



Australian Council of Social Service

Degrees of deservingness

Presentation to the
Welfare reform conference
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Australian Council of Social Service

“Our social security system”





Current payment structure: based on “ability to work”

1. *Pensions* for those ‘unable to work’

Higher rates, looser income tests

No activity requirements, less employment assistance

Assumes long term need for income support

Target groups: aged, disability, carers, sole parents(?)

2. *Allowances* for those ‘able to work’

Lower payments, tighter income tests

Activity requirements and more employment assistance

Assumes short term need for income support

Target groups: unemployed, sickness, widows

3. *Student payments (18-64 years)*

Lower rates again, looser income tests

Assumes parental support and access to part time employment

Target groups: students – young, Indigenous , adults

Present payment structure

—————→ employment/study

Pensions

General
supplements

Pension only
supplements

Base rates
& income tests (higher)

Activity requirements
(none, or less stringent)

Basic eligibility conditions
(age, residency, etc)

Allowances

General
supplements

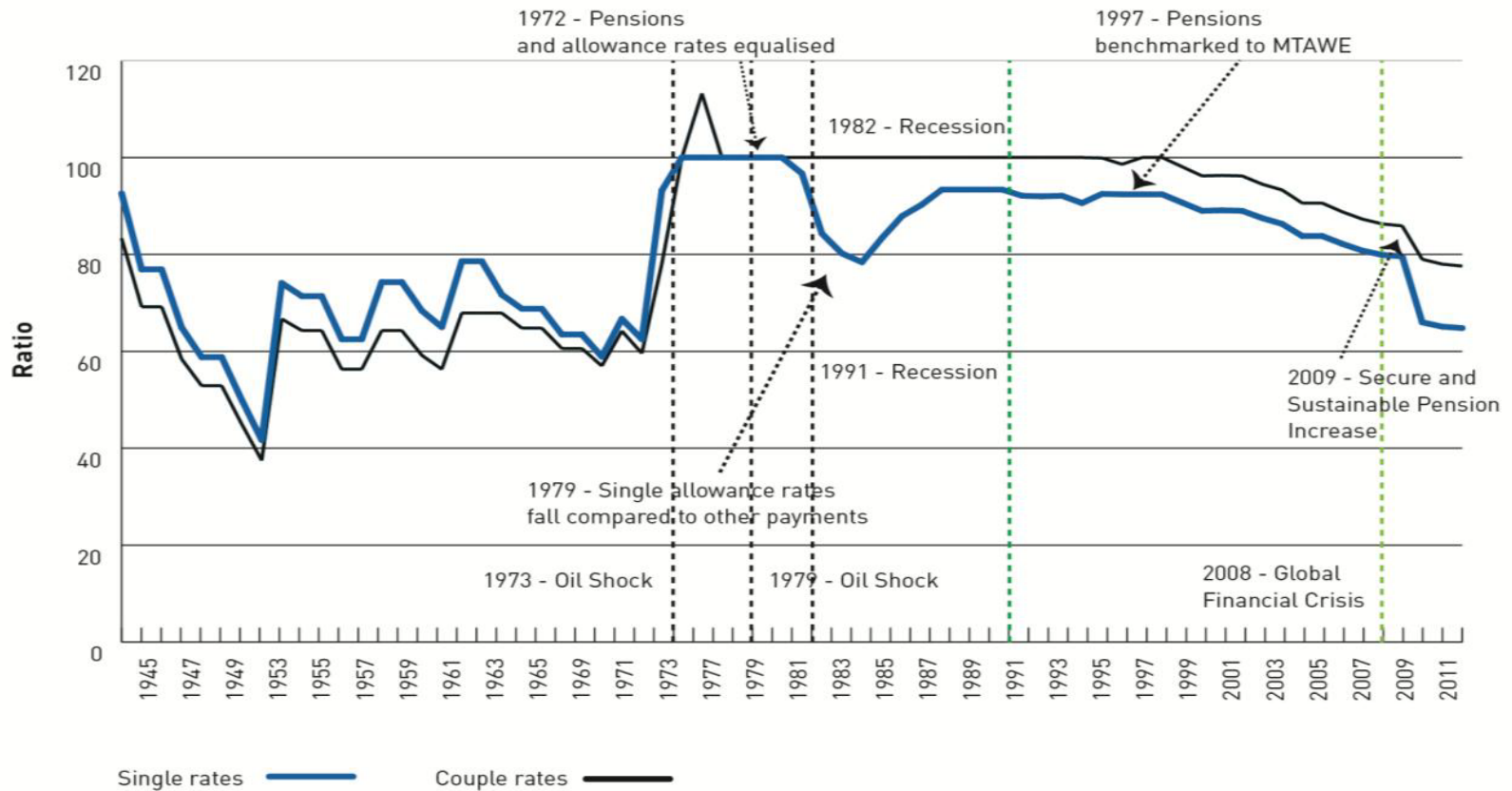
Base rates & income tests
(lower)

Activity requirements
(more stringent)

Basic eligibility conditions
(age, residency, etc)

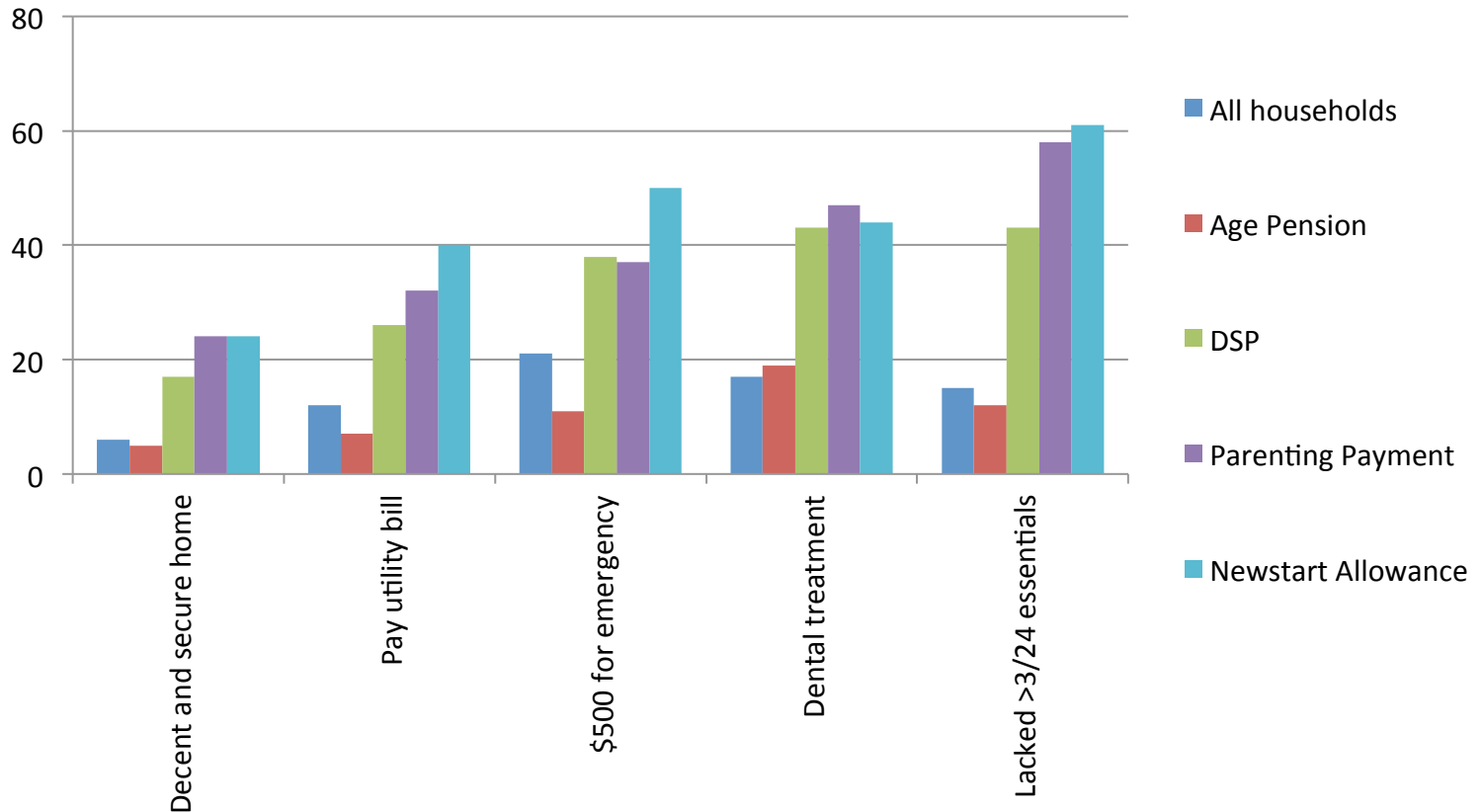


Allowance payment rates as a % of pensions





Deprivation of essentials on different payments





The pension-allowance system meets the participation agenda

Participation ('welfare to work') agenda:

- A comprehensive set of policies to reduce unemployment and reliance on income support by encouraging and mandating workforce participation
- Implies 'homogenisation' of payments (Clasen)

Implications for the pension allowance system:

- Assumptions about 'inability to work' are questioned
- More groups (e.g. sole parents and people with disabilities) are 'activated'
- Allowance recipients begin to look more like pensioners
- Need to *continually* tighten access to pensions
- Blocks transitions to employment – the closer you get, the lower your payment (and risk of loss of an adequate safety net if needed in future)



Towards a simpler system

Scope:

- People of working age in low income families

Eligibility requirements:

- Consistent residency requirements, etc
- Activity requirements depend on employment capacity/ caring roles

Payment structure:

- Payments based on need rather than distance to employment
- Common base rates (equal to minimum needs of a single adult/couple)
- Supplements for extra non-discretionary costs (e.g. Children, rent, disability, caring, sole parenthood)

Rates of payment:

- Base rate plus supplements = no less than current payments
- Indexation to CPI and wage movements

Alternative payment structure

Supple- ments, e.g:	Rent	Dis- ability	Carer	Sole Parent	Job search	Train- ing
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Base rates of payment & income tests:

Based on minimum costs of living for a single adult/couple

Activity requirements:

none → (disability/caring/parenting) → full

Common basic eligibility conditions:

Residence, etc

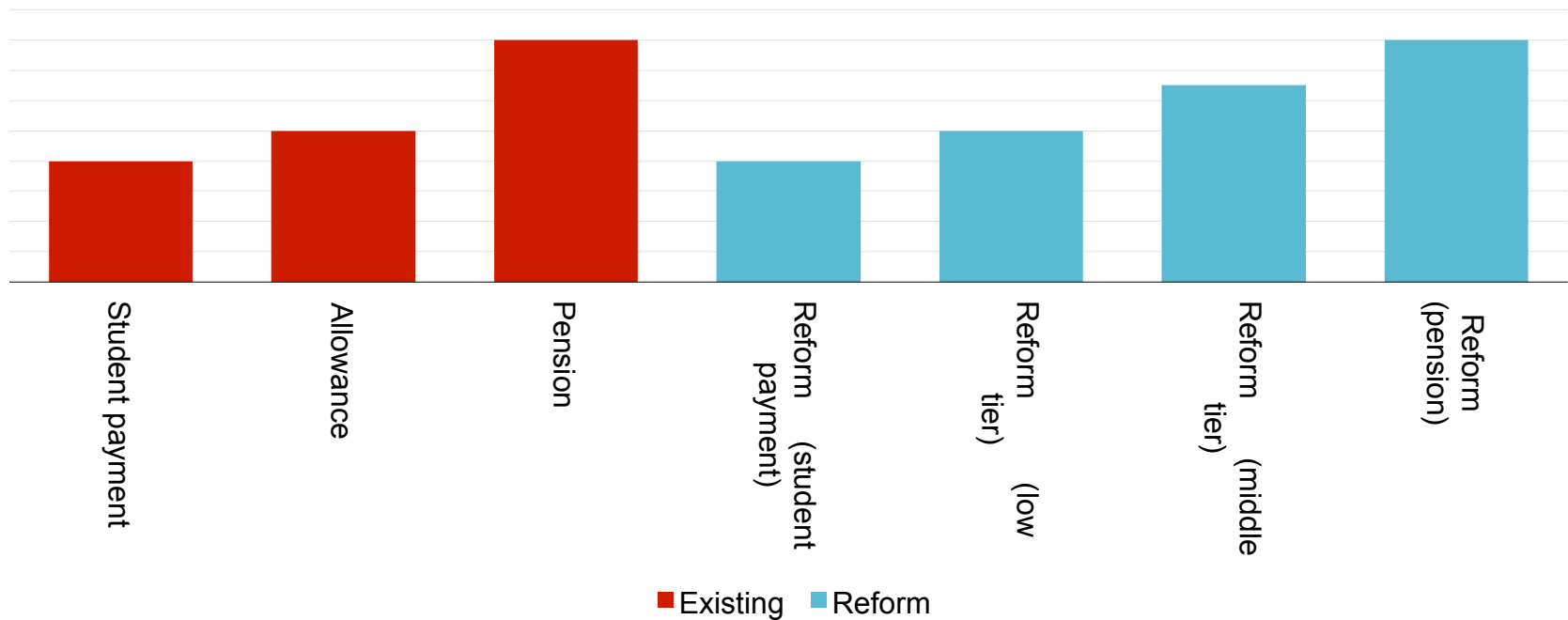


Welfare Review

- An opportunity for structural reform consistent with the participation agenda
- Some advances on present system but stops short of fundamental reform
- Proposes an intermediate payment between pensions and allowances for people with limited 'work capacity' (sole parents and people with disability)
- Some would move up to higher payments, others would move down to the lower ones
- Future increases in the base rate "Newstart" payment would be less likely

Interim report – tiered payment structure

Existing structure and Interim Report proposal:
Single person with \$0 private income





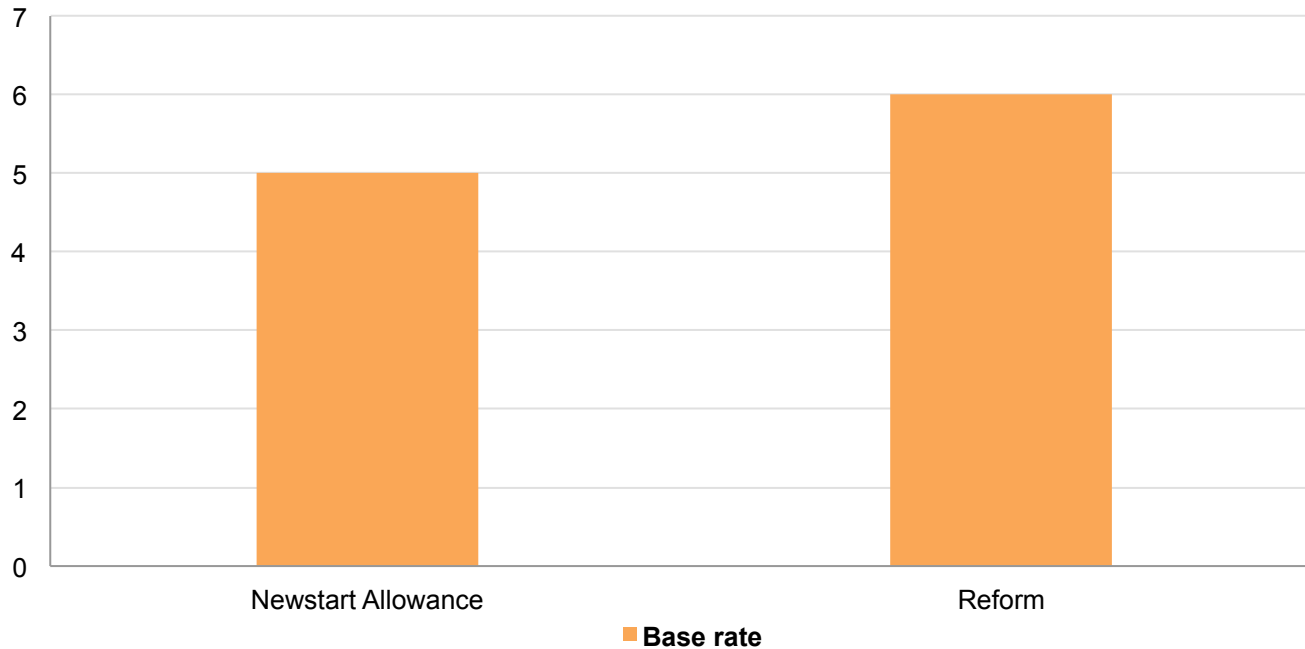
ACOSS proposals

- A common income support payment, based on current financial need not future work prospects
 - an end to the current distinction (and payment gap) between pensions and allowances.
- Rates & indexation to be decided by Govt. on recommendation of an independent panel.
- Supplements for specific needs (e.g. costs of disability, rent)



What would this look like? For a single unemployed person

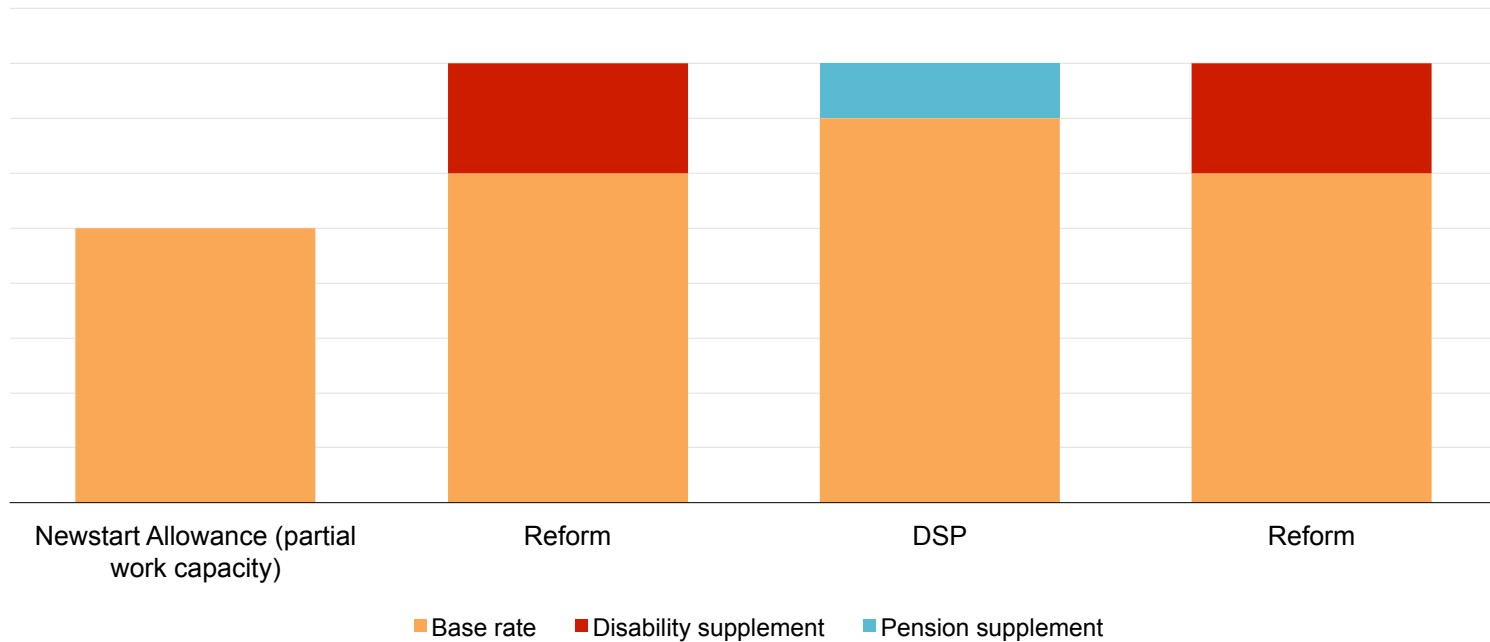
Existing and proposed payment structure:
unemployed person: \$0 private income



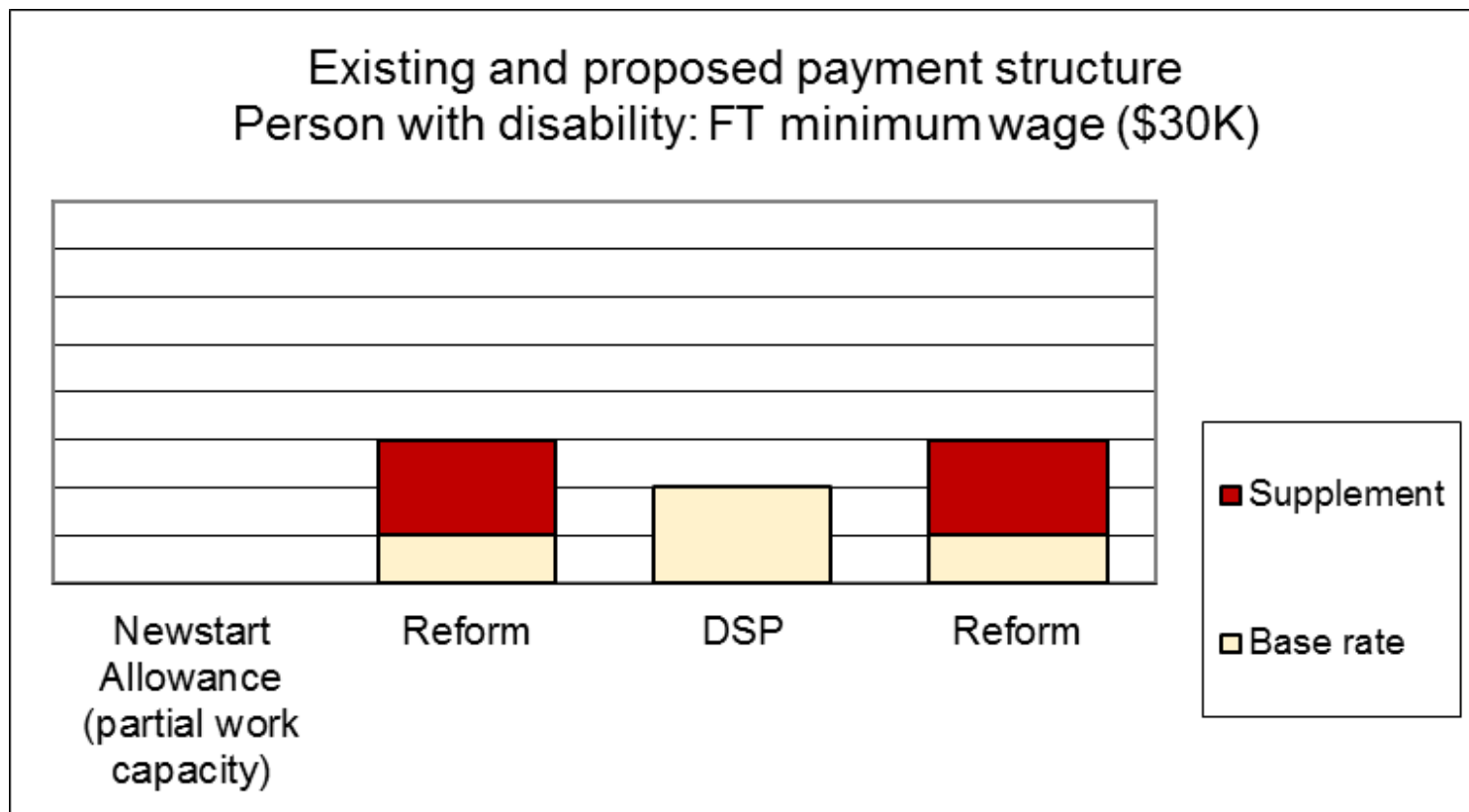


Person with disability (no earnings)

**Existing and proposed payment structure:
person with disability: \$0 private income**



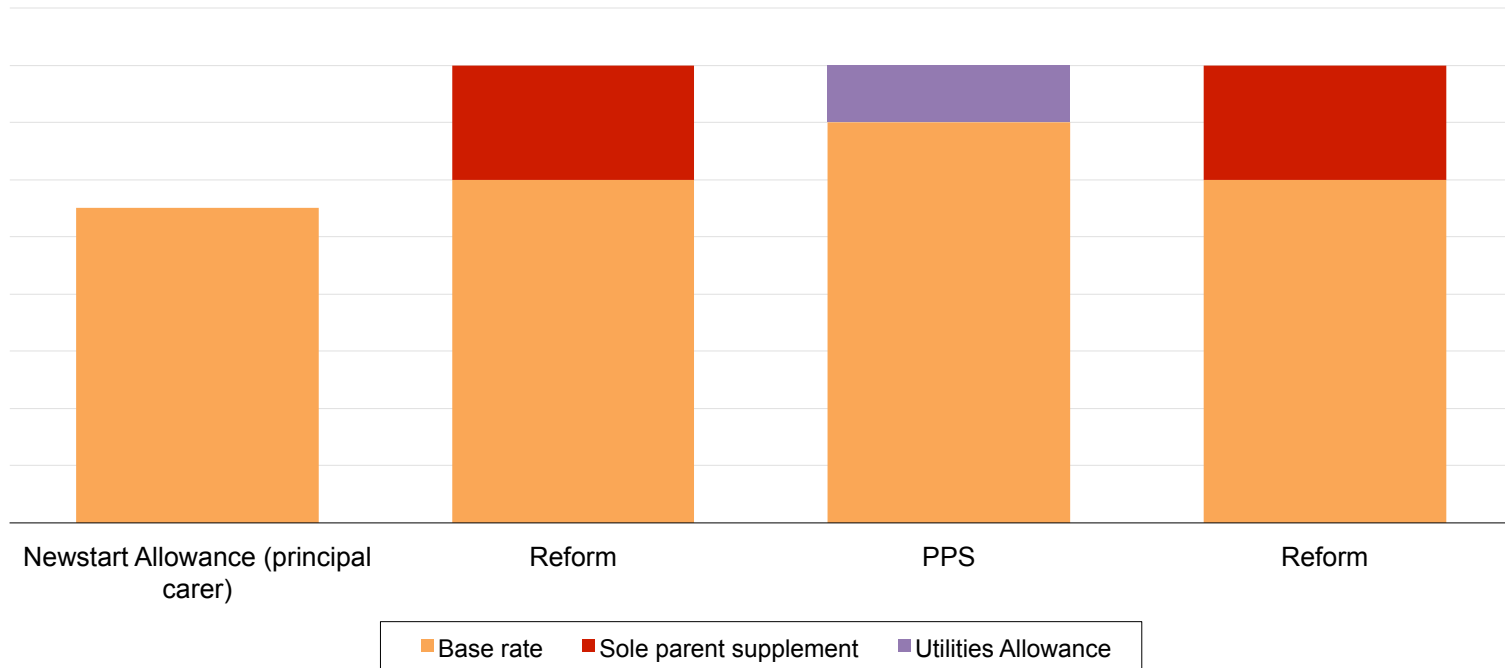
Person with disability (FT min wage)



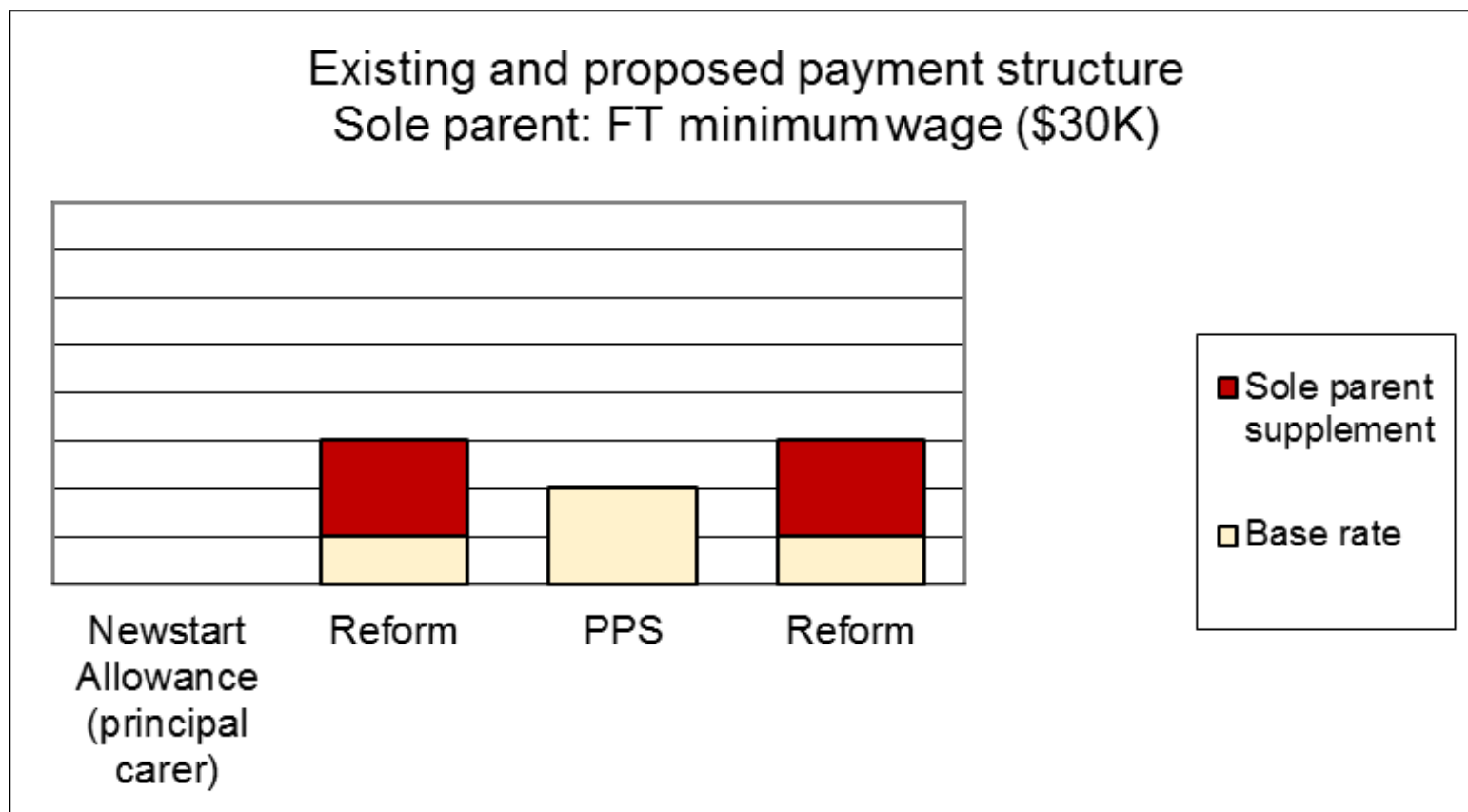


Sole parent (no earnings)

Existing and proposed payment structure:
Sole parent: \$0 private income



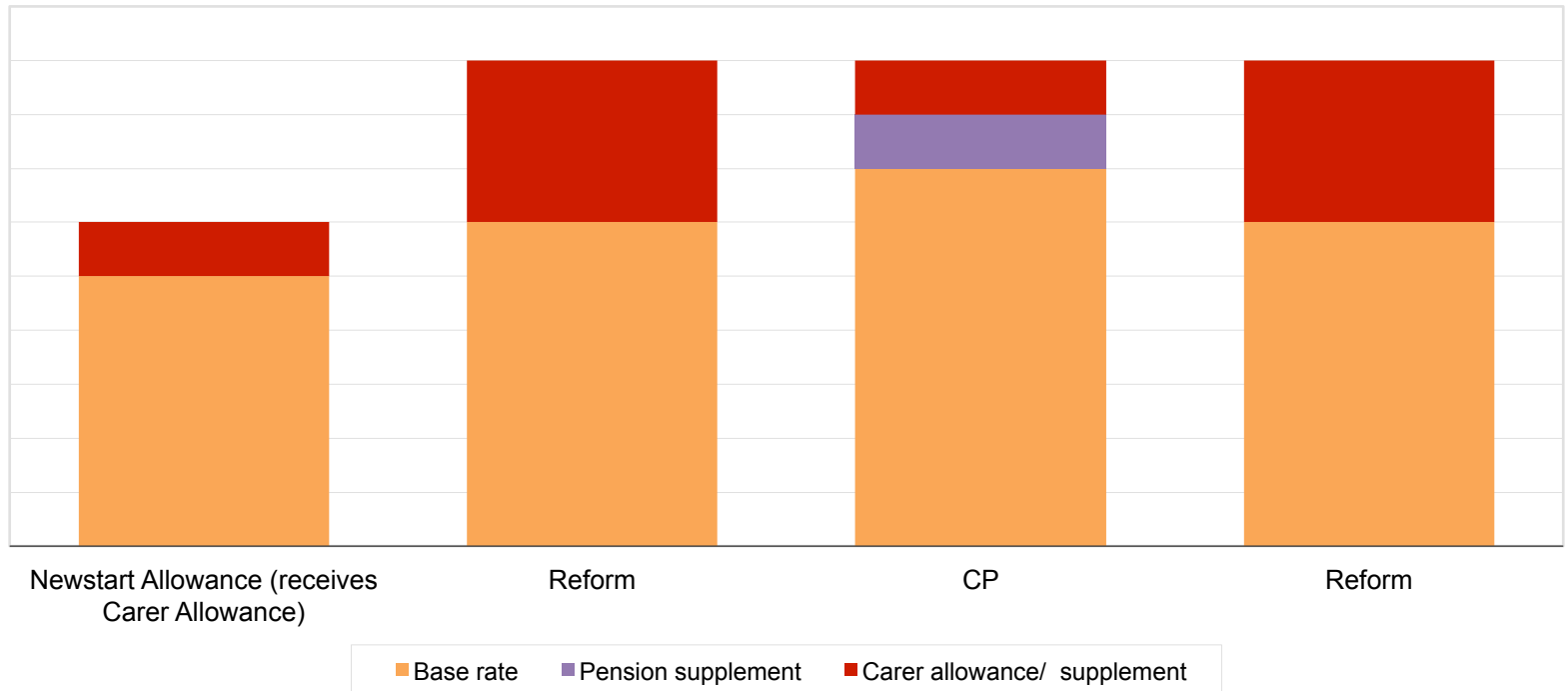
Sole parent (FT min wage)



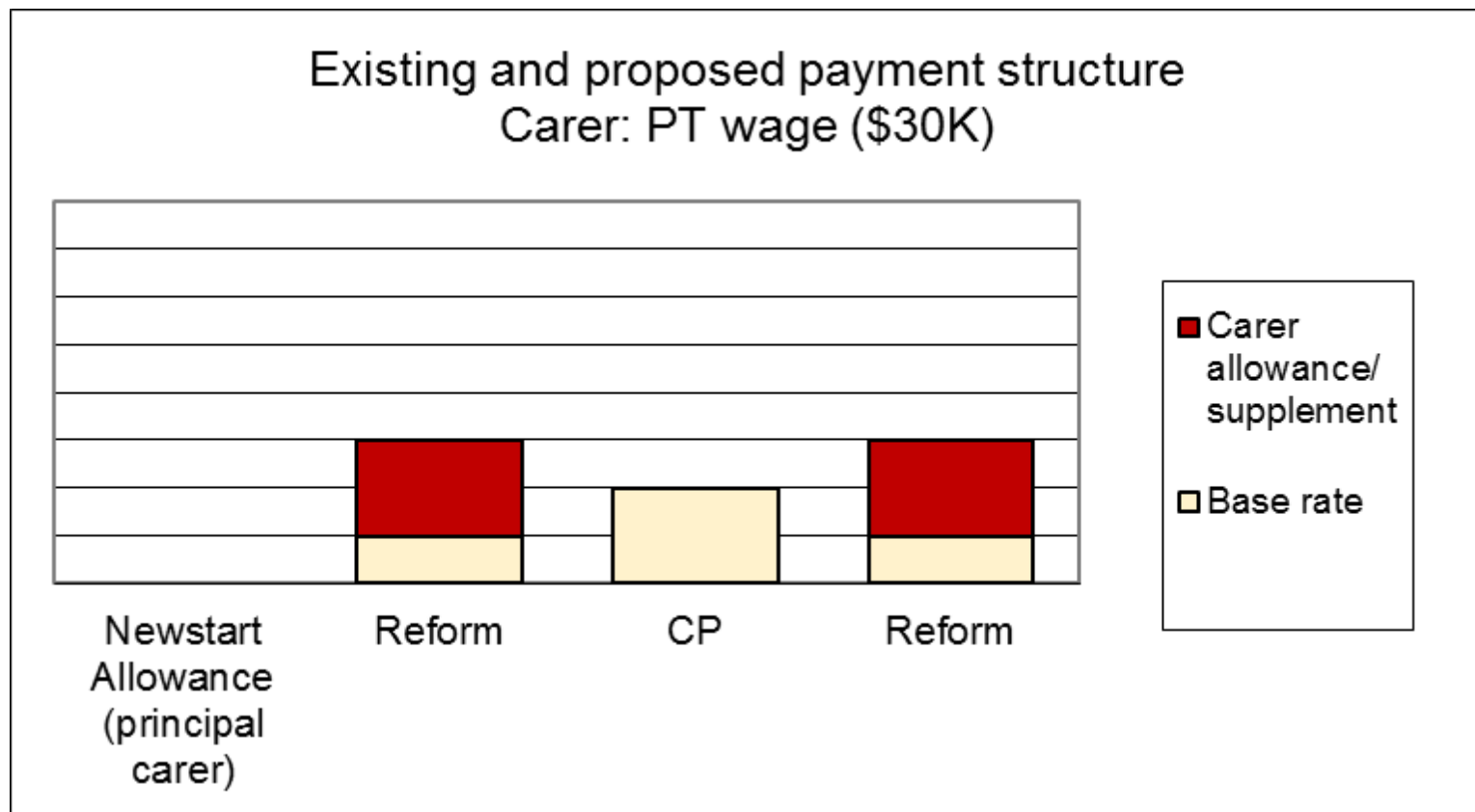


Carer (no earnings)

Existing and proposed payment structure:
Single carer: \$0 private income



Carer (FT min wage)





Conclusion

- The pension-allowance divide is outdated, unfair, and inconsistent with the participation agenda.
- It should be removed and replaced with a base rate of payment to cover general living costs and supplements for specific needs.
- No group should be worse off and those in greatest hardship, as well as many re-entering paid work, would be better off.