Degrees of deservingness

Presentation to the Welfare reform conference
ANU, Canberra September 2015

Peter Davidson
Senior Adviser, ACOSS
"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**

<table>
<thead>
<tr>
<th>Pensions</th>
<th>Allowances</th>
</tr>
</thead>
<tbody>
<tr>
<td>General supplements</td>
<td>General supplements</td>
</tr>
<tr>
<td>Pension only supplements</td>
<td></td>
</tr>
<tr>
<td>Base rates &amp; income tests (higher)</td>
<td>Base rates &amp; income tests (lower)</td>
</tr>
<tr>
<td>Activity requirements (none, or less stringent)</td>
<td>Activity requirements (more stringent)</td>
</tr>
<tr>
<td>Basic eligibility conditions (age, residency, etc)</td>
<td>Basic eligibility conditions (age, residency, etc)</td>
</tr>
</tbody>
</table>
Allowance payment rates as a % of pensions
Deprivation of essentials on different payments

- Decent and secure home
- Pay utility bill
- $500 for emergency
- Dental treatment
- Lacked >3/24 essentials

Categories:
- All households
- Age Pension
- DSP
- Parenting Payment
- Newstart Allowance
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

<table>
<thead>
<tr>
<th>Supplements, e.g:</th>
<th>Rent</th>
<th>Disability</th>
<th>Carer</th>
<th>Sole Parent</th>
<th>Job search</th>
<th>Training</th>
</tr>
</thead>
</table>

Base rates of payment & income tests:
Based on minimum costs of living for a single adult/couple

Activity requirements:

- none $\rightarrow$ (disability/caring/parenting) $\rightarrow$ 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

- Student payment
- Allowance
- Pension
- Reform (student payment)
- Reform (low tier)
- Reform (middle tier)
- Reform (pension)

- Existing
- Reform

Australian Council of Social Service
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

- **Newstart Allowance**
- **Reform**
Person with disability (no earnings)

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

- Newstart Allowance (partial work capacity)
- Reform
- DSP
- Reform

Legend:
- Base rate
- Disability supplement
- Pension supplement
Person with disability (FT min wage)

Existing and proposed payment structure
Person with disability: FT minimum wage ($30K)

Newstart Allowance (partial work capacity)
Reform
DSP
Reform

Supplement
Base rate
Sole parent (no earnings)

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

- Newstart Allowance (principal carer)
- Reform
- PPS
- Reform

Legend:
- Base rate
- Sole parent supplement
- Utilities Allowance
Sole parent (FT min wage)

Existing and proposed payment structure
Sole parent: FT minimum wage ($30K)
Carer (no earnings)

Existing and proposed payment structure:
Single carer: $0 private income
Carer (FT min wage)

Existing and proposed payment structure
Carer: PT wage ($30K)
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.