ‘secondary prevention’; that is, in detecting and stopping ongoing fraud after it has begun. With secondary prevention, the benefits obtained from halting future losses are enlarged by the recovery of past losses through repayment orders against convicted offenders. However, in terms of the overall picture, something of a paradoxical situation can be seen. As fraud prevention efforts increase, more suspected fraud is uncovered. The result is that there are few signs of substantive reductions in fraud and there is an ongoing ‘roll call’ of offenders convicted in the courts – approximately 3,000 each year (see Table 1).

Consequently, the most significant challenge for welfare fraud policy is to make a more decisive shift from secondary prevention to primary prevention; that is, to prevent fraud occurring in the first place and reduce the need for expensive and difficult secondary level processes of detection, prosecution, punishment and restitution. This challenge is recognised by the Australian Government (Ludwig 2008a) and addressed in more detail in another Trends & Issues paper (Prenzler 2011).

Conclusion

The last two decades in Australia have witnessed a growing commitment by the Australian Government to combat welfare fraud. This is a crime problem that is difficult to measure, but available indicators suggest that fraud represents an ongoing threat to the integrity of welfare payments. The issue of how to respond to welfare fraud is also difficult and attracts ongoing controversy. It is possible, however, that greater consensus could be found through finding more effective primary prevention measures and making more use of administrative responses to lower level suspected fraud.

Tim Prenzler is a Chief Investigator at the Griffith University Brisbane node of the Australian Research Council Centre of Excellence in Policing and Security.

Welfare fraud in Australia: Dimensions and issues, by Tim Prenzler
Trends and issues in crime and criminal justice, No. 421, June 2011
© Australian Institute of Criminology 2011 | www.aic.gov.au

YOUR SOCIAL SECURITY RIGHTS

This fact sheet information from the **National Welfare Rights Network** provides some general advice about your Social Security rights

Everyone has the following social security rights:

➤ **Your legal rights**

The rules and laws which govern Social Security payments are found in Commonwealth legislation. Social Security legislation provides you with specific legal rights. These rights and your other general legal rights are discussed below.

➤ **Your right to receive the correct type and amount of payment**

Social Security legislation sets out which payments you can receive and the amount of payment you are entitled to. Centrelink must decide your entitlement according to the law.

➤ **Your right to claim any Social Security payment**

You are entitled to apply for any payment to which you think you may be eligible. Centrelink cannot refuse to accept a claim form.

You must always lodge a claim for a payment in writing. It is not enough to make a verbal inquiry.

You can ring or email Centrelink or go into a Centrelink office, to register your intention to lodge a claim. If you lodge your claim form within 14 days of contacting Centrelink to register, your payment can be backdated to the date of contact (unless a waiting period applies).

➤ **Your right to privacy**

The *Privacy Act*, 1988 governs what information can be collected by government departments, how it can be collected, and how and when it can be released.

Centrelink can lawfully collect information which is relevant to your entitlement without breaching privacy legislation. Centrelink cannot give your personal information to other people, for example a friend, ex-partner or community worker without your consent.



But Centrelink can, without your consent, give your personal information to, and receive personal information about you from other government agencies, such as the Australian Tax Office or the Department of Immigration and Citizenship.

Centrelink cannot give your personal information to other people, for example a friend, ex-partner or community worker without your consent.

➤ **Your right to see your Centrelink file**

Under the *Freedom of Information Act*, 1982 you can get a copy of your Centrelink file, including all computer records and paper documents, or you can view these records, within 30 days of a written request.

There is some information that you cannot obtain, including information that someone else has provided confidentially (e.g. a 'tip-off'), another person's personal information, and some medical records. See the fact

sheet *Freedom of Information – how to request a copy of your file from Centrelink* for more information.

➤ **Your right to written notice of decisions with reasons**

You have the right to receive a written decision containing the reasons for Centrelink's decision, the evidence considered, and the legislative basis for the decision within 28 days of a written request.

If you appeal against the decision to an Authorised Review Officer you will also receive the reasons for Centrelink's decision.

➤ **Your rights if visited by a Centrelink officer**

A Centrelink officer may call at your home. If this happens you can choose whether or not to allow them into your home. You have the right to refuse them entry. You have the right to request the interview be conducted at a Centrelink office, or to request that the Centrelink officer address the questions to you in writing. It is best to make such requests politely but firmly.

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➤ **Your rights at Centrelink interviews**

In most cases, Centrelink has the right ask you to attend an interview so that it can check you are getting the correct Social Security payment. You may ask that questions be put in writing. You may also reply in writing. You will usually have 7 or 14 days to reply. You have a right to have a friend or a relative at an interview if you wish.

If you are not happy with the way a Centrelink officer dealt with the interview you should call Centrelink's Customer Relation Unit on 1800 050 004 which deals such complaints. You can also complain to the Commonwealth Ombudsman.

➤ **Your right not to attend a 'prosecution interview'**

If you have a Social Security debt, Centrelink may ask you to attend a prosecution interview. You can tell if it is a prosecution interview as Centrelink will give you a warning that anything you say may be used against you in a court of law and that the interview will be taped. You have the right not to attend that interview, or if you decide to attend it, you can end it at any time. You cannot be penalised for not attending this interview. Your current payments cannot be stopped because you do not attend the prosecution interview. For more information about this see the fact sheet *Prosecution of Social Security offences*.

➤ **Your right to seek independent advice before giving Centrelink information**

You have the right to seek independent advice about any Social Security matter at any time. Don't hesitate to contact the Welfare Rights Centre/Advocate or community legal centre in your area for independent advice.

➤ **Your right to have an advocate**

Centrelink practice allows an advocate to be present at any Centrelink interview or medical examination. You can also have a nominee to handle Centrelink business on your behalf, which may include everything from

answering your correspondence to receiving the payment on your behalf.

➤ **Your right to appeal**

If you think a Centrelink decision is wrong you have the right to appeal against it. **Appealing is easy and free.** To appeal simply tell Centrelink that you are not happy with its decision and that you would like to appeal to an Authorised Review Officer (ARO). It is best to lodge an appeal in writing and you should keep a copy of your appeal letter. However, you can lodge an appeal over the telephone.

The ARO is a senior officer in Centrelink who has the power to change the original decision. Many people are successful at this level.

You can appeal to an ARO at any time. However, to receive back pay from the date you were affected by the original decision, you must appeal to an ARO within 13 weeks of receiving written notice of the original decision. If you appeal more than 13 weeks after receiving the notice and you are successful, you will only receive back pay from the date you appealed.

If you think the ARO decision is wrong you can appeal to the Social Security Appeals Tribunal (SSAT). The SSAT is independent of Centrelink.

You have further appeal rights to the Administrative Appeals Tribunal and the Federal Court. Time limits apply.

For more information on appealing see the fact sheet *Appeals – how to appeal against a Centrelink decision* and the guide *Appealing to the Social Security Appeals Tribunal*.

➤ **Your right to an interpreter**

If you think you need an interpreter, or if you feel more confident with an interpreter, you should use one of the three free available interpreter services.

- Most Centrelink offices have interpreters available at regular times each week. Your local Centrelink office can tell you about their available languages and times
- You can telephone the Centrelink Multilingual Call Centre on 131 202 and speak to a bilingual Centrelink officer
- You can also call the free Telephone Interpreter Service (TIS) on 131 450 and ask for an interpreter.

Please note: This article contains general information only. It does not constitute legal advice. If you need legal advice please contact your local Welfare Rights Centre/Advocate.

Welfare Rights Centres are community legal centres, which specialise in Social Security law, administration and policy. They are independent of Centrelink All assistance is free.

This fact sheet was updated in December 2010.

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HOW FAIR IS AUSTRALIA'S WELFARE STATE?

Australia redistributes more to the poorest fifth of the population than virtually any other OECD country, writes **Peter Whiteford**

In its 28 May edition *The Economist* carried a long feature about Australia, praising our resilient economy, criticising the quality of our political discourse, and highlighting our social egalitarianism. “The Evolving Platypus: A Distinct Society, Perhaps Becoming Less So,” was the magazine’s summary of how we do things here.

The feature referred to an article in *Policy*, the journal of the Centre for Independent Studies, by David Alexander, a former senior adviser to Peter Costello. Under the title “Free and Fair: How Australia’s Low-Tax Egalitarianism Confounds the World,” Alexander argues that Australia offers a genuine alternative to both the low-spending but high-inequality United States and the high-taxing but egalitarian countries of Northern Europe. This “unique form of low-taxing egalitarianism,” he concludes, “is both more successful and more sustainable than other models.”

Is this characterisation of Australia’s social protection system accurate? Alexander presents a wide range of evidence to support these arguments, and it is not surprising that I agree with much of it, since one of his sources is a paper I wrote for a conference during the Henry Review of Australia’s tax system.

The most recent data on social spending in OECD countries shows that in 2007, the year before the global financial crisis, Australia spent 16 per cent of GDP on cash benefits (including pensions and unemployment payments, healthcare and community services) compared to an OECD average of just over 19 per cent. We actually spent a little less than the United States and Japan, and the only countries that spent substantially less than we did were lower-income countries like Mexico, Chile, Turkey and Korea.

In most rich countries, the welfare state is the largest single component of public spending and therefore the main determinant of how much tax income needs to be collected. About half of all the taxes collected in Australia are directed to social spending, but because we spend less than average we also have lower taxes than average. With taxes at about 27 per cent of GDP in 2008 compared to an OECD average of close to 35 per cent, Australia is the sixth lowest-taxing country in the OECD.

So it’s fair to say that we are a relatively low-taxing country compared to other rich nations, and to a significant extent this is because we have lower levels of welfare spending. But is this spending particularly egalitarian and

are our taxes progressive?

To answer these questions, we need to look at how social spending and taxation is distributed across income groups. And to do that, the most up-to-date comparisons, using 2005 data, are in a 2008 OECD study, *Growing Unequal? Income Distribution and Poverty in OECD Countries*. (Although the data is six years old, the ways in which benefits and taxes are distributed tends not to change significantly over short periods of time, as was confirmed by an analysis prepared for the OECD Ministerial Meeting on Social Policy in May this year.)

It’s important to remember that the Australian social security system differs markedly from those in other OECD countries. In Europe, the United States and Japan, social security is financed by contributions from employers and employees, with benefits related to past earnings; this means that higher-income workers receive more generous benefits if they become unemployed or disabled or when they retire. By contrast, Australia’s flat-rate payments are financed from general taxation revenue, and there are no separate social security contributions; benefits are also income-tested or asset-tested, so payments reduce as other resources increase. The rationale for this approach is that it reduces poverty more efficiently by concentrating the available resources on the poor (“helping those most in need”) and minimises adverse incentives by limiting the overall level of spending and taxes.

Economist Nicholas Barr from the London School of Economics has pointed out that the main objective of social security systems in most countries is to provide insurance against risks like unemployment, disability and sickness, and to redistribute income across the life cycle, either to periods when individuals have greater needs (for example, when there are children in the household) or to periods when they would otherwise have lower incomes (such as in retirement). Barr describes this as the “piggy-bank objective”.

A second objective of the welfare state can be described as “taking from the rich to give to the poor” – or what Barr calls the “Robin Hood” motive – and Australia is the strongest example of a country emphasising this approach. Our system relies more heavily on income-testing and directs a higher share of benefits to lower-income groups than any other country in the OECD (and probably in the world). The poorest 20 per cent of the population receives nearly 42 per cent of all the money spent on social security;

the richest 20 per cent receives only around 3 per cent. As a result, the poorest fifth receives twelve times as much in social benefits as the richest fifth, while in the United States the poorest get about one and a half times as much as the richest. At the furthest extreme are countries like Greece, where the rich are paid twice as much in benefits as the poorest 20 per cent, and Mexico and Turkey, where the rich receive five to ten times as much as the poor.

Because of these design features, Australia has the most “target efficient” system of social security benefits of any OECD country. For each dollar of spending on benefits our system reduces income inequality by about 50 per cent more than the United States, Denmark or Norway, twice as much as Korea, two and a half times as much as Japan or Italy, and three times as much as France. Other countries that are similar to Australia in this regard include New Zealand, the United Kingdom and Ireland.

Australia also has one of the most progressive systems of income taxes of any OECD country and, like our social benefit system, our income taxes are the most “efficient” at reducing inequality of any rich country. It is important to note that the progressivity of taxes in Australia is not a result of high taxes on the rich; rather, it’s due to the fact that lower-income groups in Australia pay much lower taxes than similar income groups in other countries (with the exception of the United States and Ireland).

The extent to which the Australian welfare state redistributes to the poor is determined by the interactions between the tax and social security systems, both in terms of the *size* of taxes collected and benefits paid and the *distribution* of these taxes and benefits. The chart shows an estimate of “net redistribution” to the poorest 20 per cent of the population in 2005. This is calculated by estimating the level of spending on social security benefits as a percentage of household disposable income and then taking account of how much of this goes to the poorest fifth. The same procedure is used to calculate how much tax is paid by people in that group, which is then subtracted from the benefits received to give “net redistribution to the poor.”

The chart shows that there are large differences in how countries redistribute income to low-income households, ranging from more than 5 per cent of household disposable income in Australia, Belgium, Denmark and Sweden, to around 2 per cent in Japan, Poland and the United States and less than 0.5 per cent in Switzerland and Korea. Nordic

While our social security system has a lot of strengths, this certainly does not mean that there are not real shortcomings to deal with, including the inadequacy of unemployment benefits and rental assistance.

countries transfer large amounts of gross benefits to low-income people but also levy a significant amount in taxes from them; conversely, most English-speaking countries pay less generous benefits to the lowest-income households but partly offset this by levying lower taxes on them.

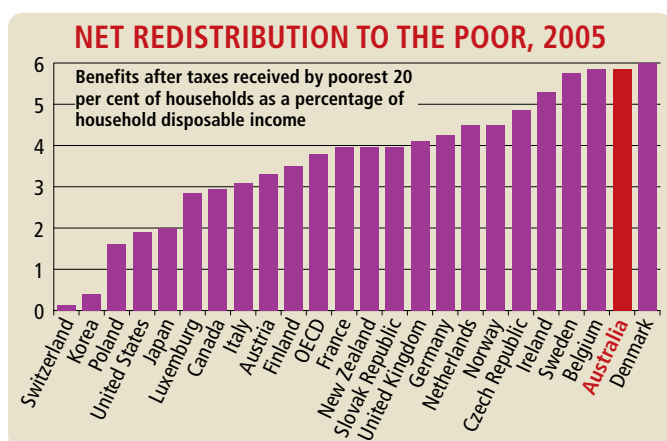
As a result, even though Australia spends below the OECD average on social security benefits, the distribution of benefits is so progressive, and the level of taxes paid by the poor is so low, that Australia redistributes more to the poorest 20 per cent of the population than any other OECD country except Denmark (which spends about 80 per cent more than Australia).

These figures suggest that in important respects the debate over Australia’s welfare state is misconceived. Following the federal budget earlier this year, for example, the issue of “middle-class welfare” attracted considerable media attention. But the OECD data shows that Australia actually has the lowest level of middle-class welfare of any OECD country, a position it has consistently held for at least the past thirty years. Organisations such as the Centre for Independent Studies have also argued that the Australian welfare state is marked by a high level of inefficient and wasteful “churning”, meaning that many people who use welfare state benefits and services finance most or all of what they receive through the taxes they pay themselves. But the OECD data shows that Australia has the lowest level of churning of any OECD country except Korea – and Korea only has lower churning because it has very little at all in the way of welfare payments. Claims by the Institute of Public Affairs that the main beneficiaries of the welfare state are the middle-class bureaucrats who administer the system are equally misleading.

While our social security system has a lot of strengths, this certainly does not mean that there are not real shortcomings to deal with, including the inadequacy of unemployment benefits and rental assistance. The fact that poor Australians get higher benefits than many poor people in European countries or the United States doesn’t actually help them pay their bills. It is always possible to be more efficient, and every year governments go through the laborious process of incrementally adjusting our benefit system to try to produce better outcomes. These changes often look like tedious fine-tuning, but the evidence suggests that it is changes of this sort that produce real improvements, rather than grandiose plans for completely replacing our welfare arrangements.

Peter Whiteford works at the Social Policy Research Centre, University of New South Wales. He previously worked for the OECD.

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<http://inside.org.au>



ARE UNEMPLOYMENT BENEFITS ADEQUATE IN AUSTRALIA?

A policy brief from **The Australia Institute** by Richard Denniss and David Baker

SUMMARY

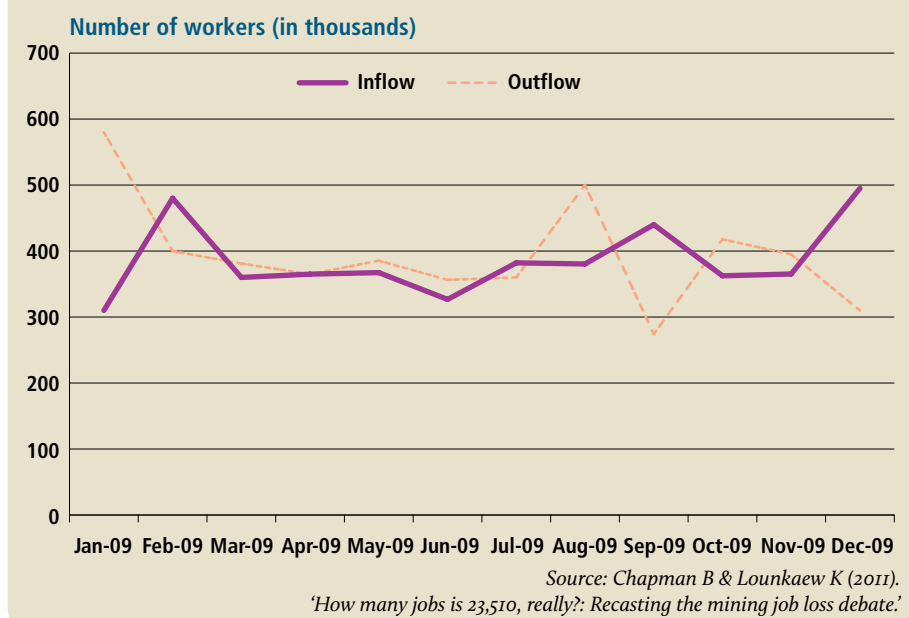
The unemployment rate in Australia was 5.2 per cent in March 2012¹ which is low by historic and international standards. However, a substantial number of people who are looking for work cannot find it with the Australian Bureau of Statistics (ABS) reporting that the number of people unemployed in March 2012 was 626,800. That is, for every 20 employed people in Australia there is around one unemployed person.² Put another way, there are three times as many unemployed people in Australia as there are people employed in the mining industry.

The historically low levels of unemployment in Australia should not, however, be seen as an indicator of the stability of the modern labour market. Indeed, the official monthly statistics on changes in employment and unemployment tend to conceal the reality of the labour market. That is, while media and political attention is typically focussed on the 'net change' in total employment and unemployment the 'gross flows' of people into and out of employment are far larger.

The high degree of volatility in employment means the risk for an individual of experiencing a period of unemployment at some point in the next twelve months is significantly higher than the 5.2 per cent chance that an individual is unemployed today. It is also important to note that the risk of unemployment is significantly greater for some demographic groups, especially for younger workers, those who live in regional areas and those with lower levels of education. For example, in March 2012 the unemployment rate in Tasmania was 7.0 per cent, nearly twice the 3.7 per cent rate in the Northern Territory. Similarly, in March 2012 the unemployment rate for those aged 15-19 is 18 per cent, more than three times the national average.

Figure 1 shows that during 2009

FIGURE 1: GROSS MONTHLY FLOWS INTO AND OUT OF EMPLOYMENT IN AUSTRALIA DURING 2009



an average of around 367,000 ceased employment each month and either became unemployed or left the labour market altogether. Fortunately, over the same period an average of around 372,000 people also moved into work each month.

The role of unemployment benefits is to insulate people from the severe financial hardship of going to work one day and discovering that they no longer have a job. Few people earning \$60,000 per year, raising children and attempting to repay their home loan can afford to remain unemployed for more than a few months before facing the likelihood of losing their home. Indeed, as discussed below few people in Australia believe that the current unemployment benefit of \$245 per week³ is sufficient to cover even the most basic costs of living.

This paper considers the adequacy of existing unemployment benefits in Australia. It provides data on the relative decline in the value of unemployment benefits and presents new survey evidence on community perceptions about the adequacy of unemployment benefits.

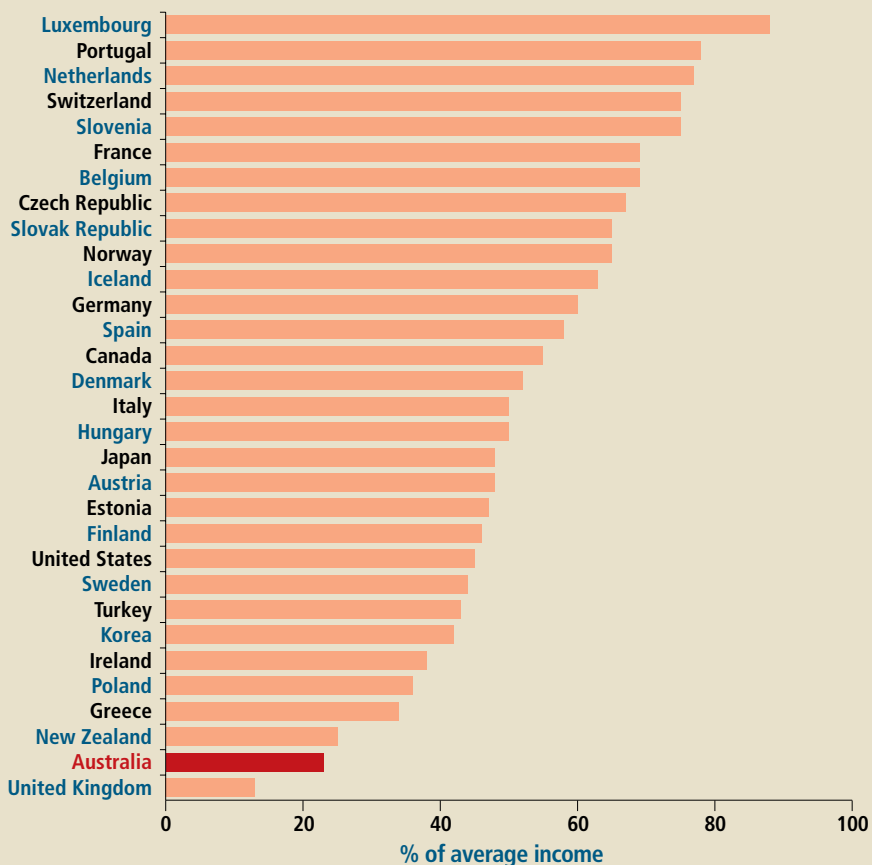
UNEMPLOYMENT BENEFITS IN AUSTRALIA

An adult Australian eligible to receive the full Newstart Allowance will receive \$245 per week, rising to \$265 per week if they have dependent children. Recipients aged over 60 who have been unemployed for more than nine months are also eligible for the higher rate of \$265 per week. In comparison, a single person receiving the Disability Support or Aged Pension is entitled to a weekly benefit of \$347 per week.⁴ While supplementary payments are sometimes payable, for example to assist with rental payments, these supplements are always lower for the unemployed than for other benefit recipients.

There is now a large disparity between the Newstart Allowance and benefits such as Disability Support and Aged Pensions. This disparity has emerged gradually, primarily due to the higher rate of indexation that has been applied to the latter payments. That is, while Newstart payments have risen in line with the Consumer Price Index (CPI), since 1997 the Aged Pension has risen in line with the

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FIGURE 2: UNEMPLOYMENT BENEFIT AS A PERCENTAGE OF AN AVERAGE WORKERS INCOME – SINGLE PERSON NO CHILDREN



Source: OECD (2011). 'Benefits and Wages: OECD Indicators.'

higher of either the Male Total Average Weekly Earnings (MTAWE) or the CPI.

In 1997 the Newstart Allowance was 91 per cent of the Aged Pension but today, as a result of the different indexation factors, the Newstart Allowance accounts for only 65 per cent of the Aged Pension.

Even the OECD has expressed concern that the Newstart payment is so low that it 'raises issues about its effectiveness'. As Figure 2 shows, according to the OECD Australia has one of the lowest unemployment benefits, as a percentage of the average wage, in the developed world.

Within the Australian context Figure 3 shows how low the Newstart Allowance is relative to the minimum wage.

It is important to note that Australia does not have an independent mechanism through which income support payments can be assessed for their adequacy and to set payment levels.

This is in stark contrast to the minimum wage, which is set by Fair Work Australia, through a process of

assessing changes in the costs of living and the capacity of employers to meet increased wage costs.

“People can’t live on \$35 a day. Entrenching them (unemployed people) into poverty is not a pathway back into employment.”

SHOULD UNEMPLOYMENT BENEFITS BE INCREASED?

In recent times there has been support for an increase in unemployment benefits from a number of community organisations including ACOSS⁶ and UnitingCare Australia⁷.

There has even been support for an increase from some more unexpected sources including Judith Sloan and the Chief Executive of the Business Council of Australia, Jennifer Westacott, who stated:

“People can’t live on \$35 a day. Entrenching them (unemployed people)

into poverty is not a pathway back into employment.”⁸

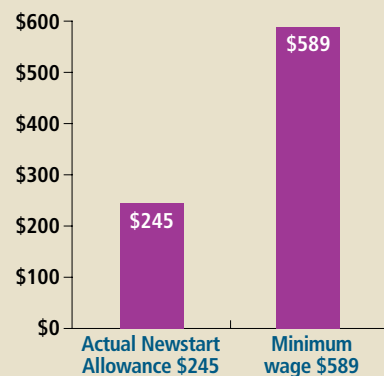
Despite the benign economic conditions and the broad range of support in the lead up to the 2012 budget the Gillard Government has been clear that it has no intention of increasing the level of the benefit paid to Australia’s lowest income earners. According to the Minister for Employment and Workplace Relations Bill Shorten:

“In the current economic climate, I believe we have got the balance about right. Particularly when delivering a surplus and continuing our strong economic management is an important part of this balance.”⁹

The Newstart benefit has steadily declined relative to average incomes and to the Aged Pension. It is now one of the lowest levels of income support provided in the developed world. Given that Minister Shorten believes that the current payment of \$245 per week gets ‘the balance about right’ this seems to suggest that in the past unemployment benefits were excessively generous and, that payments provided overseas are excessively generous.

The following section provides new survey evidence that suggests that, on average, Australians do not agree with either the decision of the Gillard Government or the assessment of Minister Shorten. Indeed, most Australians believe that the current

FIGURE 3: COMPARISON OF NEWSTART AND THE MINIMUM WAGE



Source: Centrelink (2012). 'Payment rates'; Fair Work Ombudsman (2012), 'National minimum wage'.



Newstart Allowance is significantly lower than the income required to meet the most basic costs of living.

WHAT DO AUSTRALIANS THINK ABOUT THE ADEQUACY OF NEWSTART?

In a survey by The Australia Institute¹⁰ respondents believed that, on average, the amount required to meet the cost of living was \$454. This is equivalent to 187 per cent of the Newstart Allowance and approximately three quarters of the minimum wage.¹¹

Interestingly, some Australians think the Newstart Allowance should be less than they estimate a single adult needs to meet cost of living expenses. These respondents have presumably accepted the argument that payment levels should be low enough to incentivise job seeking. Significantly, however, while on average Australians are willing for the Newstart Allowance to be below their estimate of the minimum cost of living they still believe that a substantial increase in the Newstart Allowance is required.

Figure 4 demonstrates how the current level of the Newstart Allowance measures up against other variables that could be used to determine an adequate level of income for a decent life.

The average preferred Newstart Allowance level from our survey respondents was \$329, requiring a weekly increase of \$84 to attain which is more than the \$50 called for by the Australian Greens¹² and even more than the \$80 suggested by The Australia Institute in 2009¹³.

The cost of living reported by the survey respondents at \$454 was almost twice the amount currently received by Newstart recipients. The Australian minimum full time wage is \$589, almost two and a half times the Newstart Allowance, demonstrating the gulf between the spending power of the unemployed and the workforce.

Survey respondents were also asked how their spending patterns would likely change if they were required to live on the Newstart Allowance. The vast majority of people said that they would drive their car less (83 per cent), use less energy (77 per cent) and buy less fresh food (63 per cent). A significant proportion also said that they would be less likely to participate in education or training (47 per cent) or go to the doctor (45 per cent). These results are summarised in Figure 5.

The results presented in Figure 5 highlight the likely adverse consequences of requiring people who lose

their jobs to live on an income that is significantly below the estimated cost of living. Placing people in such circumstances forces them to redefine 'discretionary' expenditure to include participating in education or training (which would increase their chances of escaping unemployment) or visiting the doctor. Poor health as a result of a failure to intervene early is likely to both reduce the chances of an individual finding work and impose greater costs on the health system if symptomatic illness becomes chronic illness.

Similarly, while individuals may anticipate spending less money on transport and energy in reality a major determinant of household energy use is the amount of time spent in the home.

People at work have their work time heating and cooling costs met by their employer, and many employees get access to telephone and computer services via their job.

FIGURE 4: NEWSTART COMPARED WITH PREFERRED NEWSTART ALLOWANCE, COST OF LIVING AND MINIMUM WAGE

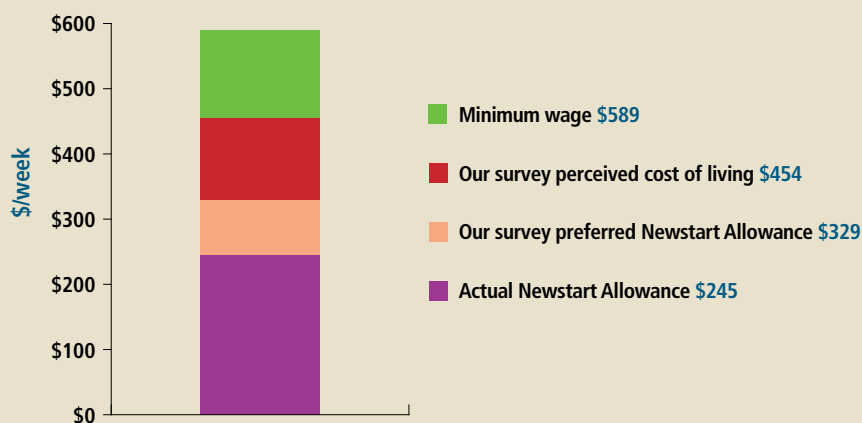
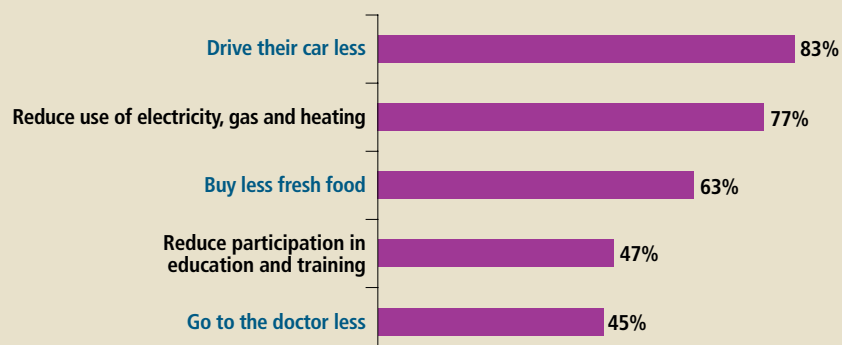


FIGURE 5: SURVEYED PERCEPTIONS OF SPENDING PATTERN CHANGES REQUIRED TO LIVE ON NEWSTART ALLOWANCE



People who are looking for work, on the other hand, have to meet all these expenses themselves. Searching for work and attending job interviews, especially for people in regional areas, can also make it difficult to reduce transport expenditure. Keeping a car roadworthy, insured and full of petrol is a hard ask on \$245 a week.

CONCLUSION

Unemployment benefits in Australia have declined steadily compared to other benefits and to community standards regarding costs of living. These benefits are not only among the lowest in the world but they are well below what Australians believe they should be.

While the purpose of an unemployment benefit is to support an individual, and their family members, during a time of unemployment the survey results presented above suggest that people would be forced to cut spending on essential items that is likely to make it harder to get back into the workforce, and exacerbate the risk of health and financial problems, not to mention putting people at risk of losing their home.

Increasing the payment level for Newstart would significantly improve the equity of income distribution as, at present, Newstart recipients are among the lowest income earners in the country. To the extent that such an increase means that unemployed people do not have to cut back on their own participation in education and training or their family's access to healthcare or consumption of fresh food there would be significant benefits to the Australian economy

and the Commonwealth budget in future years. There would also be an opportunity to demonstrate that in the twenty-first century Australia can be a place where, in Treasurer Swan's words everyone has the right to "a decent shot at a decent life."¹⁴

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Are unemployment benefits adequate in Australia? Policy Brief No. 39, April 2012, ISSN 1836-9014
By Richard Dennis and David Baker
The Australia Institute | www.tai.org.au

CHEAP TALK DOESN'T PAY THE BILLS

The answer to disadvantage isn't simply to talk about job opportunities, there needs to be an adequate level of income support, contends **Paul O'Callaghan**

Could you live on less than \$170.40 a week? If you were a single adult on Newstart Allowance getting the maximum amount of Rent Assistance, that's what you'd have left after paying for accommodation. That's less than \$25 a day. Of course if you can find a way of living rent-free, you'll have \$35 a day.

If you don't add in things like utility bills, dentist visits, transport and Christmas, \$35 a day doesn't seem too bad. But once you start counting up all the expenses that nibble away at your bank account, you begin to realise how hard it is.

No one who's looked up the figures and done the maths thinks unemployment payments are generous. But whenever someone asks the Prime Minister whether we might be able to spare a little more for people 'on the dole' she says:

"The answer to disadvantage isn't simply about allowances. It's also about opportunity and getting people into jobs."

It's hard to argue with an answer like that. Of course you'd be better off in a job than you would be on Newstart Allowance. For starters, the minimum wage is \$589.30 a week. Add to that the less tangible benefits of work – having something to do, the feeling that you're making a contribution, the friendships with co-workers.

So if you're unemployed you're probably asking: "When can I start?" And there's the problem right there. While the Government hands out unemployment payments, it doesn't hand out jobs. They'll pay for things like training and help with job search, but they're not promising that any of this will work. Whether or not an employer makes you an offer is entirely up to that employer.

So if you've spent the past several months thumbing through the Yellow Pages, knocking on doors and sending out your résumé, you might well agree that the answer to your problem "isn't



simply about allowances". But if you still can't find a job, it's definitely part of the answer.

If you've spent the past several months looking for a job, you might well agree that the answer to your problem "isn't simply about allowances".

Opportunity is a slippery word. A lottery ticket gives you an opportunity to become a millionaire. Showing up for an audition gives you the opportunity to become the next Australian Idol. And joining a political party is the first step to becoming prime minister. But when you're behind on the power bill, the car is about to go out of rego and the dentist is telling you that you need a root canal, you want more than an abstract possibility of a pay packet sometime in the future.

One solution would be to guarantee a job to everyone who's able to work.

And back in the mid-1990s that's exactly what the government tried to do. They created a scheme called the Job Compact that promised a job to everyone who'd been on unemployment payments for 18 months or more. But for some reason they decided it was a bad idea. Nobody in either of the major political parties is talking about bringing it back.

So if we can't or won't guarantee jobs to everyone who wants to work, we need a second best solution – an adequate level of income support. After all, the answer to disadvantage isn't simply to talk about job opportunities. Talk is cheap. Everything else costs money.

Paul O'Callaghan is the Executive Director of Catholic Social Services Australia.

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www.abc.net.au/unleashed

The disability support pension's false crisis

There are perfectly good reasons why the number of people on Disability Support Pensions is increasing and none of them have anything to do with people cheating the system, writes **Peter Horbury** from Social Security Rights Victoria

It is now a lot harder to get and stay on the Disability Support Pension (DSP). Take one of our clients – a 40 year old, mother of three, who was battling breast cancer. Despite having six months of chemotherapy, Centrelink turned down her DSP applications multiple times. We have dealt with many others – people with HIV, multiple sclerosis, post-traumatic stress disorder who Centrelink have declared ineligible for the DSP, despite the evidence they may not ever be well enough to work.

The Gillard Government has now made a series of changes to the DSP; new impairment tables are now in place for all new DSP applicants and those subject to review. According to Centrelink modelling, 40 per cent of current DSP recipients will no longer be eligible under these new provisions. Also, future and existing DSP recipients aged less than 35 years who have an assessed work capacity of eight or more hours a week will now be required to attend periodic participation interviews with Centrelink to develop job participation plans.

The reality is our population is getting older and an increasing proportion of us are simply not well enough to work.

The Treasurer Wayne Swan says the changes are designed “to slow the growth of Disability Support Pension numbers and get more people in the workforce”. The Government estimates these changes will help the budget bottom line and save around \$433 million over four years.

We would love to see more people with disabilities be given opportunities on the labour market. For example, Australia ranks 21st out of 29 OECD of the proportion of people with disabilities in the workforce. Certainly, the increased financial incentives for employers to take on people with disabilities the Government has announced will help. We also welcome the change to allow recipients subject to the 15 hours a week requirement to work for up to 30 hours a week and remain eligible for a part-rate pension. However, it's hard not to get past the ‘Tough on Welfare’ message in these reforms – the ALP are trying to beat the Coalition at their own game. Apparently, both our Prime Minister Julia Gillard and Opposition Leader Tony Abbott agree that the welfare bill needs to be reduced and the number of people receiving the DSP is now spiralling out of control.

This is not a question of people cheating the system or simply lacking the motivation to work – the reality is our population is getting older and an increasing proportion of us are simply not well enough to work. Nonetheless, research from the University of New South Wales, indicates the percentage of the working-age population on the DSP

has basically been stable since 2002.

The number of DSP recipients has increased from 623,926 in 2001 to 818,850 in 2011. Over 100,000 of these new recipients were aged 55 or over. The upsurge in DSP recipients is largely the result of our ageing population – the first of the baby boomers turned fifty in 1996. During the 2001-2011 period figures from The Department of Families, Housing, Community Services and Indigenous Affairs (FACCSIA) show that from June 2001 to June 2010, the proportion of DSP recipients aged under 55 consistently fell while the proportion over 55 rose. Currently, 44 per cent of DSP recipients are aged between 50 and 64. In 2009-10, around one in six of all males aged 60 to 64 years were on the DSP, compared with one in fifty males aged 16 to 19 years.

FACCSIA has identified a number of reasons why the DSP rates are increasing – the inaccessibility of services for people with a disability; improved identification of disabilities such as mental illness; lower mortality rates after accidents; a decline in number of low-skilled jobs and a lack of employer support for people with disabilities. The Productivity Commission's inquiry into the DSP also noted the “the lowered receptiveness of the economy to the employment of people jointly have a disability and relatively low job skills, especially among older people. That reflects the structural shifts in the economy from an abundance of lower skilled manual jobs to ones that involve more skills and credentials, and greater requirements for flexibility”.

Another reason DSP numbers are rising is the increase to the Age Pension age for women from 60 to 65, which occurred in 1995. The number of women on the DSP has increased by 64 per cent (from 204,322 to 334,828) from 1999 to 2009 (compared to 13 per cent by men). The proportion of females in the 60-64 years age group has increased by 21.2 per cent from June 2007 to June 2008 alone.

There is no crisis in DSP numbers escalating. The Government's changes are unlikely to stop the growth in the number of DSP recipients and are highly likely to leave some of our most vulnerable at the mercy of an often ruthless bureaucracy.

The Prime Minister Julia Gillard placed the DSP reform as a panacea for ALP values. “Welfare reform and workforce participation is an area where the facts of our economy, the demands of our society, new progressive policy and core Labor values can truly come together in a virtuous circle,” she said.

It seems there are some members of our community who simply do not fit into this new, virtuous circle.

Peter Horbury is co-ordinator of Social Security Rights Victoria, who provide free advice and support for people regarding Centrelink.

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Ramp Up – Disability, Discussion, Debate: Content from across the ABC
Ramp Up | www.abc.net.au/rampup

PAY RISE FOR THE UNEMPLOYED?

There are good reasons to increase unemployment benefits, but this will not fix the incentive problems within the welfare system, argues **Jessica Brown**

The Australian reported yesterday: Key business leaders have called for welfare reform centred on increasing the dole but making it tougher to get the more generous disability support pension

The welfare lobby has long argued for an increase in unemployment benefits, currently paid at \$243.40 a week for a single person without children. Long accustomed to arguing for pay rises for the out of work and the down-and-out, the welfare cheer-squad worries that the miserly payment does not provide an adequate minimum standard of living for recipients.

Unemployment benefits are set well below the minimum wage to ensure there is a strong economic incentive to move to the workforce.

Over the past few months, a number of conservative commentators such as Judith Sloan have begun to agree. The issue featured prominently at the October tax forum, and was the subject of a 2010 warning from the OECD.

Could it be the case that this time around the welfare lobby has a point? There are two main issues to consider:

1. Can benefits be increased without undermining the incentive to work?

Unemployment benefits must be designed with two competing objectives in mind: to provide an adequate level of support while still making certain that 'work pays.' Unemployment benefits are set well below the minimum wage to ensure there is a strong economic incentive to move from welfare to the workforce.

Advocates of increasing Newstart argue the pendulum has swung too far in the direction of incentives, at the expense of adequacy.

Newstart Allowance is set at only 40 per cent of the minimum wage. If



the payment was increased by \$50 a week, it would still only be worth half of the minimum wage – suggesting that an increase of this size would not dramatically undermine incentives.

2. What will it cost, and what effect would the change have on the broader design of the welfare system?

Paying 600,000 Newstart recipients an extra \$50 a week will cost more than \$1.5 billion a year (based on my back-of-the-envelope calculation). However, this might be partially offset by savings to other payments.

There is currently a significant incentive for unemployed people to transfer from Newstart Allowance to Disability Support Pension, worth \$130 a week more. This difference was enhanced when the Rudd government passed a \$20 a week increase onto disability pensioners back in 2009, but left out the unemployed.

Largely as a result of this huge gulf, around one third of disability pensioners come from Newstart Allowance. Transferring between these payments is a real problem: very few people who go onto DSP ever re-enter the workforce. Keeping

people who could be working on unemployment benefits would greatly increase the chance that they do actually return to work.

Increasing Newstart will relieve some of the pressure, but it will ultimately be a band-aid measure.

In Britain, the Cameron government is moving to replace a number of working-age welfare payments with a single, universal benefit to address exactly this problem. They estimate that the move will cost the budget an extra £3 billion. But they argue that the extra outlay will be partly recouped through efficiency, reduced fraud, and improved incentives.

Back in Australia, analysts and commentators across the political spectrum agree the large difference between Newstart and DSP is a major design flaw in our welfare system will have to be addressed sooner or later. Different indexing arrangements between the two payments (Newstart is linked to CPI, DSP to average

weekly earnings) means the problem is actually getting worse each year.

The question is, do we decrease DSP, increase Newstart, or redesign the whole system from scratch?

Only a kamikaze politician would attempt to cut the disability pension, leaving a hike to Newstart or a major system overhaul the only realistic options. Increasing Newstart will relieve some of the pressure, but it will ultimately be a band-aid measure.

A better option is to scrap both payments in favour of a UK-style universal payment – which will also inevitably involve a pay-rise for the unemployed. The Henry review provides a handy blueprint for how this

could be done here. But any change of this magnitude will inevitably mean some recipients lose out – a situation that nervous politicians of all stripes seem desperate to avoid. And as the UK experience suggests, this option will also come with a hefty price tag.

Only a kamikaze politician would attempt to cut the disability pension.

It does seem that Newstart Allowance is woefully low, and there are some good reasons to increase it. But this will not fix the incentive problems within the welfare system.

To address this, a more complex solution is needed.

For a more in-depth analysis of how the Disability Pension interacts with Newstart Allowance and what might be done, see Jessica Brown's recent CIS report 'Working Towards Self-Reliance: Three Lessons for Disability Pension Reform'.

By Jessica Brown. Posted 10 January 2012
The Centre for Independent Studies
Incise blog | www.incise.org.au

WORKING TOWARD SELF-RELIANCE: THREE LESSONS FOR DISABILITY PENSION REFORM

Executive summary from Jessica Brown's report for The Centre for Independent Studies

More than 800,000 Australians rely on Disability Support Pension (DSP). The program costs taxpayers more than \$13 billion a year, a figure that is projected to increase. There is clear bipartisan support for the idea that growth in DSP must be reduced.

Both the Howard and Rudd/Gillard governments have attempted to reduce the number of people on the pension, but it has continued to inexorably grow. Since 2002, the proportion of the working-age population on DSP has remained fairly stable, but at the same time the proportion of people relying on other major working-age welfare payments has fallen substantially.

In the future, there will be an even greater emphasis on getting more people with disabilities off welfare and into work. Attitudes about the role that people with disabilities can play in the labour market and society are changing. Population ageing and slower workforce growth have led to a growing focus on increasing labour force participation.

Australian policymakers have been remarkably successful in reforming much of our welfare system over the past decade and a half. Many thousands have moved from unemployment to the workforce as a result of these reforms. Sole parents are much more likely to be in the workforce now, compared to just a decade ago.

Yet DSP remains the big unsolved problem. If we are to be successful in increasing the number of people with disabilities in the workforce, we must apply the lessons learned from reforms of other income support payments to DSP.

Lesson 1: Better categorisation equals better results

We should clearly differentiate which disability pensioners may be able to work, now or in the future, with the appropriate treatment and support. This group should face a different set of rules to those disability pensioners who are clearly unable to work.

Lesson 2: Create rules, and ensure recipients stick to them

New and existing disability pensioners with some ability to work should be required to engage with employment services, and to develop with caseworkers an individually tailored plan to help them move towards employment. Those who don't follow their plan should face benefit sanctions.

Lesson 3: Economic incentives matter

Broader reform of the income support system is required to reduce the incentive to transfer from unemployment benefits to a disability pension. People with an assessed level of disability should be allowed to retain their Pensioner Concession Card indefinitely, even if they return to the workforce.

The success of welfare reforms over the past few decades in Australia and overseas has been based on a combination of strict conditions and mutual obligations, providing appropriate help to jobseekers to find work and creating strong financial incentives to move from welfare into work. Only by applying these tools will government be able to successfully increase the number of people with disabilities in work.

Executive summary from *Working Towards Self-reliance: Three Lessons for Disability Pension Reform* by Jessica Brown, CIS Policy Monograph 124, 2011. The Centre for Independent Studies | www.cis.org.au

Culture of entitlement a road to nowhere

Sabine Wolff believes it is impossible to engage in debate about future prosperity while voters are accustomed to allowing government to make their decisions for them

Australians love government. Many will try to claim otherwise, but evidence suggests that they are happiest when receiving a gentle drip-feed of government money and services.

As a nation, Australia's cultural identity is built upon the myth that its citizens are rebellious pioneers, stockade-erecting individualists who would prefer the Government to grant us our basic rights and leave us alone, thank you very much. Unfortunately, like so many cultural traditions, this supposed deep-seated suspicion of Government proves false upon closer inspection.

The term 'middle-class welfare' has achieved a sort of sickening ubiquity in public discourse, yet that is precisely what the electorate has come to expect: handouts and subsidies simply for showing up and going about the business of ordinary life. 'Need' is confused with 'feels entitled to,' and Australia's standard of policy deliberation is becoming poorer for it.

The truth of this observation is given by this week's MYEFO-spurred outrage over cuts to the baby bonus. Wayne Swan's announcement that the bonus would be cut by \$437 to \$5,000 has provoked howls of outrage. *The Daily Telegraph* declared the cuts to be 'Wayne pain for families'; Mia Freedman asked on Twitter, 'Of all the things the govt had to slash in the budget, the Baby Bonus? Really?'; and Tony Abbott has labelled the cuts as 'a rip-off of the forgotten families of Australia'.

Forgotten families? Hardly. Under the Howard government, of which Abbott was an integral member, so-called middle-class welfare payments became enshrined as a vital pillar of government policy, more so than traditional Liberal concerns such as commitment to small government or the primacy of the rights of individuals. Far from being forgotten, middle-income, two-parent traditional families with children became prime targets of government assistance.

And the culture of entitlement perpetuated by Howard and his government has shown no sign of abating under recent Labor governments. Both Rudd and Gillard have been content to continue using government handouts to the relatively well-off as a carrot to encourage voter acceptance of politically difficult public policy.

The Gillard Government has been at pains to justify the carbon tax through the accompanying subsidies to 'nine out of ten households'. Upon its passage through the Senate, the prime minister insisted that as a result of the tax 'families will see increases in family payments'. It appears to have become impossible to advocate policy on its supposed merits – to sweeten the deal, handouts to the majority of Australians must be attached.

This sort of quid pro quo in legislation leads to populism in government and the death of courageous policy decisions. Tax reform is especially difficult to implement



A society that is suffocating on its own sense of entitlement is unlikely to remain productive.

in Australia: after all, it took 25 years from the *Asprey Report* to the GST taking effect to institute a broad-based consumption tax. Policymakers are too content to take easier routes to reform, delivering compensation by way of subsidy instead of undertaking the much more difficult task of explaining to the electorate why reform is necessary and of long-run benefit.

But the increasing use of subsidies to smooth the passage of difficult legislation has even more problematic ramifications. By allowing government to subsidise our procreation choices, our electricity bills, or anything else, we implicitly admit to legislators that we are not capable of making our own consumption and investment decisions. It is a tacit acknowledgement between voter and government that government knows best, and that we the voters cannot survive without its warm benevolence.

Once we concede to the Government that we can't buy a house or have a child without government assistance, we open the door to further concessions, such as the need for government to manage our diets or alcohol intake. Government ceases to engage in 'big-picture' policies that promote economic productivity and growth, and it instead devotes its resources to telling us how to live.

The culture of entitlement that exists in Australian society is, in the long term, highly detrimental. It is impossible to engage in debates about future prosperity and the best means of achieving it when voters have become accustomed to allowing government to make their decisions for them.

In order to have intelligent conversations about future policy directions and outcomes in Australia, it is necessary for politicians to cease relying on a handout to sweeten reform. A society that is suffocating on its own sense of entitlement is unlikely to remain productive.

Sabine Wolff is a Researcher at the Institute of Public Affairs.

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NEWSTART NEEDS A BOOST

Patently inadequate support may have some unintended consequences that actually work against the aim of encouraging people into suitable work, observes **Judith Sloan**

Even conservative economists say the dole is too low, bellowed the headline.

Should I be offended, I thought? Does this heading imply that conservative economists – and let's face it, this means different things to different people – can never support a position that only self-described sensible folk support?

... the Newstart Allowance is not designed to assist those who are out of work for extended periods.

Being offended wastes time. A much more useful exercise is to state the case for change, pointing out both the benefits and costs.

Even in the most perfectly functioning labour market, there will always be some unemployment. As people enter the labour market or change jobs, the process of searching for employment takes time. There is even a case for ensuring this process is not too rushed as a good match

between worker and employer will lead to sustained employment rather than a hasty match which may come to grief quite quickly. This is what economists called 'frictional unemployment'.

Unemployment benefits – now called the Newstart Allowance – were designed to tide people over while they were searching for jobs. They were never intended to provide income support for a long period of time. It is a deliberate design of the policy to maintain a substantial gap between the income available to the unemployed and the income of workers. In this way, the unemployed have a strong incentive to find work and to hold on to it.

Having said this, the issue of the adequacy of the income support available to the unemployed is a legitimate public policy issue. Patently inadequate support may have some unintended consequences that actually work against the aim of the policy to encourage people into suitable work.

Of the some 620,000 unemployed persons in Australia – just over 5

per cent of the workforce – some 124,000 are classified as long-term unemployed. That is, one-fifth of the unemployment pool has been out of work continuously for one year or more. In fact, nearly half of those who are classified as long-term unemployed have been out of work for two years or more. The characteristics associated with long-term unemployment include: male, those aged over 45, those living in particular regions and the relatively uneducated.

Of the 620,000 unemployed persons in Australia 124,000 are classified as long-term unemployed.

The figures on long-term unemployment are in fact a marked improvement on those recorded through most of the 1990s and early 2000s. Even so, the fact remains that the Newstart Allowance is not designed to assist those who are out of work for extended periods.

For a single unemployed person and ignoring rent assistance (which is available to those on other allowances), the Newstart weekly payment is a mere \$245 per week. For someone on the Disability Support Pension (DSP), the figure is \$375 per week. In other words, there is a gap of \$130 per week, even though the costs of getting by are unlikely to be very different for the different recipients. Moreover, this gap will continue to widen unless action is taken, as the Newstart Allowance is indexed according to the CPI and the DSP according to wage movements.

If the low level of the Newstart Allowance were not sufficiently heartless, newly unemployed persons also have to contend with the Liquid Assets Waiting Period. Any cash in the bank (or other liquid assets) in excess of \$2,500 (for a single person) leads to a waiting period of up to 13 weeks





depending on the precise amount. Now given the tendency of the car to conk out or the fridge to give up the ghost, lump sums allow people to cope with these events. And coping with these events – particularly a car on the road – can be the difference between successfully finding and holding on to a job and being unemployed.

If we are to expect the unemployed to search for employment with confidence, there is no point pushing them into grinding poverty.

Another strange aspect of Federal Government policy in respect of the unemployed was the decision to deny them the cash hand-outs of 2008 and 2009. These were given to many members of the population, including those on the aged pension and DSP recipients, but not to those on Newstart. In order to stimulate the economy, so the argument went, people would spend the cash hand-out and thereby keep the wheels of commerce turning. The irony was that the group most likely to spend their entire hand-out was the unemployed, who are inevitably cash-constrained.

So what should the Government do about the level of the Newstart Allowance? And should thought be given to the means of adjusting the

allowance over time? The Australian Council of Social Services (ACOSS) has recommended an immediate increase in the Newstart Allowance of \$50 per week. This would not close the gap with the DSP, but such an increase to the Newstart Allowance would be a first step. Costed at around \$1 billion per year, it is quite expensive but achievable. Note that the Federal Government spends some \$360 billion per year.

The more important step is to put the Newstart Allowance on a more sustainable footing over time. If we are to expect the unemployed to search for employment with confidence, there is no point pushing them into grinding poverty. The Henry Tax Review suggested that allowances be divided into those in which some participation is expected and ones in which it is not (the aged pension, for example). All those participation allowances would be indexed by the same factor and the non-participation ones by another.

There are a number of reasons why the unemployed find it difficult to secure jobs. And government policy needs to focus on the impediments that exist, both in terms of the skills and capability of the jobless and the incentives for employers to offer jobs. But it would be impossible to argue that the level of the Newstart Allowance constitutes a disincentive for the unemployed to find work, given that a minimum wage job pays

nearly \$600 per week (full-time). Rather there are messages in the patently inadequate allowance for the unemployed – you are not as deserving as those on other allowances, you are at fault, you should simply find a job. It is not at all clear that these messages are the best way to motivate and encourage the unemployed to gain employment.

It would be impossible to argue that the level of the Newstart Allowance constitutes a disincentive for the unemployed to find work.

Judith Sloan is Honorary Professorial Fellow at the Melbourne Institute of Applied Economic and Social Research at the University of Melbourne.

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INCOME QUARANTINE WITHOUT SUPPORT JUST PUNISHES THE POOR

THE GOVERNMENT NEEDS TO TACKLE THE UNDERLYING CAUSES OF DISADVANTAGE AND COMMUNITY BREAKDOWN, WARNS **PHILIP MENDES**

When employed as a child protection worker many years ago I often looked for a magic wand solution to long-standing family dysfunction. There were two particular groups of concern. One was parents who spent their limited finances on anything but food and other essential items for their children. The second group was teenagers living in state care who paid their youth homeless allowance directly into the pockets of heroin dealers, and in one tragic case, died of an overdose.

Those of us who view disadvantage as caused primarily by unequal social structures also recognise that individual behaviour and agency can influence social outcomes.

The most appealing and simplistic solution to these two chronic problems was to find some way of withholding much or all of their income security payments arguably for their own sake. But despite my best efforts the social workers at the Department of Social Security – now Centrelink – would never agree to this paternalistic request. With hindsight, they were right. Quarantining the parents' money in isolation would not have contributed one iota to promoting an improvement in their parenting skills. And quarantining the teenager's money would simply have meant them indulging in crime and prostitution to fund their habit. Little is gained by addressing the symptoms of social disadvantage while failing to simultaneously tackle



the underlying causes of social exclusion such as lack of skills and opportunities.

The introduction of compulsory income management by the Coalition government in June 2007 and its continuation by the Labor government represents a classic application of this simplistic magic wand solution. The neo-liberal philosophy driving this policy assumes people are poor or unemployed because of behavioural characteristics such as incompetence or immorality or laziness. Neo-liberals believe the government should act to motivate and discipline welfare recipients, and re-integrate them with mainstream social values and morality such as self-reliance and the work ethic. Income security should shift from being a right or entitlement to a privilege. Welfare-reliant individuals should be pressured to choose employment over welfare. These objectives are broadly reflected in the compulsory income management scheme, which aims to promote personal responsibility and the work ethic, and discourage passive reliance on welfare payments.

Those of us who view disadvantage as caused primarily by unequal social structures also recognise that individual behaviour and agency can influence social outcomes. Many would acknowledge that some welfare consumers engage in anti-social and self-destructive behaviour – drug or alcohol abuse, criminal activities, gambling, violence towards family members, and refusal to seriously seek employment – that does not improve their life situations.

But we also argue that many poor Australians are heavily constrained by their limited life opportunities (including for many personal issues such as physical, psychiatric, intellectual or social disability and/or language and literacy issues) compared with others. We believe that structural factors such as social and economic deprivation and inequality are significant influences on the prevalence of poverty, and that blaming the poor for their plight reflects a lack of compassion, and is unlikely to improve their prospects. We note in particular that some groups – such as young people leaving state out-of-home care who were victims of childhood abuse and neglect, those recovering from mental illness, those who have fled family violence, refugees, and those formerly involved in substance abuse – may have to use welfare payments in order to access basic necessities, and rebuild their lives. Some individuals may need a long, long time before they have recovered sufficiently from past traumas to access training or employment.

Historically, many welfare systems included or excluded recipients on the basis of flawed judgments about behaviour, morality and race including overt racism towards Indigenous Australians. However, for



about the past five decades, most advanced welfare states have legally guaranteed the right of claimants who meet certain eligibility criteria to receive government cash benefits accompanied by certain obligations, and spend their payments free of any externally imposed conditions or limits. Income security has generally been viewed as a means of reducing poverty and inequality generated by the free market.

Compulsory income management involves a fundamental shift in the philosophical agenda of the Australian income security system from that of poverty reduction to social control.

In contrast, compulsory income management involves a fundamental shift in the philosophical agenda of the Australian income security system from that of poverty reduction to social control. Centrelink is arguably being given judicial powers similar to those granted to guardianship authorities in cases where people assessed to have significant disabilities are unable to manage their personal or financial affairs. Yet these powers are being imposed on income management participants without any individual assessment of their capacity.

Remarkably, these ideologically-driven changes have been introduced with minimal public debate and disquiet. Yet they initially involved a deliberate targeting of our most vulnerable indigenous citizens who have already been the past victims of paternalistic policies based on so-called good intentions. And now the government is extending this discrimination on a non-racial basis to other disadvantaged communities. The underlying assumption is that income security recipients develop a culture of anti-social behaviour that separates them from the dominant values of mainstream society.

But in fact there is little research evidence that people who are reliant on income support payments hold fundamentally different values and attitudes to the rest of the community. In addition, no research has been completed that shows that irresponsible behaviours such as drinking and gambling are more prevalent among income support recipients than other community members. Many others in the community, including some very affluent business people and sports stars and others whose wealth is inherited or unearned, also engage in anti-social activities, but are rarely targeted for collective monitoring and public condemnation.

What is needed are substantial consultations with indigenous and other disadvantaged communities that consider a range of potential interventions beyond the specific application of compulsory income management. Effective interventions may include a range of intensive case management and therapeutic counselling, financial management and budgeting skills programs, family violence services, health including mental health clinics, parenting workshops, expanded child protection services, alcohol and drug rehabilitation services, and upgraded police/legal responses to humbugging.

The only hope is that the government will accompany income management with a range of services and supports that tackle the underlying causes of disadvantage and community breakdown.

Associate Professor Philip Mendes is the director of the Social Inclusion and Social Policy Research Unit in the Department of Social Work at Monash University. He is the author or co-author of seven books including most recently 'Young People leaving state out-of-home care: a research-based study of Australian policy and practice', published by Australian Scholarly Publishing in September 2011.

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Let the disadvantaged manage their own income

Let's build our response to poverty on real opportunities, suggests **Paul McDonald**

Each year Anglicare Victoria surveys some of the 60,000 Victorians who use our emergency relief services. The survey outcomes paint a vivid picture of the lives and situation of those in our society who are battling hard to make ends meet. It tells us how much they have to live on, what they spend their money on and how they manage when the money runs out.

Not surprisingly, this year's results tell us that it is getting harder for people receiving government benefits to afford the bare essentials. Approximately one in five people could not afford a safe and secure home and about the same proportion could not afford one substantial meal a day.

The results also give us a clear picture of the spending patterns of those who live on very low incomes. Contrary to widely held assumptions, it is clear that all the families surveyed were doing their best to manage very tight financial situations. Indeed, the majority of their income was spent on bare essentials. Housing, groceries and heating accounted for 70% of their spending, and many people found themselves trapped in a web of debt to make ends meet. Spending on tobacco, alcohol or drugs represented only 4% of total spending.

The recent Commonwealth budget release has stimulated welfare reform debate and reinvigorated the populist sport of questioning the values and morals of individuals receiving benefits. The Government has chosen to adopt more punitive measures and as a result we have seen a proposed extension of income management; the replacement of benefit incomes with vouchers; mandatory work search or training for teenage mothers which could place at risk their parenting benefits; and increasingly punitive youth policies to name just a few.

The Government has argued that such measures would reduce spending on alcohol, cigarettes, gambling and porn, and would "encourage socially responsible behaviour". Yet the Anglicare survey suggests that

it is in fact income benefit levels not parties, pokies and plonk that is resulting in poor social outcomes for disadvantaged Australians. Further, the survey's finding that over 30% of families are regularly spending in excess of their income, sees families turn to the precarious 'companionship' of pay day lenders where quick cash is available at 48% interest as the only means of covering family needs.

One in five people surveyed could not afford a safe and secure home ... or afford one substantial meal a day.

Fanning the flames of this debate and encouraging Government to go further is support received from an unexpected source. Some in the community sector are calling for a new approach to welfare reform. They argue that there is 'too much emotion in welfare policy', and that we need to see a new welfare paradigm that requires increased accountability and activity.

However, this is a risky strategy and great caution is required. For instance, new accountability requirements can contribute to an increasing scenario of welfare payment suspensions that will undoubtedly trigger desperation that further entrenches disadvantage. Encouraging Governments to expand compulsory income management can also further humiliate families whose confidence and self esteem is already low. Imagine the impact of your family having to front up at the supermarket with a 'basic card' as the only means of accessing food and basic household items. Is this the way we really want to treat our most disadvantaged citizens?

In life, there is always a simple answer to a complex problem and it is usually wrong.

Compulsory income management has not been proven as an approach that has improved the lives of most families across the Northern Territory. This method of controlling

expenditure of individuals and families is outrageously expensive to administer. For example it will require \$350 million to continue to operate an income quarantining scheme in the NT over the next four years for 16,000 people. The current trial of income management for families involved in the child protection system, will cost \$65,000 per family to administer. Surely such resources are better spent on rebuilding disadvantaged communities, creating incentives for individuals to re-engage with work or bringing public/private investment into our most disadvantaged postcodes.

The flaw in these policies is that it offers a solution that is based on the assumption that a lifetime of disadvantage can be turned around if we either threaten to take a person's benefit or turn that benefit to a voucher. Suddenly they will have the life skills and experience to obtain and hold down a job or not neglect their children. Immediately, employers will be prepared to hire many more people with disabilities, teenage mums and disaffected youth.

It is almost as if we have decided the problem is too hard and instead of addressing the structural issues of poverty and disadvantage in a meaningful way, we have instead opted for a sophisticated version of blaming the individual.

Anglicare works with tens of thousands of such individuals each year. They have the same aspirations as all of us – they want a job, a home, financial relief and to belong. Let's build our response to poverty in Australia on real opportunities for work and training that provides incentives and rewards participation, rather than the drift to paternalism which demeans people and drives more wedges between the haves and have-nots.

Paul McDonald is CEO of Anglicare Victoria.

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www.onlineopinion.com.au

WELFARE TO WORK: THE INDIGENOUS CHALLENGE

Training that is tied to the actual job requirements of employers and industries needs to be delivered in a short but intensive manner, recommends Peter Shergold

As a senior public servant I became increasingly frustrated that too many government initiatives, always well meant and often well implemented, simply ended up compounding the problem of passivity and learned helplessness. Welfare programs that were intended to alleviate social exclusion were delivered in such a way as to reinforce a sense of dependence and marginalisation. I came to the view that a safety net can save people when they're falling but it can also entangle them when they try to climb out.

My years of building frustration at the unintended consequences of public policy have meant that too often in the years since I've been at CSI I've sounded like a broken record (to use a vinyl-age metaphor). My recurring theme has been the need to support people who, even at a time of low unemployment, remain welfare dependent: support them financially to address their multiple needs but also support and incentivise them to become self-reliant.

At present the vast sums spent on benefits too often entrench the poverty the payments are intended to eradicate. Surely it's far better to spend the money on providing assistance to help them get off benefits? People – citizens – need to be given the chance to take full control of their lives. It's a viewpoint which, in their own persuasive ways, Toby Hall and Patrick McClure have recently blogged about for CSI.

It's an issue that was central to the Federal Budget.

Recently I was delighted to host an AMP lunch for The Smith Family. The evidence they presented was clear. Over 500,000 children aged less than 15 still live in jobless families. They are significantly more likely to struggle through education without help. Partly it reflects low family income, partly limited expectations. Whatever the cause it's an indictment on our society (and ineffective policies) that the proportion of low social-economic status youth making it to university has stayed stuck at around 15 per cent of intake for more than a decade.

Nowhere can the adverse consequences of 'sit-down' money be seen more clearly than in indigenous affairs. Work is the path to dignity, self-reliance and economic opportunity. Education is the key. Yet time after time publicly-funded training has led to little sustainable employment, inevitably feeding cynicism amongst indigenous participants. Go-round-in-circles training has become not a solution but part of the problem.

It is absolutely clear that to provide Aboriginal people with a real chance to find a job, earn a wage and support their family, the delivery of training has to be tightly bound to the experience of work. Employers need to guarantee indigenous job placements but training needs to guarantee that there are people willing and able to take



Work is the path to dignity, self-reliance and economic opportunity. Education is the key.

up the opportunities.

It is disappointing but not unexpected that many job vacancies have not yet been filled because of a lack of appropriately skilled applicants. Andrew Forrest, in last month's Yakety Yak in Perth, evinced pride in the 4,200 indigenous workers who have found sustainable employment but he was very aware of the challenges still ahead.

Here's my take. Training needs to be delivered in a short but intensive manner. Most importantly, it needs to be tied to the actual job requirements of employers or industries. The workplace is hard yakka. Certified training alone is not enough. Work-readiness is equally important.

That's why I so strongly support a new policy paper put out by GenerationOne last Friday. Its goal is to ensure that skills and training provisions are better aligned to demand for indigenous employment and, by doing so, to assist Aboriginal people and Torres Strait Islanders to become permanently attached to the labour force. I encourage you to read the paper and provide feedback. Comments can be posted electronically on the GenerationOne website www.generationone.org.au/training or via the action@generationone.org.au email address.

Peter Shergold is the Macquarie Group Foundation Professor at the Centre for Social Impact (CSI) at UNSW.

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Time for a little sense in the welfare debate

It is time we had a little more sense and a little less hyperbole in the welfare debate, comments Australian Greens senator, **Rachel Siewert**

Our biggest problem is skill, not motivation. Our current labour market sees employers looking for skills and experience – two things which are hard to attain if you're receiving unemployment or disability support payments.

This fact calls into question the idea that the way to overcome either long-term unemployment or our labour market challenges (skills, productivity and participation) is simply to 'get tough on welfare'.

Yes, in coming years, with unemployment likely to continue dropping and demand to continue growing, we will have an unprecedented opportunity to move the long-term unemployed into the workforce – but we would be foolish to think this is an easy task.

Under these circumstances governments and political parties who are concerned about both the health of our economy and the wellbeing of the Australian population need to move beyond the short-termism and populist rhetoric of 'welfare crackdowns' and to focus instead on the kinds of strategies that are really going to help.

We need to recognise that those on income support are those facing the most barriers to employment and are the most disadvantaged.

While there are some positive training, support and work experience measures included in the recent federal budget, the level of resources provided to help those on income support to bridge the skills gap is nowhere near enough to meet the level of need.

Too much funding that could be directed to positive programs aimed at supporting people to overcome barriers to employment is being wasted on pursuing a punitive approach, one started by the Howard government under the banner of 'welfare to work' and being zealously continued by the Gillard Government.

As a result of these measures, the



eligibility criteria for the disability support pension and single parents pension have been tightened and a significant number of single parents and people with a disability have been moved from these payments to the much lower Newstart Allowance.

We need to recognise that those on income support are those facing the most barriers to employment and are the most disadvantaged.

This has created a situation of alarming inequity, with substantial differences (\$120 per week and growing) in the support provided to people in very similar circumstances.

Additionally, lower payments and increased activity requirements haven't resulted in better employment opportunities or outcomes. The end result has simply been that the demographics of people on job-search allowances look increasingly similar to the pension population – particularly as the structural rate of unemployment drops and less disadvantaged jobseekers find it easier to secure employment.

The profile of people on income support is increasingly disadvantaged:

➤ 37 per cent have a severe

disability (i.e. qualify for DSP)

- 14 per cent long-term unemployed (over 12 months)
- 17 per cent caring for preschool children
- 7 per cent have a disability but are on Newstart (i.e. partial capacity to work)
- There are 38,000 sole parent families on Newstart or Youth Allowance
- 56 per cent of DSP recipients and 32 per cent of NSA recipients are over 45 years old
- Fastest growing DSP categories are mental illnesses 28 per cent and intellectual disabilities 11 per cent.

All the effort and resources that have been put into profiling and assessing recipients of disability support pensions (through over 450,000 job capacity assessments) has actually seen the number of people eligible for DSP going up.

It seems strange that the Government is surprised by this result yet continues to push down the same path of building a higher wall around the pensions, without questioning their assumptions about the numbers of 'undeserving' recipients.

The Government's own evaluations show that the end result of successive 'welfare to work' policies has not been an increase in the number of people with a partial capacity to work moving

into the workforce.

In fact the evaluations suggested that these increased activity requirements have meant that many recipients have less time to actively pursue the kinds of activities that will help them to find and secure work. This is in reality not welfare to work at all – a better description of these activities might be welfare as work.

The policy response of redefining who is capable of working simply moves the boundaries without addressing the barriers to participation.

What we need is a system that can be understood by those who use it, designed around meeting the needs of those needing more support to overcome barriers, the insecurely employed and the labour market.

The social security system could play a key role in ‘retooling’ the labour force to meet the changing demands of the labour market as our economy and society changes into the 21st century.

There is no need for us to begin re-inventing the wheel, as there is already a substantial body of knowledge, evidence and experience about what is needed and what works.

The Government’s Social Inclusion Board recently released a number of important research papers which are in many ways at odds with the ‘get tough on welfare’ approach.

In the report *Breaking Cycles of Disadvantage* the Social Inclusion Board identifies three key points for addressing cycles of disadvantage:

1. The way you treat people matters: how the support is provided is important. In other words treating people in a paternalistic or demeaning manner is counterproductive and leads to poorer outcomes. A strengths-based service system that builds upon the dignity and integrity of person, developing and supporting their aspirations for their family and future leads to the best outcomes. The relationship between Centrelink and JSA staff and their clients is critical.

2. Continuity of support is essential: episodic care is ineffective, ongoing support is critical to addressing entrenched disadvantage. The need

for continuity is greatest among the most disadvantaged groups, particularly young people leaving state care, families at risk of involvement with the child protection system, prison leavers and those with a significant mental illness. Continuity of support is also critical for service providers, and we should be looking to offer longer-term contracts to effective services, placing greater emphasis on spending new funds on successful programs, and valuing and retaining skilled support staff.

3. A focus on addressing structural disadvantage must be maintained: a holistic approach is needed to reducing the structural barriers that create and reinforce cycles of disadvantage. This means a sustained effort targeting recognised locations of disadvantage, ongoing efforts to address the shortage of appropriate and secure social housing and measures to address the inadequacy of income support (particularly for children growing up in poverty).

Another report by the Social Inclusion Board, *Addressing Barriers for Jobless Families* makes the point that current job search support provided by Job Services Australia is an improvement on previous approaches, but it is still not providing the kinds of support that the most disadvantaged people need to get a job.

Most jobless families are headed by single mothers, and just over half of persistent jobless families had a child aged six or younger. Obviously support needs to be given to single mothers and their children to ensure that children growing up in these families are not trapped in cyclic disadvantage.

It is important to recall that the stereotype of single parent pensioners as ‘teen-mums’ that both Julia Gillard and Tony Abbott have rolled out in previous weeks is inaccurate and misleading. Around 85 per cent of single parent pensioners are over 25 years old, and only 2-3 per cent of recipients are teenagers. At the same time 31 per cent are already employed (mostly working part-time) despite the fact that 60 per cent of them have a preschool child or children.

The *Addressing Barriers for Jobless Families* report outlines a number of key principles to address social exclusion for jobless families:

Sustainability: Parents need quality jobs with advancement possibilities to produce sustainable long-term outcomes that break the cycle of disadvantage.

Customisation: An individual and flexible approach that is able to meet the diverse and complex needs of those in jobless families will produce better outcomes.

Achievability: An incremental approach may be needed for people facing significant disadvantage who are not ready for employment, training and education.

Accessibility: Is also a crucial component. Jobless parents, people with a disability, carers, and those living in cheap and insecure housing often face a range of structural barriers, such as access to transport, a phone or the internet, child care or respite – as well as personal barriers like poor education and health.

The move to expand welfare quarantining has been a widely discussed issue and typifies the problems with the punitive approach. Comparing this approach with the strategy described above shows just how far off track current policy is.

The threat of withdrawal of payments, shifting people from one low payment to an even lower one, and freezing indexation on Family Tax Benefits supplements will all hit the most disadvantaged hardest.

There exists in our community the knowledge, evidence and experience to make fundamental changes to the way we approach issues such as workforce participation and welfare dependence, but precious little of this wisdom is being reflected in political policy.

Rachel Siewert is an Australian Greens Senator for Western Australia.

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Mollycoddling jobless is not compassionate

The problem with a poverty trap is that it's a trap. Incentives helped to put them there and it is incentives that can help to get them out, asserts **Cassandra Wilkinson**

Having grown up in what sociologists call a jobless household, there are days when I not only like Julia Gillard but I want to clone her and buy all of her clones a round of beers. Family joblessness is the leading precondition of child poverty and, according to research by the Benevolent Society, produces “large” impacts on children’s behavioural and emotional problems. In this context the Prime Minister’s devotion to sharing the “dignity of work” can be seen as vital to that great overdue Labor goal of no child living in poverty.

But as the muted criticism and faint praise rolled in for her budget reforms, it became clear that her ‘crackdown’ on welfare probably hadn’t gone far enough to deliver the dignity she seeks for those who need it most.

About 2.5 million Australians of working age are not working. Some of them are rearing children who will live in poverty and grow up to not work in communities where this will be commonplace.

The social effects of this are as certain as they are horrible. Children reared in jobless households are far likelier to disengage from school early, become parents early and become the long-term jobless. So the measures to encourage school-age mothers back into education are particularly welcome.

The growth of what are called “pre-employment” programs demonstrates the intergenerational problem. These programs teach a kind of etiquette for the unemployed: turning up on time, speaking politely to employers and colleagues, and understanding that jeggings can’t be worn as pants during business hours – basic social rules for holding a job that most children learn if their parents work.

A few people accused the PM of beating up the unemployed, but it was limited to the extreme Left, the Greens and the welfare lobby. The Greens issued a joint statement decrying “the punitive measures” and claiming “the budget will no doubt make life harder for people with disabilities, single mothers and the long-term unemployed”. It may well be the case as the Australian Council of Social Service suggests that “Australia spends comparatively less on social security and has lower payments than other wealthy countries” but, like the Greens, ACOSS misunderstands the changes as punishing the jobless.

What punishes the jobless is being jobless.

The problem with a poverty trap is that it’s a trap. People don’t just un-trap themselves. Incentives helped to put them there and incentives can help get them out.

The only leading charity to say so was Mission Australia, whose chief executive Toby Hall came out saying: “We have to get over the idea that reforming the [disability support pension] is an attack on disabled people, it’s not ... A welfare system that continues to let people capable of



social, economic and community participation avoid such contact does them, and all of us, a disservice.”

Dependency not only leads to a life defined by other people’s willingness to help but one that continually hangs in the balance of public opinion.

In recent weeks the old refugees on welfare canard was back with reports “released under cover of the royal wedding” showing refugees bludging years after arriving. For centuries the world’s tired, hungry and yearning came to the new world prepared to work hard to make a new life.

They were our cane harvesters, fruit pickers, factory workers, taxi drivers and cleaners.

That in recent years our welfare system has enfeebled even them is more savage indictment of the system than on anyone in it.

Refugees are a group on whom the government must get tougher. So, too, single parents of preschool-age children who are largely left disengaged from work or study. Disability pensioners over 35 have been spared the new obligations and consequently face 30 years of entrenched dependency concluded only by transition to the aged pension.

It’s become less controversial to acknowledge the welfare dependency of indigenous communities since the not-quite-intervention became bipartisan.

We’re less clear about the enfeeblement of other welfare recipients, but the child poverty figures tell a stark tale. If we’re ever to make good on that long overdue promise to the children of Australia, we have to start by embracing the dignity of work.

Cassandra Wilkinson was an adviser to former NSW premier Kristina Keneally.

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LET'S IMPLEMENT REAL WELFARE REFORM

The current welfare debate continues to tinker around the edges of welfare reform. It's time to provide the policy framework which can turn rhetoric into reality, argues Patrick McClure

The objectives of welfare reform are to provide opportunities for people to participate in the economy, through education, training and jobs, and to reduce unemployment and reliance on income support.

Real reform is always a balancing act between, on the one hand, carrots (investment in training and incentives for individuals and employers) and sticks (obligations on individuals).

The current income support system is complex with many anomalies and disincentives to work. One of the hurdles to participation is the difference in payment levels between pensions and allowances.

For example, an individual on Disability Support Pension (DSP) receives \$364 per week (including a pension supplement) compared to an unemployed person on Newstart Allowance who receives \$237. This is a difference of approximately \$130 and a real disincentive for an individual to move from a pension into work. If the job fails, the individual goes back onto an allowance and is \$130 a week worse off.

Currently there are 800,000 people on DSP. Of this group about 30% have a muscular-skeletal impairment and possibly could still do part-time work.

The Welfare-to-Work initiative under the Howard Government in 2005 tightened up eligibility criteria for the DSP. Individuals are now assessed as having severe physical, intellectual or physical impairments, based on an impairment table where they need to score 20 points or more; as well as being unable to work for 15 hours a week for the next two years. Since then 90,000 applicants for DSP have been rejected and moved onto Newstart Allowance.

To get more people with disability into work requires customised assistance. This means wage subsidies and sometimes workplace modifications. Disability Employment Services providers also need to convince employers that workers with a disability are

good employees and not a worker's compensation risk.

A key recommendation of my Reference Group on Welfare Reform in 2000 was to introduce a single, integrated payment to be introduced over time. In other words, to bring together the payment levels of pensions and allowances. This would address the problems of disincentive to work and also complexity of payments. The cost was estimated to be \$500 million. The Howard Government did not implement it.

We need a balance between investment in training and incentives, as well as obligations on individuals.

But perhaps change is afoot. It is interesting that ten years later the Cameron Government in the United Kingdom and the Key Government in New Zealand have introduced legislation for a single integrated payment level. In Australia last year the Henry Report also recommended that the payment levels of pensions and allowances be brought together over time.

In Australia this would mean that we would have a standard base-rate payment, with add on modules for the costs of disability, children and housing as well as a participation supplement to cover the cost of job search.

The question then arises: at what level do you set the base payment? I recommend setting it at a mid-point between the current pension and allowance levels. This would apply for all new applicants entering the income support system.

Another group that requires special attention are mature aged workers over 50 years. This group is often discouraged in their job search because of their age and lack of skills. Yet many want to continue to work part-time, not least because they often

have insufficient superannuation savings. The average 50 year old male currently has \$135,000 and female \$85,000 in superannuation.

There is a need to provide training subsidies for these individuals to re-skill and remain in the workforce rather than to go onto a pension or allowance. There also need to be incentives for employers to give them a job.

Some want to start their own business. They need to be able to access programs such as the New Enterprise Incentive Scheme (NEIS). NEIS participants are taught a Certificate 4 in Business Administration and learn practical business skills in finances, marketing, administration and business planning. They are mentored by local business people after they set up their business. NEIS has an 80% success rate.

Unfortunately the current welfare debate by both Government and Opposition continues to tinker around the edges of welfare reform. Extending the Work for the Dole, which is a very basic work experience program, is already available to job seekers. The income management initiatives in the Northern Territory make sense if they protect women and children. They involve quarantining 50% of income support payments for spending on food, housing and life necessities. It is a good outcome if it makes children's lives healthier and enables them to attend school. I cannot see how extending income management to single, unemployed individuals will enable them to access training and find jobs.

Australia needs to go further than these initiatives. We need to embrace real welfare reform, a balance between investment in training and incentives, as well as obligations on individuals. I'd welcome your views on how to go about it.

First published 18 May 2011 on the Centre for Social Impact blog | www.csi.edu.au

MIDDLE-CLASS WELFARE: NOT HAPPY JULIA

Perhaps families earning \$150,000 a year are 'rich'. Perhaps they're not. But it's intuitively obvious they shouldn't receive welfare, writes **Chris Berg** from the Institute of Public Affairs

That's because, deep down, we're all small-l liberals. Welfare should be a safety net, not a web in which everybody is tangled.

The Gillard government's reductions in family payments announced as part of last week's federal budget are modest but welcome. The income test on some payments will be frozen until 2014, as will the size of payments. Inflation will slowly erode eligibility and value. The teacup storm about cost of living pressures and what constitutes rich was inevitable.

But the thing is, direct welfare going to middle income earners in Australia is actually quite low, at least compared to the rest of the world. Our benefits are relatively well means-tested. The Rudd and Gillard governments have made them even more so – a much needed corrective to the Howard years.

Commentators rightly condemn the non-means tested benefits which remain. The tax-welfare churn is extremely inefficient. But subsidising the middle class isn't a strange perversion of the welfare state. It's a key characteristic.

For decades we've been told we should emulate the big social democratic welfare states – it'd be the only progressive thing to do. Yet their full cradle-to-grave social support offers far more for middle earners than Australia does.

The prototypical Scandinavian welfare models were built on the concept of universalism. Everybody gets something. Their political support relies on that universalism. Middle income earners approve of those welfare states because they're the beneficiaries. Indeed, the Swedish economist Andreas Bergh has argued that redistribution of income from rich to poor is a relatively minor feature of the Scandinavian model – the whole system is structured to service the comfortable middle.

So if it is intuitively obvious to Australians that the middle class shouldn't receive income support, that's because we find the social democratic model of the welfare state objectionable.

The Australian conception of the proper role of welfare is a liberal one. Income support should be only given to those who need it – to those whose only alternative to Centrelink is poverty. Not to those who, facing money pressures, could reduce consumption or live in a smaller house or trade in a new car.

Even mainstream Australian social democrats argue against the social democratic model of the welfare state. In the *Weekend Australian*, Tim Soutphommasane (of the progressive think tank Per Capita) said "Any fair and efficient system of welfare ... should be guided by a principle of need."

The past decade and a half has seen government extend its generosity to middle income earners, breaking the liberal compact. Unfortunately the Gillard government hasn't pitched its temporary freeze on family payments

as a principled shift in welfare policy. In fact, quite the opposite: it has stubbornly insisted families deserve whatever they can get.

As Wayne Swan said late last month: "Australians who work hard, who get up every day, send their kids to school, come home, cook the tea, get up and do it again, whether they're running a small business or working for wages, are deserving of some support for their children when they're performing that vital role of bringing up the next generation of young Australians."

This makes welfare less about need, and more like a reward given by the government for being responsible and virtuous. So it's no surprise that there's outcry when the government reduces that reward. After all, families haven't stopped working hard – why is the government suddenly being so miserly?

The middle class entitlement culture has long been endemic in larger universal welfare states, and now seems to be growing in Australia.

The Howard government wrapped its middle income support in different rhetoric. For John Howard, middle class welfare was a deliberate program to achieve a specific social goal. Each side favours income support for "working families", it's just that they put the emphasis on different words. Speaking to the conservative think tank the American Enterprise Institute after he left office, the former Prime Minister argued that: "We should maintain a cultural bias in favour of traditional families... The taxation system should generously recognise the cost of raising children. This is not middle class welfare. It is merely a taxation system with some semblance of social vision."

For Labor, middle class welfare is a reward. For the Coalition, it's an incentive. Howard was a conservative social democrat. Sure, sometimes he looked like a proponent of small government. More often (much more often) he did not.

The Liberal Prime Minister had a distinct pro-family, pro-procreation philosophy which, in his view, supported the expansion of family payments. For Howard, income testing those payments would be contrary to the purpose of the policy, and at odds with the philosophy. You might not agree with that philosophy of government – free marketers shouldn't, and didn't – but it was a coherent one, and one which he often articulated.

By contrast, Labor appears to share Howard's policy preferences, yet it cannot explain why.

Nevertheless, the end result of both approaches has been the development of a middle class entitlement culture – a culture that's long been endemic in larger universal welfare states, and now seems to be growing in Australia.

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The Drum, Opinion, 17 May 2011 | www.abc.net.au/unleashed

Real welfare reform needs guts, not paternal damnation

The only way to get to the guts of the problem is to listen to those who are forced to live in it, asserts **Dr John Falzon** from the St Vincent de Paul Society

According to a recent OECD report Australia has one of the lowest unemployment benefits in the developed world.

Since the mid-1990s, people experiencing unemployment have been increasingly disadvantaged compared with average weekly earners and the aged pension recipients. A single Newstart recipient is forced to survive on \$34 a day, a battle that is waged from below the poverty line.

Social, economic and political exclusion is a systematic action that is done to people. It is not something that people happen into by means of bad luck, bad choices or bad karma. It is manifested in individual lives as a unique intersection between personal narrative and the axes of history and structure.

Recently we have seen the Australian Prime Minister appearing to compete with the Leader of the Opposition on who can engage in the toughest welfare-bashing. Our problem in Australia is not the “idleness of the poor”, as perniciously proposed by welfare-bashers of all political stripes. *Our problem is inequality. This is a social question, not a question of behaviour. We do irreparable harm when we turn it into a question of individual behaviour, blaming people for their own poverty.*

The offensive aspect of these comments is that they blame people for being left out or pushed out. Nothing could be further from the truth. Choices are massively constrained for those who have been systematically locked out of the nation's prosperity. There's not much choice between a rock and a hard place. But, of course, such a worldview lets governments off the hook. It denies the reality of the social. It rewrites history.

There is, of course, no solution to any social problem except one that follows from the very conditions of the problem. Approaches to social

exclusion that are derived from a magisterial view of a purported moral underclass are destined to deliver the possibility of compliance but never the reality of social justice.

You, they are warned, are responsible for your own situation. You need to get up off your backsides. You need to make a new beginning. Then you will have something to be proud of.

Australia's basic unemployment benefit is rated as the lowest in the OECD. It has had no real adjustment since 1994.

No. ‘They’ do not need to make a new beginning. We need to make a new beginning. By this I mean two things. Firstly, that the problem does not lie with individuals needing to get their act together. It lies with society needing to be reorganised, turned upside down, changed. Secondly, this can never be the lone act of a

determined individual. It needs to be collective. The problem can only be solved by means of a solution that finds its makings in the heart of the problem. The problem is social. It must have a social, a collective, a political solution.

This is nowhere more in evidence than in the locational nature of much, but not all, of Australia's disadvantage. The Federal Government is correct in identifying this as a problem that must be tackled. It is also right to pilot models that take a family-centred approach to supporting and resourcing households to move out of poverty. But the point is completely missed when these communities are then constructed as being hubs of personal dysfunction, as if a whole bunch of bad or lazy people moved to a place and that's why there's high unemployment there. The Government knows only too well how labour markets work and the structural and historical causes of high unemployment in a given area are never hard to work out.



Kathy Edin, a sociologist from the United States, described something to an Australian Conference audience that still shocks me when I think about it. She described the US welfare reform program, targeting single mothers. Picture this:

A large billboard poster depicts a black single mother on her way to work. Her young daughter, who is being dropped off somewhere, looks up at her and says: "At least now I can be proud of you."

And this from the country where the minimum wage took 10 years (between 1997 and 2007) to be adjusted!

Not that Australia has anything to boast about. Our basic unemployment benefit is rated as the lowest in the OECD. It has had no real adjustment since 1994. People experiencing unemployment are kept below the poverty line. When you have a conservative outfit like the OECD telling us that we need to lift the level of unemployment benefits surely it's time for our Government to sit up and take note.

As life is privatised, the individual who stands accused of having failed to make it in the market is subjected not only to new heights of intrusive surveillance but also to a veritable theology of damnation. As the late Milton Friedman put it, in *Capitalism and Freedom*: "The major aim of the liberal is to leave the ethical problem to the individual to wrestle with."

The abstract individual is, under the banner of neoliberalism, endowed with the ability to wrestle with the ethical problem. This abstract individual is as free as an angel to move in and out of the market, buying and selling, working and resting, praying and philosophising.

The people on the margins, however, are made to feel wretched. They are forced underground, especially when they tire of having to seek assistance from charities. They resurface in our prisons or on our streets. They're forced to hock their furnishings, their personal possessions. They seek consolation in the arms of loan sharks and payday lenders.

The welfare dependency discourse seeks to ensure that the State assists with the transfer of ever-increasing

proportions of national wealth to those who are "not dependent" and therefore not at risk of moral turpitude. This discourse was central to the 1999 discussion paper released by Senator Newman, "The Challenge of Welfare Dependency in the 21st Century".

It was, however, as analysed in O'Connor's excellent 2001 article in the *Australian Journal of Social Issues*, the writings of Gilder and Murray in the US, that popularised into an unquestionable *doxa* the claim that: "real poverty is less a state of income than a state of mind" and that the government dole blights most of the people who come to depend on it and that, therefore, cutting welfare would benefit the poor because welfare has a dramatically "negative impact on motivation and self-reliance".

Murray called for the complete abolition of all federal welfare programs and income support structures. And still there are some who wonder how the personal is political?

The politics of cruelty has penetrated the lives of those who are being herded on the edges of the labour market. Charity may well tide them over until their next crisis. It is justice, only justice, however, that will fulfil their long-term dreams.

We continue in Australia to be subjected to social policies that are best defined as being paternalistic. Paternalism starts (and ends!) with a highly unequal relationship of power. To "supervise the poor", as Larry Mead advocates, is really to control and coerce people on the basis of race, class, gender, and disability. The *New Paternalism* is a relatively recent version of this approach. The focus is on the supposed individual deficit rather than on the structural deficits. The very name bespeaks the manner in which people are being objectified and treated like young children who supposedly have no capacity to make decisions or take control. Any decision imputed to "them" is roundly condemned by a moralising discourse from on high.

The New Paternalism is exemplified in such policies as mandatory income management (such as we see in the Northern Territory Intervention) or

using the threat of financial penalties on people in receipt of Unemployment Benefits, as if this could improve a person's chances of employment.

The New Paternalism is built on the following assumptions:

People are largely to blame for their own marginalisation; people who are marginalised are naturally without power; power naturally rests with those who deserve it; those with power can, at best, use their power to bring about a change in the behaviour of those without power; those with power can, at worst, ignore the problems of the people who are marginalised; the problems experienced by people who are marginalised are their own problems; but their problems bleed into the "mainstream" through increased costs, increased crime, loss of productivity, market constraints, and disorder.

So we end up with solutions that worsen the problem of inequality. As if compulsory income inadequacy, or its accursed cousin compulsory income management, could actually help create the space for dignity and liberation!

When we ask the social question, we find the seeds of the social, and therefore political, solution.

How can we know the guts of the social problem except by listening to those who are forced to live in the guts of the social problem?

Living in the guts of the social problem does not produce silence. There is a rich and constant flow of exchanges between the people who share in the same experience and who are fighting to stay strong. Living in the guts of the social problem, the problem of inequality, does not produce silence. But the refusal to ask the social question does produce an inability to hear.

Dr John Falzon is Chief Executive Officer of the St Vincent de Paul Society National Council of Australia.

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www.abc.net.au/unleashed

EXPLORING ISSUES



ABOUT THIS SECTION

'Exploring issues' features a range of ready-to-use worksheets relating to the articles and issues raised in this book.

The activities and exercises in these worksheets are suitable for use by students at middle secondary school level and beyond.

As the information in this book is gathered from a number of different sources, readers are prompted to consider the origin of the text and to critically evaluate the questions presented.

Does the source have a particular bias or agenda? Are you being presented with facts or opinions? Do you agree with the writer?

The types of 'Exploring issues' questions posed in each *Issues in Society* title differ according to their relevance to the topic at hand.

'Exploring issues' sections in each *Issues in Society* title may include any combination of the following worksheets: Brainstorm, Research activities, Written activities, Discussion activities, Quotes of note, Ethical dilemmas, Cartoon comments, Pros and cons, Case studies, Design activities, Statistics and spin, and Multiple choice.

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| MULTIPLE CHOICE | 56 |

WORKSHEETS AND ACTIVITIES



BRAINSTORM

Brainstorm, individually or as a group, to find out what you know about Australia's welfare system.

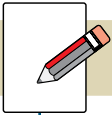
1. What is 'long-term unemployment'?

2. What is meant by the term 'structural unemployment'?

3. What is income support?

4. What is the Disability Support Pension?

5. What is compulsory income management?

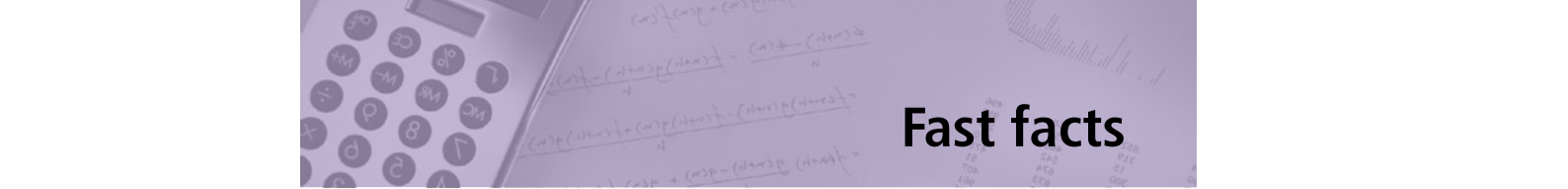


WRITTEN ACTIVITIES

4. What groups of people make up the long-term unemployed in Australia, and why?

5. What are the personal impacts of long-term unemployment on people who experience it?

6. Discouraged job seekers are people who want to work, are available to work, but are not looking for work because they believe they will not find a job. What are the possible reasons for these people not actively seeking paid employment?



Fast facts

- ★ Long-term unemployed people are less well-educated than others – 49% did not reach year 12, compared with 41% of those unemployed for less than 12 months. (p.1)
- ★ Mature aged people (over 45s) make up 34% of the unemployed and 46% of the long-term unemployed. (p.1)
- ★ In 1997 the Coalition implemented a “Work for the Dole” pilot program, requiring unemployed people to spend 6 months of each year in part-time, unpaid work experience on projects to benefit the community. (p.2)
- ★ Australia’s unemployment rate peaked soon after the economic downturn of the early 1990s. Since then it has generally declined, with only three notable increases – the biggest in mid-2009 around the time of the global financial crisis. (p.5)
- ★ In January 1994, following the recession of the early 1990s, 1 in 3 (34%) unemployed people were long-term unemployed. The ratio for men (38%) was higher than for women (28%). (p.5)
- ★ In June 2011 the long-term unemployment ratio increased to 1 in 5 (20%) and a small difference had reopened between men (21%) and women (19%). (p.5)
- ★ In September 2010 there were 102,100 discouraged job seekers. Although there were fewer discouraged job seekers than a year prior (111,800 in 2009), the figure was still higher than any other year since 2000. (p.7)
- ★ Long-term unemployed people are more likely than the short-term unemployed to have lost their last job rather than having left it. (p.9)
- ★ In July 2011, there were 572,200 persons (300,300 males and 271,900 females) who were unemployed. (p.10)
- ★ In July 2011, the main difficulty in finding work for unemployed persons was ‘too many applicants for available jobs’ (12%), followed by ‘insufficient work experience’ (10%). (pp.10-11)
- ★ Over most of the 20th century an increasing proportion of the population received income support. (p.13)
- ★ A sustained increase in employment opportunities saw the proportion of working age people receiving an unemployment payment fall from 6.9% in June 1996 to 3.3% in June 2008 before rising to 4.2% in June 2009. (p.13)
- ★ Once a job seeker has been unemployed for 1 year, they have a 54% chance of becoming very long-term unemployed (i.e. unemployed for 2 years). (p.18)
- ★ The Australian Government introduced the aged pension in 1909 and the invalid pension in 1910. (p.20)
- ★ Almost one-third of Australians now receive some kind of direct welfare payment. (p.20)
- ★ In 2008-09, Centrelink distributed approximately \$86.6 b to 6.8 million customers, including \$10.4 m in individual entitlements, across 140 benefit types on behalf of 27 government departments and agencies. (p.20)
- ★ In the United States in 2008-09, the Social Security Administration Office of the Inspector General (2009) received 129,495 allegations of fraud and closed 8,065 cases, with 1,486 criminal prosecutions. (p.22)
- ★ On average, only 0.04% of the 6.5 million plus welfare recipients are convicted of fraud each year in Australia. (p.24)
- ★ The rules and laws which govern Social Security payments are found in Commonwealth legislation. (p.25)
- ★ The *Privacy Act 1988* governs what information can be collected by government departments, how it can be collected, and how and when it can be released. (p.25)
- ★ About half of all the taxes collected in Australia are directed to social spending, but because we spend less than average we also have lower taxes than average. (p.27)
- ★ Australia has the most “target efficient” system of social security benefits of any OECD country. (p.28)
- ★ The unemployment rate in Australia was 5.2 per cent in March 2012 which is low by historic and international standards. (p.29)
- ★ Australia ranks 21st out of 29 OECD of the proportion of people with disabilities in the workforce. (p.34)
- ★ The number of women on the Disability Support Pension has increased by 64% (from 204,322 to 334,828) from 1999 to 2009 (compared to 13% by men). (p.34)
- ★ Newstart Allowance is set at only 40% of the minimum wage. If the payment was increased by \$50 a week, it would still only be worth half of the minimum wage. (p.35)
- ★ More than 800,000 Australians rely on Disability Support Pension. The program costs taxpayers more than \$13 billion a year. (p.36)
- ★ Of the some 620,000 unemployed persons in Australia – just over 5% of the workforce – some 124,000 are classified as long-term unemployed. (p.38)
- ★ Approximately 1 in 5 people receiving government benefits can’t afford a safe and secure home and about the same proportion can’t afford one substantial meal a day. (p.42)
- ★ Over 30% of families are regularly spending in excess of their income, which sees them turn to the precarious ‘companionship’ of pay day lenders where quick cash is available at 48% interest as the only means of covering family needs. (p.42)
- ★ It will require \$350 million to continue to operate an income quarantining scheme in the Northern Territory over the next 4 years for 16,000 people. (p.42)
- ★ Over 500,000 children aged less than 15 still live in jobless families. (p.43)
- ★ Most jobless families are headed by single mothers, and just over half of persistent jobless families had a child aged 6 or younger. (p.45)
- ★ About 2.5 million Australians of working age are not working. (p.46)
- ★ Currently there are 800,000 people on Disability Support Pension. Of this group about 30% have a muscular-skeletal impairment and possibly could still do part-time work. (p.47)
- ★ The average 50 year old male currently has \$135,000 and female \$85,000 in superannuation. (p.47)
- ★ According to a recent OECD report Australia has one of the lowest unemployment benefits in the developed world. (p.49)

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Glossary

Disability Support Pension

The DSP provides financial support to people with a physical, intellectual or psychiatric condition that prevents them from working, or for people who are permanently blind. It is income and assets tested.

Discouraged job seekers

People who wanted to work, were available to start work, but were not actively looking for work because they believed they would not find a job for any of the following reasons: considered to be too young by employers; considered to be too old by employers; believe ill health or disability discourages employers; lacked necessary schooling, training, skills or experience; difficulties because of language or ethnic background; no jobs in their locality or line of work; no jobs in suitable hours, and no jobs at all.

Financial hardship

The inability to enjoy an adequate material standard of living (in terms of food, shelter, clothing and health) that results primarily from inadequate income.

Income management

Income management works by ensuring a percentage of income support and family assistance payments are directed toward necessities including food, housing, utilities, clothing and medical care. Income managed funds cannot be spent on excluded goods, including alcohol, home brew kits, home brew concentrates, tobacco products, pornographic material and gambling goods and activities. There is no restriction on use of the proportion of a person's payments which is not income managed.

Income support

Income support from the Australian government is designed to provide a basic, acceptable standard of living for people unable to fully support themselves. The amount paid reflects prevailing community standards, and is largely determined by the application of income and asset thresholds and tapers (i.e. means testing). As a result of means testing, a claimant may receive a full-rate income support payment, a part-rate payment, or be assessed as ineligible to receive income support. Not all payments from government are considered to be income support. Payments which are not means-tested (e.g. economic stimulus payments, one-off payments to seniors and carers), payments intended to help meet specific costs (e.g. Family Tax Benefit, Baby Bonus, Utilities Allowance), and payments which represent compensation for loss (e.g. DVA Disability Pension, War Widow(er)'s Pension and Orphan's Pension) are not regarded as income support.

Long-term unemployment

Long-term unemployment is defined as a person being unemployed for over 52 weeks. Very long-term unemployment (VLTU) is defined as a person being unemployed for 24 months and over.

Newstart Allowance

A Centrelink payment for people looking for paid work, who are aged at least 21 but below the Age Pension age, who are

prepared to enter into an Employment Pathway Plan and meet activity test requirements, and who are not involved in industrial action.

Poverty

Poverty is the state of being without the necessities of daily living, often associated with need, hardship and lack of resources across a wide range of circumstances. For some, poverty is a subjective and comparative term; for others, it is moral and evaluative; and for others, scientifically established. Internationally, people who lack food and shelter for minimal needs are said to be living in absolute poverty. Poverty in Australia, however, is generally relative poverty. People are considered to be poor if their living standards fall below an overall community standard, and they are unable to participate fully in the ordinary activities of society.

Poverty line

These are set at minimum income levels considered necessary to achieve a decent standard of living. Two commonly used poverty lines in Australia are 50% of median income and 60% of median income.

Unemployment

An unemployed person is defined as someone aged 15 years and over, not in paid employment who is actively looking for full-time or part-time work. Anyone who is doing paid work for at least one hour a week is not considered to be unemployed. Anyone can become unemployed. Statistically, however, Indigenous Australians, recently arrived migrants, people with disabilities, young people and older workers who have been retrenched are most likely to be unemployed. People living in remote and rural communities also have higher rates of unemployment.

Unemployment rate

The unemployment rate is a figure produced monthly by the Australian Bureau of Statistics. It is the proportion of the labour force who are unemployed.

Welfare dependency

The state in which a person or household is reliant on government welfare benefits for their income for a prolonged period of time, and without which they would not be able to meet the expenses of daily living.

Welfare state

A welfare state is a concept of government in which the state plays a key role in the protection and promotion of the economic and social wellbeing of its citizens. It is based on the principles of equality of opportunity, equitable distribution of wealth, and public responsibility for those unable to avail themselves of the minimal provisions for a good life. The welfare state involves a transfer of funds from the state, to the services provided (health care, education etc) as well as directly to individuals (known as income support, or "benefits"). The welfare state is funded through redistributionist taxation and is often referred to as a type of "mixed economy".

Websites with further information on the topic

Anglicare Australia www.anglicare.asn.au
Australian Council of Social Service (ACOSS) www.acoss.org.au
Australian Federation of Disability Organisations www.afdo.org.au
Brotherhood of St Laurence www.bsl.org.au
Department of Families, Housing, Community Services and Indigenous Affairs www.fahcsia.gov.au
Department of Education, Employment and Workplace Relations www.deewr.gov.au
Homelessness Australia www.homelessnessaustralia.org.au
Melbourne Institute of Applied Economic and Social Research <http://melbourneinstitute.com>
Mission Australia www.missionaustralia.com.au
National Welfare Rights Network www.welfarerights.org.au
The Australia Institute www.tai.org.au
The Benevolent Society www.bensoc.org.au
The Salvation Army <http://salvos.org.au>

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