

DISCUSSION PAPER

THE CHALLENGE OF WELFARE DEPENDENCY IN THE 21ST CENTURY

**Senator the Hon Jocelyn Newman
Minister for Family and Community Services**

CONTENTS

<i>Introduction.....</i>	3
<i>Why reform Australia’s welfare system?.....</i>	3
Economic, social and demographic trends.....	3
Increasing welfare dependency.....	4
The costs of welfare dependency.....	6
<i>A new framework to reduce welfare dependency.....</i>	6
Objectives of the welfare system.....	7
International developments.....	7
The Government’s commitment to reducing welfare dependency.....	8
<i>The purpose of the review.....</i>	9
<i>Welfare reform principles.....</i>	9
<i>Unemployed people.....</i>	11
<i>Older unemployed people.....</i>	14
<i>People with disabilities.....</i>	17
<i>Parenting Payment.....</i>	20
<i>Appendix A: Reference group on welfare reform – terms of reference.....</i>	22

Introduction

In the context of growing concern about the extent of welfare dependency in Australia, the Commonwealth Government has commissioned a review of social security arrangements and related services. The purpose of the review is to develop policies and strategies that strike a better balance between providing a strong safety net and allowing all Australians to participate fully in the workforce where they are able. A Reference Group, headed by Mr Patrick McClure with representatives from the community sector, business, academia and government, will provide advice to enable the Government to develop a comprehensive Green Paper on welfare reform.

The Reference Group's task is to provide advice on possible initiatives to prevent and reduce welfare dependency among people of workforce age. In doing this, they are to have regard to a number of principles for reform outlined in more detail later in this paper and to draw on community input. The full Terms of Reference are at Appendix A. An interim Report from the Reference Group will be provided to the Minister for Family and Community Services early in the year 2000, with the final draft to be provided to the Minister by 30 June 2000.

Why reform Australia's welfare system?

In the early 1900s, Australia took the first step to set up a social security system by introducing age and invalid pensions. Over the years, the system evolved to the point where we now have an array of income support payments for many different categories of need, that are usually associated with reduced opportunity for workforce participation. These income support payments are complemented by a wide range of services, such as public housing, childcare, employment services and services for people with disabilities.

On many indicators, Australia's welfare system compares well with those of other countries. It combines comprehensive coverage with efficient targeting and effective poverty alleviation.

In many ways, however, our welfare system is still rooted in the past. It embodies assumptions about the structure of work, the structure of families and gender roles that look increasingly outdated. It has not kept pace with the economic, social and demographic changes of recent times.

Economic, social and demographic trends

Over the last few decades, the economy and the labour market have changed dramatically. Increasing proportions of people now have jobs that do not fit the old norm of permanent full-time, often lifetime, jobs. Part-time, casual and contract work are all on the increase.

Most mothers are now in the paid workforce, at least part-time. Only those with children aged under 5 are more likely to be at home than in paid work. Employment among older women has increased markedly, while employment among older men has declined. More people aged 45 to 64 are in paid work than ever before.

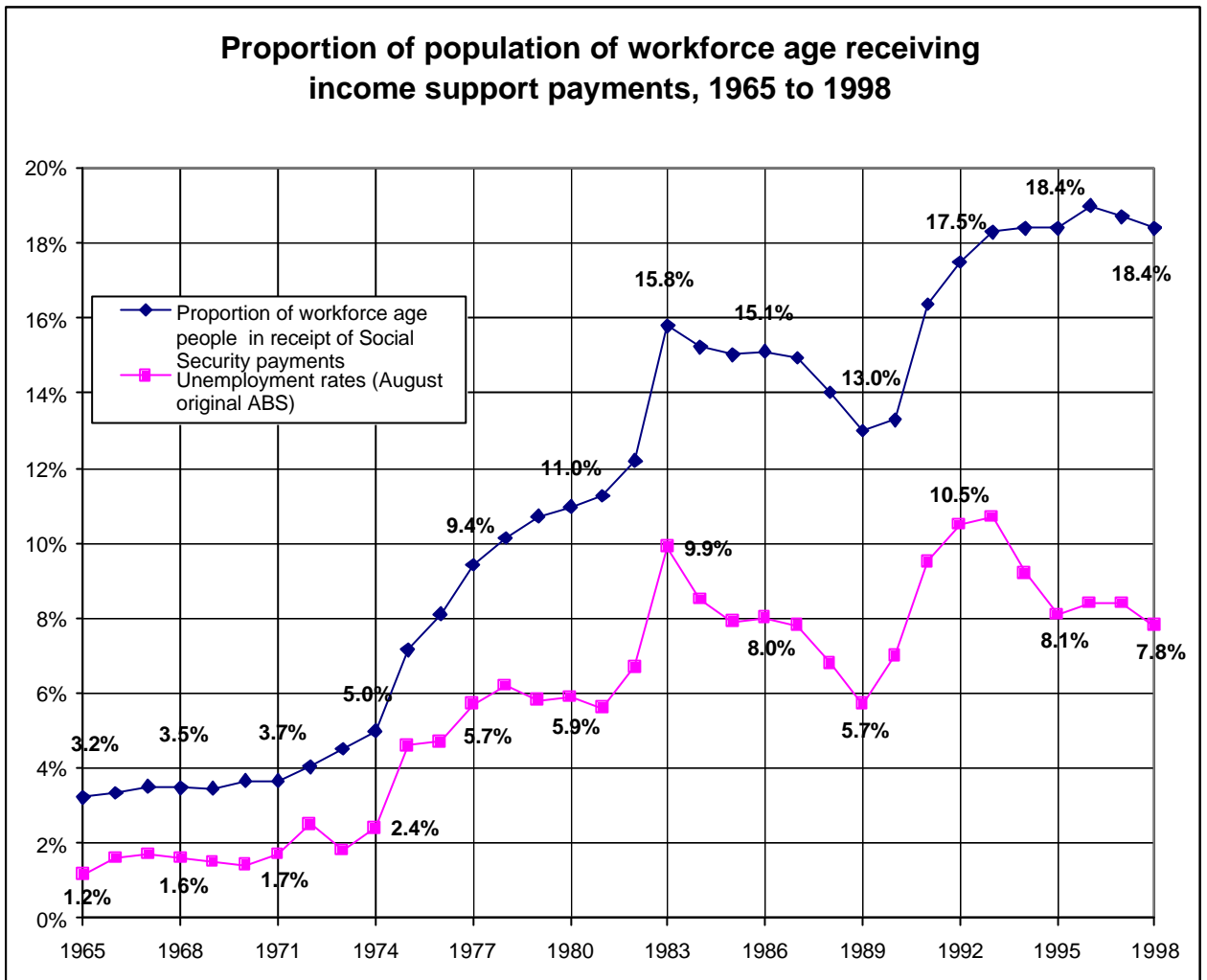
Our population is also ageing. Early retirement (both voluntary and involuntary) is common. This increases the risk of low incomes in old age and places additional burdens on the social security system. There has been sustained growth in the number of people on disability support pension, related to both unemployment and population ageing.

At the same time that mothers and older women have increased their participation in paid work, we have seen increased inequality in the distribution of employment. As well as more two-income families, there are now more no-income families. In June this year, about 850,000 dependent children lived in families without a parent in work. This was about 17 per cent of all Australian children, 8 per cent of children in two parent families and 55 per cent of children in lone parent families.

The growth in the number of workless families during the 1990s has been driven in part by the growth in lone parenthood. About 21 per cent of Australian families are now lone parent families (up from 15 per cent in 1990) and fewer than half of all lone parents are in paid work.

Increasing welfare dependency

As a result of these pressures, the past 20 years has seen a large increase in the proportion of workforce-age people on social security payments – from around 10 per cent in 1978 to 18 per cent in 1998, now involving some 2.6 million people. This is demonstrated in the graph below, which also shows changes in the unemployment rate over the period.



The graph highlights that most workforce-age people on income support are not the unemployed. The number of people on unemployment payments has fallen since 1993 in line with the decline in unemployment, but the number on other payments has increased. As the graph shows, the proportion of the workforce population receiving income support is virtually unchanged since 1993, despite economic and employment growth.

Leaving aside full-time students receiving Youth Allowance or Austudy Payment, unemployed people are now less than one third of the workforce-age income support population. The rest are people on payments such as Disability Support Pension (21 per cent), Parenting Payment (23 per cent) and various payments for older jobless people (Partner Allowance, Widow Allowance and Mature Age Allowance).

Figures from the Australian Bureau of Statistics show that in 1997-98 at least 1.5 million Australian adults of workforce age received more than 90 per cent of their income from government pensions and allowances. About half a million more received between 50 and 90 per cent of their income from social security.

Table 1 summarises dependency rates for various groups. It shows that people aged 55 to 64 were much more likely than younger people to be dependent on income

support and that couples were less likely to be dependent than single people, whether or not they had dependent children.

Table 1: Proportions of selected income unit types receiving at least half of annual income from government pensions and allowances, 1997-98

Income unit type	Contribution of pensions/allowances to total income (% of all income units)	
	50% to 90%	90% and over
Single person aged under 35	1.8	14.6
Single person aged 55 to 64	8.0	46.8
Childless couple aged under 35	1.6	1.8
Childless couple aged 55 to 64	7.2	18.0
Couple with dependent children	2.9	8.3
Lone parent	23.8	36.8

Source: Australian Bureau of Statistics, *Income Distribution Australia*, Cat. No. 6523.0

The costs of welfare dependency

Long-term dependency can have major social and economic consequences. It can lead to erosion of work skills, lower incomes, poorer health and risk of isolation from the community.

Long-term worklessness and welfare dependency tends to reduce people's opportunities to participate fully in society. This means that the productive capacity of the nation is not as great as it could be.

New evidence is also emerging about the impact of long term welfare dependency on the next generation. Research by the Department of Family and Community Services has shown that young people from income support recipient families are much more likely than other young people to leave school early, to become unemployed and to become teenage parents. About one in six young people from income support recipient families are themselves highly dependent on income support between the ages of 16 and 18.

A new framework to reduce welfare dependency

The Government believes that Australia needs a new approach to the reduction of welfare dependency for the next century. It is committed to maintaining and enhancing the safety net for those who need it, while ensuring that support does not go unconditionally for long periods to people with the capacity to contribute to their own support and to the community.

We do welfare recipients no favours by simply paying their benefits and being content to leave them on welfare indefinitely. They have both the right and the obligation to share in the benefits of economic and employment growth and to participate in their communities to the full extent of their capacity.

But a strong and functioning social welfare system is not just about social security payments and not just the responsibility of the federal government. A host of other services and supports are necessary if we are to successfully address the problem of

welfare dependency. These include employment assistance for people who want paid work, child care services for parents and support services for people with disabilities.

We need to build new partnerships between all levels of government, business and local communities. This social coalition is essential to expanding available opportunities for economic and social participation and to providing many of the supports that people need to maximise their potential and contribution to society. The contribution of employers (whether in the public, private or non-profit sector) is critical. While the social welfare system can do much to help people prepare for work, only employers can give them the jobs they need to move out of welfare dependency.

Objectives of the welfare system

The modern conservative approach to welfare emphasises three main objectives. The first is to assist people appropriately when they are in genuine need, to provide an adequate safety net. The second is to stop people becoming dependent, to the extent possible. The third is to help people move to independence as soon as possible.

The main focus of the Australian welfare system has traditionally been on the first of these objectives. Since coming to office, the Government has further strengthened the social safety net. For example, it legislated to permanently link pension rates to average weekly earnings, thus ensuring that the incomes of the most vulnerable Australians will increase in line with increases in community incomes. And the family assistance changes associated with the new tax system will deliver additional help to many low to middle income families.

The social security system has, however, contributed to the growth in welfare dependency, by placing too little emphasis on the second and third of these objectives. While it redresses short-term poverty by meeting immediate needs, it does not have a sustained focus on helping people move beyond reliance on income support to self-sufficiency. Some parts of the system still create work and savings disincentives. Too many income support payments are still focused on incapacity and barriers to work, rather than emphasising people's capacities and potential. In short, it still does too little to prevent and discourage welfare dependency.

International developments

Governments around the world have recognised the importance of acting decisively to tackle welfare dependency and its associated social costs. A recent OECD survey reported that action has tended to focus not on benefit cuts (except in some countries with very high earnings replacement rates), but on policies that encourage and support people through measures such as extra financial help for low income workers and/or measures that help with reintegration into the paid workforce for those on social security benefits.

In the United States, reforms have focused on increasing employment among welfare recipients, reducing births to unmarried mothers and improving educational attainment among teenage mothers.

The United Kingdom government has introduced New Deals for a variety of welfare-recipient groups, including young unemployed people, long-term unemployed people,

lone parents and people with disabilities. These involve individualised assistance for people to improve their employability. Participation is voluntary, except for the young and long-term unemployed. The reforms aim to encourage work for those who can and provide security for those who cannot.

The Government's commitment to reducing welfare dependency

The problem of welfare dependency needs to be tackled in a number of different ways. We need initiatives and strategies of four different kinds, those that aim for:

- long-term prevention;
- early intervention;
- improved incentives for self-reliance; and
- active assistance to help people get off welfare.

The Government has already taken action on all these fronts. The Government has already announced substantial funding for a variety of preventive programs, including \$42 million for improving relationship skills, \$50 million on domestic violence prevention, nearly \$40 million to help prevent youth suicide and \$60 million on youth homelessness prevention.

The National Families Strategy and the Stronger Communities Strategy will guide the development of further initiatives to prevent the emergence of social problems. These strategies will provide frameworks for the Commonwealth Government to work more effectively in partnerships with other governments, the business sector, communities and families to improve the lives of individual Australians.

Examples of early intervention programs include the Illicit Drugs Strategy and the new Youth Pathways Action Plan. This aims to help young people at risk cope with the transitions in their lives and to become independent and active community members.

Family assistance changes in the New Tax System package will reduce effective marginal tax rates for low to middle income families, to increase the financial reward from working. Under these changes, families will always be better off taking up work, rather than staying on welfare.

A number of Government measures have improved incentives and opportunities for young people to study and to work. Young people have responded by participating in education, training and work in increasing numbers.

- Youth Allowance ended the situation where unemployment was a more attractive option than staying on in education.
- The Mutual Obligation Initiative, including Work for the Dole, ensures that younger unemployed people undertake economic or community activity in return for taxpayer support. This builds their self-confidence and labour market contacts, improves their employability and should, in the longer term, reduce their reliance on income support.
- Education and training systems have been improved to enhance skills development, including \$143 million to improve literacy and numeracy, especially among young people. New Apprenticeships provides high quality, nationally recognised and portable qualifications to new entrants to the workforce, those

seeking retraining, and senior secondary students undertaking work-based training.

The purpose of the review

Australia needs a modernised approach to reducing welfare dependency in the 21st century. One that builds a strong social foundation for family and community life. Such a system will still provide an adequate safety net for those in need. There does not need to be – and nor will there be under this Government – any reduction in pension or allowance rates of assistance.

The experience of the past two decades has shown that we cannot rely on economic growth alone to solve the problems of worklessness and welfare dependence. The system must do more to encourage self-reliance and give more practical support to people in vulnerable situations, to help them avoid the trap of welfare dependence and gain their fair share of the community's economic wellbeing.

The purpose of this review is to address two major issues:

- ways in which welfare arrangements can help prevent the problems that result in people needing assistance in the first place; and
- how we can best help welfare recipients improve their capacity for self-reliance so that they can move off welfare more quickly.

Welfare reform principles

There are a number of key principles that will underpin reform of the welfare system.

1. Maintaining equity, simplicity, transparency and sustainability

Individuals in similar circumstances should be treated in the same way, rather than facing a myriad of different payment types with their confusing array of eligibility criteria and conditions. This would ensure a simpler, more transparent and easier to understand system. The system also needs to be targeted effectively so that it remains affordable and sustainable. While some significant progress has been made towards achieving these objectives, more can be done.

2. Establishing better incentives for people receiving social security payments, so that work, education and training are rewarded

Paid work, and education and training that leads to paid work, are the keys to individuals achieving greater self-reliance and reducing their welfare dependence. Government policies must provide the right incentives and opportunities, so that it is more attractive for people to find and keep work than to stay on income support. In this way, a pay cheque will always be better than a welfare cheque.

3. Creating greater opportunities for people to increase self-reliance and capacity building, rather than providing a passive safety net

Simply providing payments to everyone who fits into a particular category fails to recognise the different capacities and potential people have to contribute to their own future. Our system should provide people with the information and skills they need to become self-reliant. If we help people improve their skills and connection to the workplace, they will have a better chance of finding work. In this way, the system can be a gateway to self-reliance rather than a dead end with no future.

4. Expecting people on income support to help themselves and make a contribution to society, through increased social and economic participation reflecting mutual obligation

The income support system needs to be refocussed on participation, emphasising the principle of mutual obligation and recognising the contributions that all people can and do make to society. A modern system must embrace the belief in individual potential. It should promote personal responsibility to support oneself and/or contribute to the community in other ways. Those of us who can contribute to the community should be encouraged and expected to do so.

5. Providing more choices and assistance for individuals and families, with more tailored and individualised assistance that focuses on prevention and early intervention.

The system needs to move away from the ‘one size fits all’ approach to assistance towards providing more tailored and individualised help. There is great diversity among income support recipients, and a corresponding diversity in their needs, capacities and opportunities for participation. We should provide people with choices about the types of social and economic participation they engage in. But these should be choices informed by expert advice and guidance and focused on avoiding welfare dependency. Communities should also have more capacity to have their say and to influence the shape of local opportunities for economic and social participation.

6. Maintaining the Government’s disciplined approach to fiscal policy.

The maintenance of sound fiscal policy provides the underpinning for expansion in the Australian economy and is the basis for continued employment growth and economic security for all Australians. In short, good economic policy is good welfare policy.

The rest of this paper focuses on particular elements of the welfare system for people of workforce age and discusses some broad approaches that are consistent with these principles. These need to be considered in the context that the Government will, of course, continue to provide a strong social safety net for people in genuine need, through the payment of pensions and allowances to people who need our help. And it will continue to provide funding for support services, for people who need them.

As a nation, we already spend over \$50 billion per year on welfare payments and services. Rather than add to this, the emphasis must be on getting better personal and community outcomes by reducing welfare dependency.

UNEMPLOYED PEOPLE

The main income support payment for unemployed people is **Newstart Allowance**. This payment ensures that people who are unemployed receive an adequate level of income and participate in activities designed to assist their employment prospects, including through compulsory job search activities. It is paid to people aged 21 and over and who are under age pension age.

Youth Allowance can also be paid to unemployed young people under 21, including those combining job search with part-time work or study.

FACTS ABOUT UNEMPLOYED PEOPLE

There are around 722,000 job seekers on Newstart Allowance and Youth Allowance.

Over the last ten years, the number of people on unemployment payments who have been paid for 12 months or more tripled from just over 148,000 to 457,700.

Over the same period, the number of short-term unemployed people on these payments increased by only 20 per cent, to just over 288,000 in July 1999.

70,000 job seekers have been on income support for 5 years or more.

Long-term unemployed people now make up almost 60 per cent of job seekers on Newstart Allowance and Youth Allowance.

Although the number of job seekers on income support has fallen overall by 70,000 over the past year, around 50,000 of these were more readily employable short-term job seekers.

Background

Currently, unemployed people are required to actively look for work or undertake other activities designed to improve their employment prospects. They must also accept offers of suitable employment. This requirement is called the activity test.

Some people are also required to undertake a mutual obligation activity, such as part-time work, Work for the Dole, study, voluntary work or literacy and numeracy training, as well as look for full-time work. This applies to young people aged 18 to 24 who have been out of work for six months or more, and unemployed people aged 21 to 34 who have been unemployed for 12 months or more.

The Job Network helps unemployed people to find a job. It also provides other services, like job search training and individually tailored assistance, that are designed to better prepare people who are looking for work.

The consistently high number of long-term unemployed people indicates that more needs to be done to help these people back into jobs. The most important thing we can do for unemployed people looking for work is to help them into work, as quickly as possible.

Unemployed people should be encouraged to take on jobs that will help them acquire skills, self-confidence or greater contact with the labour market. For example, part-time or casual work can provide a springboard into full-time or more secure employment. The chances of getting another job are highest when people have just left a job. For those who are on income support, getting a part-time job significantly increases the chance of leaving payment altogether.

A modern social security system must ensure that unemployed people actively look for work, that they apply for all jobs they are capable of doing, and that they accept any offers of suitable employment.

Matters for Further Consideration

Issues that could be addressed by the review committee include:

1. *The scope for broader economic and community engagement for long-term unemployed people aged 35-50 to improve their chances of getting a job by maintaining or increasing their skills.*

In examining options in this area, it would be necessary to ensure that the requirements applied to this age group were sensitive to their specific circumstances. For example, greater emphasis could be placed on activities like voluntary, community or part-time paid work than is required for younger people. In this way, people involved in such activities would continue to be engaged as active members of their community while improving their chances of getting a job by maintaining or increasing their skills.

2. *The provision of more tailored assistance through the Job Network.*

This examination could include options such as Job Network members being encouraged to find more creative solutions for people with special needs. Closer monitoring of assistance provided by Job Network members could also be looked at to ensure unemployed people get appropriate help. Another possibility is to adjust future Job Network contracts so they provide better incentives to actively support unemployed people with special needs.

3. *The scope to improve incentives to take up work or other activities for the long-term unemployed.*

This analysis would need to include an assessment of safeguards so that people unable to find suitable activities would receive 100 per cent of their payment. Consideration would need to be given to providing assistance with any costs associated with these activities, as is the case with Work for the Dole. A possible approach could be to reserve a small proportion of the benefit payment as a supplement available for those in training or undertaking other activities. The aim of such an approach would be to increase incentives for people to improve their job prospects through training and other activities that help them get a job.

Currently the income test for allowance payments, like Newstart Allowance, reduces payment by 50 cents for every dollar of income received (from casual work, part-time work, and so on) between \$60 and \$140 per fortnight. This is

called the income test taper. For income above \$140 a fortnight, the test reduces payment by 70 cents for each dollar of income. A matter for consideration is whether the rate of withdrawal of benefits operates as a disincentive to people taking up full or part-time work.

Reducing the 70 cents in the dollar taper rate would improve incentives to take up part-time and casual work. However, it could also reduce incentives for full-time work. Alternatively, a tightening of the taper could be considered. This would have the opposite effect, to improve incentives to take up full-time work but reduce rewards from casual or part-time work.

OLDER UNEMPLOYED PEOPLE

There are four payments available for older unemployed people. These are:

Newstart Allowance is paid to unemployed people over 21. It ensures people receive an adequate level of income and it requires them to look for work or participate in activities designed to assist their employment prospects.

Mature Age Allowance is a non activity-tested payment for people aged over 60 but less than age pension age, who have limited recent workforce experience.

Partner Allowance is a non-activity tested payment for people born on or before 1 July 1955 who are partners of income support recipients and who have limited recent workforce experience.

Widow Allowance is a non activity-tested payment for women over 50 who become widowed, divorced, or separated later in life and have limited recent workforce experience.

FACTS ABOUT OLDER UNEMPLOYED PEOPLE

In May 1999, a total of 157,000 people received the three non-activity tested payments - Widow Allowance, Mature Age Allowance and Partner Allowance.

The number of people aged over 50 receiving Newstart Allowance has remained fairly constant at around 115,000 over the past five years. However, the number of people on the non-activity-tested payments has increased by 11 per cent.

People on the non-activity tested payments stay on payments longer than people aged over 50 on Newstart Allowance.

64 per cent of people aged over 50 on Newstart Allowance have been receiving payment for more than a year, compared with 81 per cent of people on the non-activity tested payments.

In Australia, around 46 per cent of people aged between 50 and 64 are not working. Around one third of this age group receive government income support payments.

Background

For the people involved and Australia's economy, the high number of older workforce-age people who are out of work is an issue that needs to be addressed. Once out of the labour market, older people can find it very hard to get back into work quickly, or at all.

For many who can support themselves, early retirement is a legitimate lifestyle choice. But for a large group, leaving the workforce is involuntary. Prolonged periods without earnings for up to 15 years before age pension age can result in erosion of skills and personal savings, reduced community involvement and increased risks of low incomes and poor health in retirement.

Unfortunately, the social security system can send the wrong signals to older unemployed people. The relaxed conditions attached to social security payments for older people can encourage them to retire early and do little to encourage them to get back into paid work.

The system can also treat people in similar circumstances quite differently, depending on what payment they receive. It means people with quite different employment prospects are treated the same – expectations for all are based on what is thought appropriate for the most disadvantaged in each group.

The social security system should recognise the difficulties that older unemployed people can face in finding a job. But it should also recognise that individual circumstances vary significantly. Age need not be a barrier to paid work, particularly where people have the capacity and appropriate help is provided.

Matters for Further Consideration

Issues that could be addressed by the review committee include:

- 1. The scope for broader economic and community engagement for older unemployed people to improve their chances of getting a job by maintaining or increasing their skills.***

In examining options in this area, it would be necessary to ensure that the requirements applied to this age group were sensitive to their specific circumstances. For example, greater emphasis could be placed on activities like voluntary, community or part-time paid work than is required for younger people. In this way, people involved in such activities would continue to be engaged as active members of their community while improving their chances of getting a job by maintaining or increasing their skills.

- 2. The scope for streamlining and simplifying assistance for people aged over 50 years.***

For people between 50 and age pension age, streamlining could provide similar entitlements for similar circumstances and would simplify the system. Instead of people being ‘pigeon-holed’ into a particular type of payment, greater attention could be given to their individual circumstances and assistance tailored to their particular needs. It would not be appropriate, however, to include people eligible for Disability Support Pension and Sickness Allowance in this approach.

- 3. The option of assisting older unemployed people to undertake some form of economic or community activity.***

This analysis would need to take account of individual circumstances and capacities. Various options would need to be explored. For those who are ready to take on work, job search through the Job Network could be the most appropriate activity. Others could need extra help to prepare them for finding work, such as career counselling, help with resume presentation and interview techniques, or formal training to update work skills. People with limited capacity or opportunity

for paid work could participate in other activities that contribute to community life. These could include caring, volunteering, mentoring or taking an active role in local community organisations.

4. *The provision of more tailored assistance through the Job Network*

This could include examining the option of Job Network members being encouraged to find more creative solutions for older unemployed people. Closer monitoring of assistance provided by Job Network members could also be looked at to ensure older unemployed people get appropriate help. Another possibility is to adjust future Job Network contracts so they provide better incentives to actively support older unemployed people with special needs.

5. *Ways of encouraging employers to employ older workers on their merits.*

Older unemployed people may suffer undue discrimination from employers who use age as a proxy for reduced capacity. To the extent that this occurs, their skills are being underutilised to the detriment of the economy, the community and older people themselves. Possible approaches include employer awareness campaigns, specialist employment services and/or provision of financial incentives to employers.

PEOPLE WITH DISABILITIES

Disability Support Pension is a payment for people who have an illness, injury or disability that prevents them from working for 30 hours per week or more for at least two years. People who are permanently blind qualify automatically for the payment and are not subject to a means test.

FACTS ABOUT DISABILITY SUPPORT PENSION

Ten years ago, the number of people on disability income support was around 300,000. Today, almost 600,000 people receive Disability Support Pension. Estimates are that numbers will reach over three-quarters of a million by 2006.

The two most common medical conditions for people receiving Disability Support Pension are musculo-skeletal (just under a third) and psychological/psychiatric (around one fifth).

Two-thirds of the Disability Support Pension population is made up of people aged between 45 and 65. Of this group, about two in five have musculo-skeletal conditions.

Around one fifth of Disability Support pensioners have been on the payment for more than 10 years. The majority of recipients remain on pension for life. Only 8 per cent have income from earnings.

Background

People on Disability Support Pension are a very diverse group, with widely varying capacities for work and other activity. The Government has no intention of changing arrangements for people with very little capacity, but is concerned to explore what more can be done for those who would be able to work with more support.

To receive Disability Support Pension people must show that they meet a minimum level of medical impairment, as assessed under the Disability Support Pension Impairment Tables. Decisions by Centrelink about a person's eligibility are based mainly on a report by the person's treating doctor. Where necessary, a second medical opinion may be required. Doctors are also required to judge whether the person has a continuing inability to work 30 hours or more per week, or to be re-trained within two years.

Disability Support Pension is paid at a higher rate than Newstart Allowance, it has more generous income and assets tests than some other payments, it is not activity-tested, it is not taxable and it gives people access to the Pensioner Concession Card.

There are different types of assistance available to help people with disabilities participate in the workforce and community life. These include rehabilitation services through CRS Australia; help to find work through specialist disability employment services; and incentive programs for employers to hire people with disabilities.

Participation in these is voluntary. However, only a relatively small number of people on Disability Support Pension take advantage of these services.

On top of this, funding for specialist disability employment services is not always linked properly with the individual abilities and needs of job seekers. New arrangements which seek to better link funding to individual needs for specialist employment assistance are being trialed this year.

All this points to a need to take a fresh look at some of the criteria for disability-related payments and at creating more effective links between income support and pathways to greater self-sufficiency and participation in the community. As part of this, anachronistic provisions for Disability Support Pension that reflect past attitudes towards people with disabilities also need attention.

Assistance for people with disabilities should focus not just on the things that people with disabilities *cannot* do, but should also actively identify an individual's *abilities* and support *needs*. This would be more in line with the wishes of people with disabilities themselves. A more active, early intervention and prevention approach, which identifies an individual's needs and abilities at an early stage (including those of people with severe disabilities), should also be looked at to reduce long-term dependence on Disability Support Pension.

Matters for Further Consideration

Issues that could be addressed by the review committee include:

1. *The development of new approaches to maximise the scope and opportunity for work.*

The current criteria are essentially based on a medical model of disability and a test of whether people are able to work full-time at award wages. Some people with disabilities suggest that a new approach to identifying capacity for work would be preferable. Any changes in this area would not, of course, affect people with very limited capacity to work as a result of their disability.

2. *A stronger focus on prevention and early intervention for people with disabilities.*

Focusing on prevention and intervention at an early stage could better identify a person's need for services like rehabilitation, training and job search assistance. For example, vocational assessments that focus on how people's capacities could be enhanced could be undertaken when determining eligibility for payment.

This could also involve giving more explicit encouragement to people with capacity to use these services, and later to undertake a range of activities such as job search, voluntary work, caring, part-time and full-time employment or further education. For new applicants, a payment other than Disability Support Pension could be paid to these people while their capacity for work or other activities is being assessed and/or support services are being provided. For people with manifest conditions and limited work capacity, access to Disability Support Pension would still be semi-automatic.

3. *The scope to tailor assistance more flexibly to meet the needs of individuals.*

Case-based funding would mean job seekers with varying disabilities could attract assistance more consistent with their individual needs to find jobs. Case-based funding could also provide greater incentives to service providers who help people with disabilities to access and stay in jobs.

4. *Improving incentives for economic and social participation.*

An issue for analysis is the extent to which greater consistency between Disability Support Pension and other income support payments for people of workforce age could encourage people to apply for the payment most appropriate to their needs.

PARENTING PAYMENT

Parenting Payment provides a source of income to a parent who is on a low income and is the sole or primary carer of their children. It provides increased choice for parents in balancing work and family responsibilities. Rules for payment differ, depending on whether the parent is a lone parent or whether they are a member of a couple. To qualify, they must have a dependent child under 16 years of age.

FACTS ABOUT PARENTING PAYMENT

Ten years ago, the number of lone parents on income support payments was just under 240,000. Today, almost 382,000 lone parents are on Parenting Payment and estimates are that numbers will reach over 475,000 by 2006.

The average time that lone parents stay on Parenting Payment is 3.4 years. However, one in five lone parents on the payment have been on it for more than five years. Of those who go off the payment, 65 per cent return to a payment of some form within 12 months.

There are also 226,000 low income people with partners who get Parenting Payment. Of these, over half have an unemployed partner.

Background

The Government recognises that raising children, especially young children, is an important and valuable role and it is critical to give children the best start in life. Income support for low income families will always be provided by the Government to support parents in this critical role.

But bringing up children is only part of a lifetime. Parenting Payment cannot last forever and getting a job – even a part-time job – is the best way for parents and their children to achieve financial security. Also, as children grow up, parenting responsibilities change, and it becomes easier to combine paid work and family life. This is much less so for parents with younger children, especially those below school age, where it is important to recognise and support a family's choices about care of their children. Nonetheless, people can be disadvantaged by lengthy periods out of the workforce through losing skills and confidence in looking for work.

At the moment, the Government provides help to people on Parenting Payment through the Jobs Education and Training (JET) scheme. Run by Centrelink, participation is voluntary. JET Advisers assist people with education, training and getting back into work. This includes finding suitable child care. Unfortunately, many people on Parenting Payment do not take advantage of the scheme.

Matters for Further Consideration

Issues that could be addressed by the review committee include:

- 1. Options for improving the provision of information and advice at key stages of the life cycle (e.g. when a parent's youngest child starts primary or high school) and for creating incentives for participation in some form of appropriate economic or community activity.***

One option for analysis could be interviews at key stages which would make sure that parents receive information on available assistance and encourage them to start planning for their future, including voluntary referrals to JET, the Job Network or other support services. This option could build on the results of a trial now under way, which involves asking just over 2000 people on Parenting Payment to attend a similar interview.

- 2. The scope for increasing the number of people on Parenting Payment participating in the JET program.***

Some parents attending JET interviews are able to undertake suitable activities, such as part-time work, study, job search or voluntary work, in addition to parenting, but do not do so. Consideration could be given to making participation in JET compulsory for these people to ensure that they receive the help and support they need to undertake these activities, including consideration of the issues involved in applying such an approach to parents when their youngest child starts either primary school or high school.

- 3. The scope to improve incentives to take up work when parenting responsibilities allow.***

The last 20 years have seen major changes in workforce participation by mothers. Around 57 per cent of mothers with dependent children are now in paid work, with participation rising with the age of the youngest child. Some 67 per cent of mothers whose youngest child is aged 10 to 14 are in paid work, compared to 43 per cent of those with children under 5 and 64 per cent of those whose youngest child is aged 5 to 9. In the light of these changes, it may be appropriate to look at the age limit for a qualifying child.

Analysis of such issues would need to include the potentially increased role of programs like JET.

- 4. Potential for improving assistance to people on Parenting Payment to take up paid work of vocational education and training.***

At the moment, parents who take up study, training or paid work receive some help with the extra costs involved. This can also include other help, like finding child care. But there can be other quite high costs as well. For parents thinking of rejoining the workforce, consideration could be given to the scope for making available more assistance.

APPENDIX A

Reference Group on Welfare Reform "Community, business and government working together"

Terms of Reference

1. The Government wishes to provide ways of assisting people who are disadvantaged that strike a better balance between its ongoing commitment to maintain a strong safety net and its responsibility to develop policies and strategies allowing all Australians to participate fully in the workforce where they are able. In this context, the Government is concerned that there is an increasing reliance by Australians on welfare, with around 1 in 5 people of workforce age on income support payments.
2. Six principles have been identified in order to guide the reform required in this area:
 - Maintaining equity, simplicity, transparency and sustainability;
 - Establishing better incentives for people receiving social security payments, so that work, education and training are rewarded;
 - Creating greater opportunities for people to increase self-reliance and capacity-building, rather than merely providing a passive safety net;
 - Expecting people on income support to help themselves and contribute to society through increased social and economic participation in a framework of Mutual Obligation;
 - Providing choices and support for individuals and families with more tailored assistance that focuses on prevention and early intervention; and
 - Maintaining the Government's disciplined approach to fiscal policy.
3. To ensure a process of consultation with the community, the Government has established a Reference Group comprised of representatives from the community sector, business, academia and government. The Group will provide advice to enable the Government to develop a comprehensive Green Paper on welfare reform.
4. The Reference Group has the following terms of reference:
 - a) Adopting the reform principles established by the Government, provide advice on:
 - i. Options for change to income support arrangements aimed at preventing and reducing welfare dependency by those of workforce age; and
 - ii. Other options relating to the provision of associated services, including employment, education and training, that would assist in preventing and reducing welfare dependency.
 - b) In providing this advice, the Reference Group will give particular consideration to:
 - i. the broader application of Mutual Obligation;
 - ii. demographic changes;
 - iii. sustainability of the current system;
 - iv. the particular incentive effects associated with the design of social security

- payments for people of workforce age; and
 - v. international best practice.
- c) In framing its advice the Reference Group will draw on community input and call for submissions from interest groups and the broader community.
5. An interim Report from the Reference Group will be provided to the Minister for Family and Community Services early in the year 2000, with the final draft to be provided to the Minister by 30 June 2000.