WHY REFORM WELFARE?

Peter Saunders
The Centre for Independent Studies

Paper presented to the SPRC ‘Social Inclusion’ Conference, University of New South Wales, 9-11 July 2003

“Welfare would be the perfect policy if poverty was caused only by lack of money. But poverty is never simply a matter of limited income.” (David Ellwood)

What is welfare for?

In his influential 1988 book, Poor Support: Poverty in the American Family, David Ellwood suggested that welfare policy so often stirs up “conflict, frustration and tension” because it evokes within us two contradictory sentiments. On the one hand, by offering support for people worse off than ourselves, it expresses the value of compassion. On the other, by allowing or even encouraging one group of adults to rely over a long period of time on the support of another, it offends our commitment to the ideals of personal responsibility and individual autonomy. As Ellwood puts it:

Welfare brings some of our most precious values – involving autonomy, responsibility, work, family, community and compassion – into conflict. We want to help those who are not making it, but in so doing we seem to cheapen the efforts of those who are struggling hard to get by.1

Ellwood believes that this contradiction at the heart of social policy is heightened by the fact that welfare treats the symptoms of poverty but not the causes. It gives money to people suffering hardship (thereby acknowledging the importance of compassion), but it does little or nothing to address the reasons why they find themselves needing assistance (ignoring the importance of personal responsibility).

His comments have direct applicability to social policy debates in Australia, for much of our thinking is still dominated by the idea that welfare is mainly or wholly about giving poor people money. When welfare lobby groups and social policy intellectuals demand that something be done to tackle ‘poverty’, ‘deprivation’ or ‘social exclusion’, what they mean is that welfare benefits should be raised, more should be spent on government services, and taxes should be increased. Anybody who challenges this agenda is liable to sharp criticism on the grounds that they are ‘attacking the poor’.2 The touchstone of how ‘concerned’ or ‘compassionate’ you are is how much you are prepared to raise taxes in order to expand the welfare budget.

This way of thinking makes it difficult for politicians to develop strategies for getting people off welfare because this risks laying them open to the charge that they do not care about the poor. The result is that politicians are driven to compete with each
other in claims about how much they are spending compared with the past, and how much they intend to spend in the future. When they do float some tentative reform proposals, they feel obliged to reassure the media and the welfare lobby that they are not trying to cut costs, as if saving money were a bad thing for a government to do. Of course, everybody knows that welfare is not the only, or even the best, way we might alleviate poverty. Most poverty researchers agree that the main cause of ‘poverty’ in Australia (no matter how it is defined or measured) is joblessness. Most of the households which are ‘poor’ are those where there is no adult in full-time employment. It follows from this that, other things being equal, a better alternative to giving people welfare payments is to encourage or require those who are capable of working to go out and earn a wage.

Most Australian social policy activists and intellectuals have, however, been fiercely critical of attempts by government to require people on welfare to undertake some form of ‘economic participation’ that might lead to enhanced self-reliance. In general, the welfare lobby is happy for the government to make provisions like training or work experience available for claimants who want to participate in them, but it is firmly opposed to policies like mutual obligation which make such activities a requirement of receiving welfare benefits.

In his latest book, for example, Fred Argy admits that “social spending has grown substantially” and that “income transfers…have been rising relentlessly,” but he still ends up arguing for higher spending and higher taxes. At the heart of his argument is his belief in unconditional welfare – the idea that we should give welfare benefits to anybody who needs money, without demanding anything in return, and without regard to the factors that led them to need our help. He berates the government for its policy of ‘mutual obligation,’ for this makes receipt of unemployment benefits conditional on activities such as training or undertaking part-time community work. According to Argy, “Welfare support should be available as an unconditional right when need can be clearly demonstrated”, and he describes the mutual obligation policy as a “psychological war” against welfare recipients.

Peter Saunders of the SPRC argues along similar lines. He complains in The Ends and Means of Welfare that under mutual obligation, “the primary aim of the social security system” has become “to encourage people back into work.” In his view, the primary aim of welfare policy should be to give people money, not to restore them to economic self-sufficiency, and he is disturbed that “coverage or the receipt of assistance” has come to be seen as “something to reduce rather than promote” (which seems to suggest he thinks we should be trying to increase the number of people on welfare). Saunders also floats the suggestion that people who have no desire to work and who do not want to look for a job should still be entitled to a basic welfare income.

Arguments that welfare payments should be made to people unconditionally, that welfare should be expanded as a matter of principle, and that it is a mistake for welfare policy to see self-reliance as an objective, express the core value of compassion, but they completely overlook the question of individual autonomy, personal responsibility and reward for effort. These social policy advocates
emphasise one set of values which are important for many Australians, but they seem to have lost sight of others which are just as vital.

Welfare and Australian values

No welfare system will work if it becomes too far detached from the core values of the society in which it is operating. David Ellwood made precisely this point in his 1988 book when he set out to identify some of the core values of American society (shared by the poor and the non-poor alike) around which to construct a reformed welfare system. Interestingly, Prime Minister Howard made a similar point in a speech in Sydney in November 2002 in which he tried to identify the “values that are important to Australians,” arguing that government policies across a range of areas should be derived from them.

It is beyond the scope of this paper to develop a comprehensive analysis of the core values that define ‘Australian culture’, and different commentators would in any case probably draw up different lists. It is, however, possible to identify two key values which few would deny are central to most Australians’ sense of a national identity.

The belief in a ‘fair go’

Everyone seems to agree that one of the values that is important to Australians is the belief in a ‘fair go.’ In discussions of welfare policy, this is often taken to mean support for higher social spending and substantial income redistribution. What a ‘fair go’ actually means, however, is open to competing interpretations. Australia’s welfare lobby emphasises an egalitarian interpretation of fairness. According to this, policies aimed at securing a ‘fair go’ for the poor translate as increased welfare benefits and higher taxes on higher earners. The idea of a ‘fair go’ is, however, also consistent with the meritocratic ideal that people in similar situations should be treated in similar ways, and that everybody should enjoy the opportunity to make the best use that they can of their talents. As I have noted elsewhere, this is a very different conception of fairness from the egalitarian ideal, for it tolerates and even celebrates unequal outcomes provided they are the product of hard work and/or the application of talent and ability as opposed to unearned privilege or underhand tactics.

It is the egalitarian conception of fairness that underpins Fred Argy’s claim that welfare benefits should be paid to anybody who needs money, irrespective of why they are in this position, and without requiring anything in return from them. If some people do not have any money, this is ipso facto evidence of unfairness in Argy’s view, and it justifies government intervention to reallocate other people’s money towards them.

Similarly, the egalitarian interpretation of fairness drives Peter Saunders’ social policy wish-list which includes higher taxes, an increased minimum wage, increased labour market regulation, a compulsory reduction of working hours, increased public spending, an expansion of public sector jobs and payment of unconditional welfare benefits to people who do not want to work.
A meritocratic conception of fairness, by contrast, would find it morally offensive to tax low-paid, hard-working people in order to divert their money to people who have no income and who deliberately choose not to work. A meritocratic welfare system would see nothing ‘unfair’ in demanding that those who request support should do something in return, and it would insist that only those who are in some sense ‘deserving’ should get help – an idea that incenses most welfare activists and social policy intellectuals.13

The meritocratic conception of fairness is just as much in evidence in Australian popular opinion as the egalitarian conception. Certainly as regards welfare policy, there is widespread support for the principle of mutual obligation and a strong belief in the fairness of requiring people to work if they can rather than relying on welfare. The ‘Middle Australia Survey’ in 1996 found that 58 per cent of the population thought that unemployed people should be expected to take any available job,14 and a 1999 SPRC survey found that two-thirds of Australians believe that young and long-term unemployed welfare claimants should accept any paid job they are offered.15 When Work-for-the-Dole was first introduced for young people in 1997, a Morgan Poll found 72 percent approval for making it compulsory.16

People are also quite willing to make judgements between more and less deserving cases. The 1999 Social Policy Research Centre survey found that people routinely draw “a distinction between the treatment of different groups of unemployed people according to their circumstances or characteristics.”17 Three-quarters or more of the population supports compulsory activities like re-training, community work and Work-for-the-Dole for young people and the long-term unemployed, but fewer favour extending these requirements to unemployed people over fifty, parents with pre-school-age children and people with disabilities.

The belief in individual responsibility

When Ellwood compiled his list of core American values as a prelude to thinking through the reform of the American welfare system, it was no surprise that ‘autonomy of the individual’ was the first value he identified. We commonly associate American culture with a belief in individual autonomy and self-reliance, so Ellwood’s choice was uncontroversial. But when John Howard set out his list of Australian values in his November 2002 speech, he too included ‘self-reliant individuals’ at the top of his list, with the belief in a ‘fair go’ (defined by Howard as “equality of opportunity and equality of treatment”) mentioned second. Some commentators would see this as more contentious, yet the value of individual autonomy and self-reliance is no less central to Australian culture than it is to America (even though it gets discussed a lot less by Australian intellectuals).

The proof of this can be found in Hofstede’s remarkable study of popular attitudes in forty different countries across the world. Hofstede measured individualism by determining the extent to which people based their identity on their own achievements as against the character of the groups to which they belong. The mean individualism score across all the countries was 50, with a standard deviation of 25. In Europe, the mean was 68 with a standard deviation of 16, indicating a higher-than-average level of individualism. But in all the Anglosphere countries, the average scores were much
higher than this. The USA had the highest mean score of all the countries with 91, and Australia came second with a score of 90. Britain ranked third with 89.18

Welfare activists often argue that Australia has more in common with the social democratic traditions of continental Europe than it does with America, but Hofstede’s research demonstrates that this is not the case. Only recently, the President of the Social Justice committee of the St Vincent de Paul Society (Terry McCarthy) told the ABC Australian social policy should:

“…follow the line of the European social democratic countries, the same way as we used to do – as opposed to the Americanisation of the Australian culture and the Australian economy – whereby our concerns for the common good and our concerns for everybody to be able to contribute to and benefit from the community, rather than the pursuit of the individual, because if you go down the American route you’ll have to accept that you’re going to have a health system that can only be afforded by the wealthy, you’re going to put up with incarceration rates, crime rates, violence, you’re going to put up with an education system which is only dependent on how much money you’ve got, and you’re going to put up with homelessness and poverty to levels which to this point have never been accepted in this country.” 19

But comments like these, where compassion gets identified as an Australian virtue which is contrasted with individualism as an American vice, are sociologically grossly misleading.

McCarthy’s comments gloss over the huge problems now facing the European social democratic welfare states (high unemployment, low growth and a seeming inability to modernise what are becoming crippling welfare systems), and they display a remarkable ignorance of what is happening in the United States (where welfare reform has reduced dependency rates by more than half, where black child poverty is at its lowest level since the 1970s, where crime rates have plummeted to well below Australian levels, and where unemployment has for thirty years been well below that in countries like France).20 Not only this, but comments like these also completely ignore the fact that the Australian welfare system has always had much more in common with what Esping-Andersen calls the ‘liberal welfare regimes’ of the Anglosphere countries than with Franco-German corporatist welfare or Scandinavian welfare socialism.21 Such comments are quite simply blind to the importance of individualistic values in Australia.

Recently, the Department of Family & Community Services in Canberra issued a discussion document, Building a Simpler System to Help Jobless Families and Individuals, in which two senior ministers in the Howard government invited the welfare lobby to consider future developments to the Income Support system. This document explicitly identified ‘self-reliance’ and ‘social inclusion’ as the two primary objectives of the welfare system. In doing so, it recognised that, to achieve legitimacy, welfare in Australia has to reflect community concerns with both ‘fairness’ and compassion on the one hand, and self-reliance and individual
responsibility on the other. Australians are willing to support those who cannot be expected to support themselves – but they expect those who can look after themselves to do so. A welfare system that hopes to retain popular legitimacy will need to show compassion for those who cannot support themselves while demanding self-reliance from those who can.

**How welfare undermines self-reliance**

The existing welfare system does not support self-reliance. To some extent, it undermines it.

The proportion of working-age adults receiving social security payments has mushroomed from 11 per cent in the mid-sixties to 27 per cent today. Some of this increase is accounted for by new and more generous supplements to low and part-time earners, but at least 14 per cent of working-age adults are almost wholly dependent on welfare payments today as compared with just 3 per cent forty years ago. A system which has increased welfare dependency from 1 in 33 to 1 in 7 of working-age adults during a period when real living standards have more than doubled is not a system that is successfully promoting self-reliance.

Spending on welfare cash transfers has risen from 3% of GDP in the 1960s to 8% by 2000. The cost of this vastly increased scale of welfare dependency falls mainly on working taxpayers. In the mid-1960s, there were 22 workers for every working-age adult wholly dependent on welfare; today there are five.

Increasing welfare spending has necessitated extending taxation further down the distribution of earned incomes. Tax liability now starts at an income well below what the government itself recognises as a subsistence level (the tax threshold of $6,000 is less than half the $12,370 that a single unemployed person gets in income support and rent assistance, and it is just over a quarter of the federal award minimum wage of $22,400). As Table 1 shows, most Australians think this is unreasonable.

**Table 1: Support for an above-subsistence-level tax-free earnings threshold**

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Valid</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On every dollar they earn, right from the first dollar</td>
<td>217</td>
<td>3.8</td>
</tr>
<tr>
<td>On earnings above $6,000 per year (as now)</td>
<td>764</td>
<td>13.4</td>
</tr>
<tr>
<td>Not until they earn above the basic welfare benefits level</td>
<td>2445</td>
<td>42.7</td>
</tr>
<tr>
<td>Not until they earn above the minimum award wage</td>
<td>2014</td>
<td>35.2</td>
</tr>
<tr>
<td>People should not have to pay income tax at any level</td>
<td>230</td>
<td>4.0</td>
</tr>
<tr>
<td>Don't know/no opinion</td>
<td>51</td>
<td>.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5721</td>
<td>100.0</td>
</tr>
</tbody>
</table>
As recently as 1970, a family consisting of one full-time earner, one carer and three children would not have begun to pay income tax until it reached 120% of average earnings. Today they are dragged into the tax system long before this, and we have then to top them up with Family Tax Benefit and Parenting Payment. We are therefore in the absurd position where tax is so high that we take money away from low income people only to have to give it back in welfare payments to keep them out of poverty.

It is often argued by welfare organisations and academics who favour even higher taxation to fund even greater social spending that Australia remains a comparatively low tax country. This is true in aggregate, but only because our rate of indirect taxation is low by international standards. The Economist recently calculated how much a production worker with two children earning an average manual wage would lose in tax and social security contributions (net of allowances received) in different OECD countries. In Australia, this worker would forfeit 15% of gross earnings – more than in France, Italy, Japan, the USA, the UK, Spain, Austria, Switzerland, Portugal or Ireland. Higher earners do even worse – our top rate of income tax is roughly comparable with other OECD countries, but it cuts in at a much lower income threshold ($60,000 here, compared with $83,000 in France, $84,000 in the UK, $98,000 in Germany, $115,000 in Canada and $549,000 in the USA).

There is now plentiful evidence that this high tax system interacts with a generous but means-tested welfare benefits system to generate extremely damaging Effective Marginal Tax Rates for those moving from welfare to work. One proposal that has been made for rectifying this involves payment of a tax credit to low-paid working households, but a system of tax credits would only shift the work disincentive further up the income distribution while also generating a substantial new disincentive effect for second income earners. In the end, a tax credit is just another welfare cash benefit. If we want to improve work incentives, the best way to do it is to reduce the amount of tax that people pay in the first place. And that means reducing the size of the welfare budget.

**Do taxpayers want to fund higher welfare spending?**

In a recent article published in the Australian Journal of Social Issues, Shaun Wilson and Trevor Breusich analyse election survey data to show that public opinion has been shifting against tax cuts and in favour of higher public spending. In 1987, two-thirds of people said they preferred lower taxes and only 15 per cent wanted higher spending. Today, 42 per cent favour tax cuts while 30 per cent say they want spending on social services to be increased.

This is still a healthy majority in favour of tax cuts, but the balance of opinion has been shifting. However, people sometimes lie in surveys like this. They think they *should* express a public-spirited willingness to pay more tax, but they do not vote this way in elections. There is also some confusion about what increased spending on ‘social services’ means. People may be willing to support spending on services like health and education (where they expect to gain something themselves), but they are much more reluctant to fund higher welfare benefits.
The biggest problem, however, is that this survey did not actually ask people if they were willing to pay more tax. What it asked was: “If the government had a choice between reducing taxes and spending more on social services, which do you think it should do?” We cannot assume that those opting for higher spending were willing to pay for it themselves in higher taxes. They might not have made the link between higher spending and higher taxes, or they might have thought that other people would end up paying (SPRC research shows fewer than 1 per cent of Australians think they are in the top income quintile, so increasing taxes on higher income earners can attract widespread support because so few people think they are well off).

If we really want to know people’s preferences as between taxation and public spending, we have to make the choice explicit. In the Centre for Independent Studies/ACNielsen survey, we asked: “Some people want the government to increase income tax and to spend the extra money on welfare and social services. Other people say we are already over-taxed and that the time has come to reduce taxes even if this means reducing total welfare spending. Which do you think the government should do?” Table 2 shows that 39 per cent opted for lower taxes and lower spending (much the same as in the Wilson and Breusch survey), but only 12 per cent went for higher taxes and higher spending – far fewer than their estimate. When you make clear the tax implications of higher social spending, it seems people are much less keen on supporting it, particularly if it is to go on welfare payments.

Table 2: Public opinion on tax and spending cuts versus tax and spending increases

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raise taxes to increase spending on welfare/social services</td>
<td>682</td>
<td>11.9</td>
<td>11.9</td>
<td>11.9</td>
</tr>
<tr>
<td>Reduce taxes and reduce spending on welfare/social services</td>
<td>2201</td>
<td>38.5</td>
<td>38.5</td>
<td>50.4</td>
</tr>
<tr>
<td>Leave taxes and social welfare spending as they are</td>
<td>2361</td>
<td>41.3</td>
<td>41.3</td>
<td>91.7</td>
</tr>
<tr>
<td>Don’t know/no opinion</td>
<td>477</td>
<td>8.3</td>
<td>8.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>5721</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Reforming welfare

A welfare system for the 21st century should seek to minimise the rate of long-term welfare dependency among working-age adults. This is not only because avoidable long-term dependency is extremely expensive and a poor use of scarce monies which could be used in much more constructive ways, but is also because it is contrary to the best interests of welfare recipients and their families.

Australia has a worryingly high level of long-term (one year or more) registered unemployment, and there is evidence that many older workers have moved into permanent dependency by switching from Newstart to Disability Pension. Single
parent claimants, too, are spending far too long on welfare (it has recently been estimated that single parents claiming Parenting Payment are spending an average of twelve years on benefits). Such long-term dependency undermines people’s self-confidence, erodes their work skills, destroys their work habits, sets a destructive role model for their children as they grow into adolescence, and blights whole neighbourhoods.

A reformed system should ensure that this sort of long-term dependency does not continue except where people are incapable of undertaking paid employment. But as the McLure Report warned, the more generous and unconditional benefits become, the more the problem of long-term dependency will persist: “The greater the assistance to those out of work relative to income from work, and the fewer requirements placed on recipients, the more likely it is that people will remain on income support for long periods.”

The problem of welfare dependency is concentrated in three main areas. In thirty years, the proportion of the working-age population claiming unemployment benefits has grown from under 1% to 6%, the proportion claiming disability pension has grown from 2% to 5%, and the proportion reliant on single parent payment has grown from less than 1% to 3% (6 per cent of women). Any change intended to increase self-reliance must involve a re-think of all three of these income support payment systems.

Reforming Parenting Payment: Encouraging return to work when children start school

Many single parents work full- or part-time, but one-third have no income other than their welfare payment, and another 20 per cent rely on welfare as their principal source of income.

Bob Gregory estimates that single parents on welfare are spending an average of 12 years in the system, for when they leave PPS, they often move to another type of benefit. Over a five year period, Gregory found that only one in five went from welfare into financial self-reliance (either as a result of finding a job, or finding a new partner who was employed). Nearly a quarter spent the whole five years on PPS, and the rest moved between different welfare benefits.

Australia is one of a very few western countries that supports parents on welfare benefits for as long as they have a child below the school-leaving age. In much of Europe, parents are expected to return to work when the child reaches three years of age, and some American states set the age limit even lower than this. Australia’s policy is anachronistic, for it originated at a time when older women and mothers were not expected to work and were positively discouraged from doing so. Today, however, 66 per cent of women aged 15 to 64 are in the labour force, and there is no longer any reason why single mothers should not be working during school hours when their children are not at home.

The first three years of life are crucial in developing and enhancing children’s emotional and intellectual capacities, and strong parental attachment is a major factor in successful early child development. But by the time a child turns five, most of
the cognitive ‘hard-wiring’ has been laid down, the emotional foundations should be in place and the child is required to attend school – which means that, for much of the day, the parent can no longer play a direct role in the child’s development.

For a single parent to stay at home, on benefits, for a further ten years after the youngest child starts school does no good either for the child or the parent. In the USA, researchers have found that continued ‘exposure’ to welfare dependency significantly damages the educational attainment of adolescents. As for the parents, an extended period of welfare dependency means their skills and qualifications erode, their work-readiness decays, their self-esteem plummets, and their income remains lower than would have been the case had they been working. As Jocelyn Pech and Helen Innes suggest: “The social security system might, under the guise of allowing women choice, be helping to entrench some in poverty and disadvantage.”

Parenting Payments (for sole parents and for coupled parents who claim PPP) should be payable in full only while a parent has responsibility for a child under the age of five. Once the youngest child starts school, the expectation should be that the parent will seek part-time work, and the rate of Parenting Payment should be adjusted accordingly. When the youngest child turns eleven, Parenting Payment could terminate altogether, and the parent would then be expected to find full-time employment.

Among people currently claiming Parenting Payment and having no other source of income, there are about 62,000 with a child of primary school age, and about 50,000 with a youngest child at secondary school. The savings from requiring part- and full-time work respectively from these two groups would amount to approximately $1 billion per annum.

Table 3: Public opinion on when single parents should work part-time

<table>
<thead>
<tr>
<th>When do you think it is reasonable to expect a sole parent to go out to work part-time?</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>5721</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>By the time the youngest child reaches its first birthday</td>
<td>346</td>
<td>6.0</td>
<td>6.0</td>
<td>6.0</td>
</tr>
<tr>
<td>Once the youngest child is old enough to attend pre-school</td>
<td>1906</td>
<td>33.3</td>
<td>33.3</td>
<td>39.4</td>
</tr>
<tr>
<td>Once the youngest child starts primary school</td>
<td>2563</td>
<td>44.8</td>
<td>44.8</td>
<td>84.2</td>
</tr>
<tr>
<td>Once the youngest child goes to high school</td>
<td>488</td>
<td>8.5</td>
<td>8.5</td>
<td>92.7</td>
</tr>
<tr>
<td>Once the youngest child turns 16</td>
<td>354</td>
<td>6.2</td>
<td>6.2</td>
<td>98.9</td>
</tr>
<tr>
<td>Don’t know/no opinion</td>
<td>64</td>
<td>1.1</td>
<td>1.1</td>
<td>100.0</td>
</tr>
</tbody>
</table>
3b. When do you think it is reasonable to expect a sole parent to go out to work full-time?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within a year of the youngest child being born</td>
<td>101</td>
<td>1.8</td>
<td>1.8</td>
<td>1.8</td>
</tr>
<tr>
<td>Once the youngest child is old enough to attend pre-school</td>
<td>397</td>
<td>6.9</td>
<td>6.9</td>
<td>8.7</td>
</tr>
<tr>
<td>Once the youngest child starts primary school</td>
<td>1992</td>
<td>34.8</td>
<td>34.8</td>
<td>43.5</td>
</tr>
<tr>
<td>Once the youngest child goes to high school</td>
<td>1590</td>
<td>27.8</td>
<td>27.8</td>
<td>71.3</td>
</tr>
<tr>
<td>Once the youngest child turns 16</td>
<td>1463</td>
<td>25.6</td>
<td>25.6</td>
<td>96.9</td>
</tr>
<tr>
<td>Don’t know/no opinion</td>
<td>178</td>
<td>3.1</td>
<td>3.1</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>5721</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

There is strong public support for a change along the lines proposed. A 1999 Roy Morgan poll commissioned by the Department of Family & Community Services found that 58 per cent of the population thinks that lone parents should look for work once their youngest child starts school, and the Social Policy Research Centre’s ‘Coping with Economic and Social Change’ survey found more than half thought sole parents should be expected to work part-time once the youngest child starts school, and almost half thought they should be working full-time once the youngest child is at high school (30 per cent believed that single mothers should look for work before their children reach five years of age).44

In the CIS/ACNielsen survey, only 6 per cent of the population was found to support the present arrangements; 84% think single parents should accept a part-time job by the time their youngest child starts primary school, and 71 per cent think a full-time work requirement is appropriate once the youngest child starts high school.

Reforming the Disability Pension: Tightening eligibility

In Australia, as in a number of other countries, the health and longevity of the population has been constantly improving over the last 20 years, yet the number of people claiming disability benefits has risen from 230,000 in 1980 (about 2% of working-age adults) to around 650,000 today. More than 6 per cent of the labour force is now classified as ‘disabled’45 and it is estimated that the number of people on DSP will reach three-quarters of a million by 2006.46 The cost of the Disability Support Pension is currently around $6 billion per annum.47

Some welfare organisations claim that this increase reflects a real increase in disability in the population48, but this seems implausible. Some of the increase can be explained by changes in the definition of the eligible population (e.g. 10,000 people previously in sheltered employment were added to the disability support pension in 1991, and 16,000 women aged 60-64 have been added since the mid-nineties as a result of the gradual increase in the female retirement age). There may also be some effect from medical advances (which are keeping people alive who might previously have died), and from the growth of single-person households (people living alone are more likely to be on a pension). But the key factor in the increase is that eligibility criteria have been loosened and confused as people who would once have been registered as unemployed now get classified as disabled and unfit for work.
By far the two biggest categories of disability are ‘musculo-skeletal’ (32%) and ‘psychological/psychiatric’ (22%). These are the kinds of disability where definitions of incapacity are most subjective and open to interpretation. It seems that jobless people – particularly older men – who would once have claimed unemployment benefits are today citing bad backs or depression as grounds for moving onto Disability Pension. Half the new entrants to DSP come from the unemployment rolls, and since 1991 the eligibility rules have explicitly taken local labour market factors into account in the definition of disability for applicants aged over 55. Ernest Healy shows a close association between unemployment rates and disability rates, and he suggests there has been a “conceptual slippage between ‘disability’ and ‘disadvantage’ in determining eligibility for the DSP.” In short, many of those on the pension should be regarded as unemployed rather than disabled.

It is this slippage from unemployment into disability which led the McLure Report to propose that the distinction between the two categories of benefits should be abolished. But abolishing the distinction does not solve the problem, for somebody would still need to decide whether or not an applicant could reasonably be expected to engage in labour market activity for a given number of hours per week. The problem does not lie in the categories, but in the way eligibility criteria have been loosened.

The solution is to tighten the DSP eligibility criteria, and this is the direction in which policy has been heading. The *Australians Working Together* package proposed a change in the ‘work capacity criterion’ for DSP eligibility from 30 to 15 hours per week (i.e. if you can work a minimum of 15 hours per week, you are to be directed onto Newstart rather than DSP), and this should help target the genuinely disabled more effectively. Furthermore, since September 2002, assessment of a claimant’s work capacity has been made by Centrelink (following referral to an external assessor where necessary) rather than by family doctors (who are now only asked to answer questions about their patients’ condition). These changes should reduce the arbitrariness and subjectivity inevitably associated with judgements being made by thousands of different doctors and will hopefully also therefore reduce DSP rates.

Table 4: Public support for tightening eligibility criteria for Disability Pension

<table>
<thead>
<tr>
<th>2. Do you agree or disagree that we should tighten up the rules for deciding whether somebody can claim a Disability Pension?</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>471</td>
<td>8.2</td>
<td>8.2</td>
<td>8.2</td>
</tr>
<tr>
<td>Disagree</td>
<td>772</td>
<td>13.5</td>
<td>13.5</td>
<td>21.7</td>
</tr>
<tr>
<td>Neither agree or disagree</td>
<td>747</td>
<td>13.1</td>
<td>13.1</td>
<td>34.8</td>
</tr>
<tr>
<td>Agree</td>
<td>2022</td>
<td>35.3</td>
<td>35.3</td>
<td>70.1</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>1579</td>
<td>27.6</td>
<td>27.6</td>
<td>97.7</td>
</tr>
<tr>
<td>Don’t know/no opinion</td>
<td>130</td>
<td>2.3</td>
<td>2.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>5721</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

As with Parenting Payment, so too with DSP, there is clear evidence that the Australian public would support changes designed to restrict benefits to those who really need them. In a Roy Morgan poll, 85% of Australians said people on DSP should be required to undertake activities matching their abilities, and the 1999
SPRC survey found half of the population would support a policy change requiring people with disabilities to engage in specified activities like training or community work (one-third thought they should have to look for work). In the CIS/ACNielsen survey, 63 per cent agreed that “we should tighten up the rules for deciding whether somebody can claim a Disability Pension” while only 22 per cent disagreed (Table 4).

**Reforming Unemployment Benefits: Time limits**

The existing system of unemployment allowances does not encourage those who have been on benefits for a long time to take advantage of whatever job opportunities may be available to them. A recent report from two welfare charities suggested that activity requirements for the long-term unemployed should be weakened because claimants find them stressful, but this would surely be counter-productive.\(^{54}\) If people are capable of working, we should be arranging unemployment assistance to minimise the probability that they will remain on welfare for long periods, and as the McLure Report recognised, this means being more demanding, not less (if people are not capable of working, of course, they should not be on unemployment benefits in the first place).

More than one-third of jobseekers succeed in finding work within four weeks of registering as unemployed, and half do so within eight.\(^{55}\) These levels of success indicate both that jobs are available, and that substantial numbers of unemployed people are seriously committed to getting back into the labour force as quickly as possible. However, the average length of time spent on unemployment payments is a staggering 83 weeks,\(^{56}\) and it is increasingly apparent that significant numbers of people on unemployment benefits are not seriously committed to finding work. It is also clear that Job Network service providers are not putting sufficient effort into finding placements for their long-term unemployed clients.\(^{57}\)

A 2002 research report\(^{58}\) prepared for the Department of Employment and Workplace Relations shows that only 16 per cent of jobseekers were ‘drivers’ – people who were optimistic about finding a job and who were willing to take anything suitable – while a further 8 per cent were ‘strugglers’ (people who were motivated but who lacked confidence). Nearly one-fifth were picky about what kind of job offer they would be willing to accept, 13 per cent were ‘drifting’, 15 per cent had effectively given up looking, 16% were ‘cruisers’ who had no desire to get off welfare, and 13% considered themselves incapable of getting or keeping a job. It seems that, at best, 43 per cent of Australian jobseekers can be considered ‘motivated’ (and this includes those who will only take certain kinds of work).

Additionally, research has found that many unemployed people are unwilling to consider applying for or accepting jobs paying less than they earned in their previous position,\(^{59}\) and the ABS reports that two-thirds of unemployed Australians are unwilling to move to another location in their own State or Territory to take a suitable job.

All of this supports Lawrence Mead’s argument that, while many people on welfare say they want to find a job, fewer actually do much about it.\(^{60}\) Mead’s solution is to offer both ‘help and hassle’,\(^{61}\) strengthening the job search skills and job-readiness of
those who are already looking for work while nudging those who have given up into greater activity. Crucial to such a strategy is the introduction of time limits.

Unemployment assistance should be seen to be temporary. Having an unlimited, open-ended system is self-defeating. The aim of unemployment benefit is (or should be) to provide support while people find another job. For many people, this is achieved within weeks, but for some, welfare becomes semi-permanent. The period of job preparation and job search should not be allowed to drag on for a year or more – hence the need for clear time limits.

In the USA, unemployment insurance (UI) is time-limited. People can claim no more than 26 successive weeks of benefits (or 39 during periods when unemployment rises above a certain threshold level). The effect of this limit is that exit rates from UI increase as the limit approaches. It seems the approaching deadline makes people revise their behaviour and expectations so they become less picky and more motivated. The existence of the limit reduces the number of claimants who would otherwise reach and surpass that limit. Just as an unlimited system expands long-term unemployment, so limiting potential benefit duration reduces it.62

Since 1996, the USA has also time-limited welfare payments (TANF), which are mainly focused on single parent families. Federal funding for welfare is now limited to a maximum of five years per recipient, with no more than two years for any one claim period, although states vary in their application of these limits.63 As a result of this change, many claimants found jobs, and although they were often low-paid, they ended up better-off than before (single mothers who moved off welfare improved their incomes by an average of 60 per cent64). Follow-up surveys also found that most former-claimants were positive about what had happened – they were pleased to be off welfare, and they reported that their lives were better for it.65

Both the UI and TANF programmes in the USA demonstrate that time limits can have a major impact in getting people off welfare and into work. This is not only because they raise the motivation of claimants, and reinforce their understanding that assistance is only temporary, but also because they help change the culture of welfare officials by forcing them to put more time and effort into placing their more problematic clients.66 The big question-mark against time limits, however, is what happens to those clients who reach their limit without having secured a job?

In the USA, different states handle this in different ways. Twenty per cent of each state’s caseload is exempted, and expiry of time limits does not put a stop to receipt of other welfare aid such as food stamps, so. It is also clear that there is much fudging going on as states suspend people before they reach their limit, or extend them beyond the limit, or transfer them onto other programmes as they reach the limit.67 People are rarely left without any means of financial support. When eligibility expires, some other form of assistance generally kicks in, which suggests that time limits do not really mean what they appear to mean.

David Ellwood has always argued that some ‘last resort’ work provision has to be made for time limits to be credible, for nobody really believes that the government will simply cut off the cash and let people starve. In his 1988 book, Ellwood proposed time limits on welfare of between 18 and 36 months, but he also argued for
government-sponsored minimum wage jobs to be made available for those who exhaust their eligibility.\textsuperscript{68} Reflecting on the 1996 reforms, he is still making essentially the same point today: “It is hard to see how a time-limited work-oriented reform strategy can work without some form of long-term aid or last-resort subsidized jobs in cases where people cannot find work.”\textsuperscript{69}

Ellwood is right (although his argument for minimum wage jobs as a back-up is less applicable in Australia where the minimum wage is much higher than in the US). There is a strong argument for time limiting unemployment assistance in Australia and perhaps even for renaming it ‘Temporary Assistance for Jobseekers’, but ‘work-for-the-dole’ or some equivalent system would have to be available as a ‘last resort’ back-up for those whose time limits expire. A six month time limit before the back-up work delivery system is triggered would allow claimants to concentrate on job search, re-training or whatever other strategy they think is most likely to lead to employment, but after that, work should be a requirement of any further financial assistance.\textsuperscript{70}

There is a case for making limits shorter for school-leavers and young people (given the importance of their establishing a work discipline), and for making them longer in parts of the country where unemployment is particularly high. But whatever limits are eventually agreed, it is crucial that some kind of back-up work be made available for those who exceed their limits, and that this should be rewarded at welfare benefit rates (plus a small supplement to meet transport and other work-related expenses). Claimants must not come to see this back-up as a long-term substitute for genuine employment.

**Are there enough jobs for people coming off welfare to do?**

The obvious objection to all this (and one that is repeatedly heard when proposals like these get floated) is that there are not enough jobs for people coming off welfare to do. Welfare activists and social policy intellectuals who oppose attempts to move people from welfare into work persistently claim that most people currently on welfare cannot be expected to get jobs because the number of job vacancies is much smaller than the number of people looking for work.\textsuperscript{71} The crunch question, therefore, is whether it is possible to reduce our current levels of welfare dependency by moving large numbers of people from benefits into paid work.

The claim that there are no jobs for most unemployed people and others on welfare to do is fallacious. It seriously underestimates the availability of jobs, for most job vacancies are never officially notified or recorded,\textsuperscript{72} and by taking a static view of the labour market, it is blind to the new vacancies which are being created all the time as a result of rapid turnover of people and jobs.\textsuperscript{73} It also fails to explain why unemployment rates remain high even when vacancy rates dramatically improve (a pattern which suggests that some unemployed people fail to respond even when more jobs become available),\textsuperscript{74} it ignores evidence from America that people leaving welfare can and do find work (and that the supply of jobs changes when reforms like this are introduced),\textsuperscript{75} and it does not square with the growing fears expressed by business leaders who are fretting over ABS projections suggesting that in the future, the problem will not be too many workers but too few.\textsuperscript{76}
It is true that Australia’s record on job creation has been disappointing. Despite strong economic growth over the previous decade, the unemployment rate continues to hover above 6% and the long-term unemployment rate—the proportion of unemployed people who have been out of work for more than a year—stood at 21.5% in February 2003. Employment did grow by 19% between 1991-92 and 2000-01, but much of this was accounted for by a growth in part-time employment (up 38%, as compared with a 14% increase in full-time employment).77

Part of the explanation for this disappointing performance is continuing rigidity in the labour market. To increase the supply of jobs, there is a pressing need for further labour market reform.78 In particular, unfair dismissal laws discourage employers from taking on new workers because it is hard to dismiss them if they later turn out to be unsatisfactory (federal and state unfair dismissal laws are currently costing us more than 77,000 jobs).79 The award minimum wage also hinders job generation. Australia’s minimum wage is the second-highest (behind France) among OECD countries, and its impact is felt mainly in the destruction of low-skilled jobs—the very jobs that many of those coming off welfare could be expected to compete for.

It is important to remember, therefore, that welfare reform cannot proceed in a vacuum—it has to go hand-in-hand with further labour market reform (to increase the supply of jobs) and with tax reform (to improve work incentives).

Looking longer-term: A possible move to Individual Accounts?

In addition to shifting more people off the three main Income Support payments and into employment, we should also be thinking longer term about how to encourage and enable more people to take direct financial responsibility for their own foreseeable and insurable needs.

One way of doing this would be to develop the existing compulsory superannuation scheme so that it covers short periods of non-work brought about by unemployment or sickness, as well as paying for retirement income. This would obviously require an increased level of payments (from employees as well as employers), and it would also necessitate stronger inducements than are currently offered in the tax system. But if working age adults were to build up their own funds for retirement, unemployment and sickness cover, the existing system of temporary welfare assistance could be wound back, and the Income Support system could concentrate on those who need long-term help.

The aim of a reform like this would be for every working age Australian to build up his or her own capital account, based on regular, tax-exempted, compulsory employer and employee contributions, and to draw down on this account when they need to do so. Such a system would make people responsible for providing for their own foreseeable and insurable needs, while leaving the welfare benefits system to support those with longer-term needs such as disability and early years parenting. Because funds not used during the working lifetime would accrue to the retirement fund, individuals would have an incentive only to draw on their capital when they really need it, so the problems in the current system of determining people’s eligibility for support and enforcing their job search activity would no longer occur.
Various countries already have systems like this in place:

- In Singapore, workers have to deposit 20 per cent of their gross earnings in a government-managed Central Provident Fund (CPF) and employers add a further 12.5 per cent. There is no direct government contribution. Permitted uses of these individual accounts have been expanded beyond retirement pensions to include medical care and illness insurance, house purchase, education and even purchase of equities.\(^8^0\)

- In Chile, workers are required to pay a proportion of their earnings (minimum 10%) into a private retirement account (unlike Singapore, they can choose between competing fund management organizations), and this system has recently been extended to cover unemployment insurance (for which employees pay an additional 0.6% of salary and employers 2.4%). As in Singapore, the government does not contribute to these funds, but – unlike Singapore – it does use general tax revenue to make up any shortfall in people’s accounts when they reach retirement age.\(^8^1\)

- In the USA, the 1996 welfare reform allowed states to develop ‘Individual Development Accounts’ (IDAs) using their TANF funding, and about 10 have done so while another 20 or 30 have developed IDA initiatives outside of their TANF programs.\(^8^2\) IDAs are personal savings accounts aimed at poor families, and individuals are encouraged to save by matching their own contributions with government contributions (either directly, or in the form of tax credits to lending agencies). Savings can then later be used for specified purposes such as house purchase, funding a small business, post-secondary education or a retirement annuity. So far, American IDA initiatives have been fairly small-scale (the main program has involved fourteen ‘American Dream’ pilots involving some 2,378 participants),\(^8^3\) but a recent federal initiative aims to provide lenders with up to $12 billion in tax credits to cover up to half of the American population.

- In Sweden, fifty large firms are now running voluntary ‘Educational Savings Accounts’, where employees and employer each contribute between 1 and 5 per cent of salary to a fund which can be used for later training and skills development, and there is talk of launching ‘health accounts’ and ‘unemployment savings accounts’ along similar lines.\(^8^4\)

- In Britain, the Blair government has introduced a universal ‘Child Trust Fund’ (which provides every new-born child with a taxpayer-funded lump sum as well as offering further matching payments for children of poor parents) which is linked to new family savings accounts in which the payments made by poor households will be matched pound-for-pound by government contributions with the proceeds earmarked to be spent on approved purchases such as house purchase or adult education. According to one Labour minister, “We are on the cusp of a different way of looking at the welfare state – one which focuses on capital and assets.”\(^8^5\)

In Australia, the compulsory superannuation system could provide a ready-made platform on which to build a system of individual accounts which could extend beyond provision of retirement incomes to cover unemployment and sickness as well, and it is heartening that some politicians (notably Mark Latham) have been expressing serious interest in initiatives like these.\(^8^6\)
Conclusion: reducing welfare dependency

Given the pressures on governments constantly to expand welfare spending, any serious commitment to reducing it would have to involve a publicly-stated target. A government would commit itself to reducing the rate of welfare dependency (i.e. the proportion of the working-age population wholly or mainly dependent on welfare benefits) by a specified target proportion within a clearly-demarcated time period. A reasonable target might be a return to 1980 levels of welfare dependency within the three years of a new parliament.

If the changes to Parenting Payment and unemployment allowances outlined in this paper were introduced (and assuming ongoing reforms to the DSP are successful in tightening definitions of disability), such a target should be achievable. It should be coupled with an equally serious commitment to reform the income tax system so as to increase the net returns to those who work. The first step here should be to return to a 1980 (real wage equivalent) personal tax-free earnings threshold (which would be in excess of $14,000 at today’s dollar values).

The American experience since 1996 shows that a forty-year rising trend of welfare dependency can be reversed. A similar radical reform of welfare in Australia would be consistent with deeply-held core values of fairness and individual self-reliance and could therefore be expected to win widespread popular support. The alternative is that we continue to drift towards ever-higher rates of welfare dependency and ever-higher taxes on low and medium wage income households, forever doomed to chase our own tails as the dependency ratio of beneficiaries to payers becomes increasingly unsustainable.

Endnotes

1 David Ellwood, Poor Support: Poverty in the American Family (Basic Books, New York, 1988, p.6)
2 For example, my suggestion that single parents whose children are at school during the day might be expected to go out to work part-time rather than relying wholly on welfare payments led to my being attacked for my “staggering harshness,” and for being “completely out of touch with the real issues confronting people who rely on welfare for their survival” (letter from Joe Caddy of Catholic Welfare Australia, Australian Financial Review 27 June 2003). Virtually every other OECD country expects single parents to re-enter the labour force by the time their children start school, but suggest something similar for Australia and you risk provoking hysterical reactions.
3 In their introduction to their Discussion Paper on reforming the Income Support system, for example, Ministers Vanstone and Abbott claim, “The Government is not undertaking welfare reform as a savings exercise” (Buildin a simpler system to help jobless families and individuals Commonwealth of Australia, 2002). John Howard is on record as promising that nobody will be worse off as a result of welfare reform.
5 Fred Argy, Where to from here? (Crows Nest NSW, Allen & Unwin, 2003) pp.76,75,16
6 Argy, pp.12-13
8 John Howard, ‘Strategic leadership for Australia’ Speech at Four Seasons Hotel, Sydney, 20 November 2002
9 For an excellent discussion of the issues involved in trying to identify an Australian ‘national identity’, see Chandran Kukathas, ‘The idea of an Australian identity’ In Kukathas (ed), Multicultural Citizens (Centre for Independent Studies 1993)
For example, Saunders says, “The ‘fair go’ ideal is central to what it means to be an Australian… this traditional notion was built around the central egalitarian idea of sameness” ( Ends and Means… p.202). Argy begins his book by talking of “Australia’s distinctive egalitarian society” (Where to from here? p.xii)


The Ends and Means of Welfare chapter 9

The welfare lobby fiercely resists the idea that the unemployed can be separated into ‘deserving’ cases (e.g. those genuinely looking for work) and ‘undeserving’ ones (e.g. those who are abusing the system). For example: “The notion that it is attitudinal problems that prevent welfare recipients from getting off welfare…fail[s] to acknowledge that there are no jobs, and that making the most vulnerable compete more strenuously simply jeopardises the minimal security experienced by the other half of the new underclass… We are dividing the underclass into the deserving poor and the undeserving poor again” (Belinda Probert, ‘Growing underclass demands a fairer Australia’, Sydney Morning Herald March 14 2001).

Tony Eardley and George Matheson, ‘Australian attitudes to unemployment and unemployed people’ SPRC Discussion Paper No.102, June 1999, Figure 5

Tony Eardley, Peter Saunders, Ceri Evans, Community attitudes towards unemployment, activity testing and mutual obligation SPRC Discussion Paper No.107, May 2000, Table 7.

Eardley and Matheson, pp.27-28


G. Hofstede Culture’s Consequences (Sage, 1980), p.315

Terry McCarthy, interviewed on the ABC Life Matters programme (30 June 2003)

For more details, see P. Saunders, ‘Turning back the tide: Welfare lessons from America’ Policy vol.19, no.1, Autumn 2003, 8-14


Department of Family and Community Services, Research FaCS Sheet Number 3 (1999) estimated that 15% of non-aged income units were depending on welfare for 90% or more of their income in June 1998. Recent OECD figures put the figure nearer 17 or 18 per cent. See also K. Bond and P. Whiteford, ‘Income Support Payments in Australia’ (ABS Yearbook Australia 2000, Catalog 1301.0),185-90.


This and subsequent tables is derived from a CIS/ACNielsen survey of 5,721 Australian residents. These came from or were linked to the Australian Internet User Survey—a survey of internet users who are invited to participate through online advertising banners, hyperlinks, newsgroups and online news items. Between 12 and 27 March 2003, people completing the internet user survey were invited at the end to do the CIS survey as well (4,369 people did so). Of those completing the internet user survey before 12 March, a random sample of 4,369 were contacted again later to ask if they would do ours (which led to another 1,352 being recruited). This is not a probability sample design, for it is based on self-selection. This means that inferential statistics (including standard errors) are inappropriate for analysing these data. Furthermore, the target population consists of all Australian internet users, but there are good reasons to believe that people who use the internet are a peculiar and specific section of the whole population—not a cross-section of it. Any bias arising from this can be rectified to some extent by weighting. The final sample was weighted by gender, age, state of residence and annual income to bring it into line with population estimates by the Australian Bureau of Statistics. This is a standard survey procedure for correcting sample biases, but it is not ideal. It controls only for certain characteristics, and there is no guarantee that the sample will turn out to be representative on other, uncontrolled, characteristics. To check for this, it is important to run various tests of ‘external validity’ (i.e. to check sample distributions for uncontrolled variables against other, external, sources).

One such test compares our respondents’ stated voting intentions and reported past voting behaviour with opinion poll data for the same period. Roy Morgan polls conducted in March and April 2003 gave the Coalition between 39.5% and 45.5% support (the ACNielsen/CIS survey gives 44.9%); similarly, Morgan gave the ALP 36% to 42% support (ACNielsen/CIS gives 33.4%). It seems from this that there may be a small skew against Labor supporters in our final, weighted sample, but this and other reliability tests suggests the weighted survey has generated reasonably valid population estimates.

Lucy Sullivan, Taxing the Family CIS, 2001
An Australian Industry Group report claims that while we have the sixth-lowest total tax take in the OECD, our income tax as a proportion of GDP is the fifth-highest. 

KPMG report cited in Daily Telegraph 5 February 2003


On tax credits see K. Tsumori, ‘Is the earnings credit the best way to cut the dole queues?’ Issue Analysis No.35, May 2003 (CIS).


Bob Gregory, Keynote address Australian Institute of Family Studies conference, Melbourne, February 2003; see also: Annie O’Rourke, ‘Seminar Reviews: Can this be the promised land?’ FaCS Research News (Number 13, September 2002), 5-7.


In the USA, lone parents with children under 6 were exempt from work requirements until 1988, when the age was reduced to 3, and since 1996 even this has been left to individual states to determine. Germany and the Netherlands have both extended labour force participation requirements for single parents down to those with primary school age children, and in France, participation is assumed to occur once the youngest child reaches three (see Martin Evans, Welfare to Work and the Organisation of Opportunity (Case Report No.15, 2001, London School of Economics). In Denmark, Sweden and Norway, it is expected that sole parents will be available for – and will actively seek – paid employment once a child reaches three years of age (Tony Eardley, Peter Saunders, Ceri Evans, Community Attitudes Towards Unemployment, Activity Testing and Mutual Obligation SPRC Discussion Paper No.107, 2000, p.29).

OECD Employment Outlook (Paris 2002), statistical annex, Table B. A new AIFS report estimates that 48% of lone mothers now work full or pat-time, as compared with 63% of coupled mothers (reported in The Australian 30 June 2003)

Some of the evidence is reviewed in Barry Maley, Family and Marriage in Australia (CIS 2001), chapter 5.

Inhoe Ku and Robert Plotnick, ‘Do children from welfare families obtain less education?’ Demography 40, 2003, 151-70


Requiring parents of high school children to work full-time has implications for the organisation of after-school-hours supervision, and these would need to be thought through carefully before this part of the proposal could be enacted.

Saunders and Tsumori, The tender trap

Eardley, Saunders and Evans, Community Attitudes... Tables 7 and 9.


Department of Family & Community Services, Fact Sheet: People with Disabilities 1999

Greg McIntosh and Janet Phillips, Disability Support and Services in Australia (Parliament of Australia E-Brief, 16 October 2002)

ACOSS, for example, claims that 40% of the increase is due to “growth in the number of people with disabilities” (ACOSS Media Release, 16 September 2002).

ABS, Australian Social Trends 2002

Nearly two-thirds of all claimants are men, and more than half are over 50 years of age (ABS, Australian Social Trends 2002). Nineteen per cent of all men aged 55-64 are on DSP (Healy, ‘Disability or Disadvantage’).
Report on seminar by Bob Gregory, ‘Why has the disability program grown so much?’ (FaCS Research News, No.15, March 2003, pp.13-14). Earlier estimates put the proportion at 40% (Department of Family & Community Services, Fact Sheet: People with Disabilities 1999).

Healy, p.75

Roy Morgan, Community Attitudes Towards Unemployed People of Workforce Age Roy Morgan Research, Melbourne, 2000

Stephen Ziguras, Gavin Dufy, Mark Considine, Much Obliged St Vincent de Paul Society & Brotherhood of St Laurence, Melbourne, May 2003. The report says that “a substantial minority” found the system “complex, confusing and highly stressful,” that they found the duty of filling in a Jobseeker Diary “depressing”, and that requirements “were experienced only as an annoyance, not an aid” (pp.35,36,38). Interestingly, however, only 2 out of the 45 unemployed people included in the study had any experience of Work for the Dole, even though the average period out of work was 30 months.

ABS, Australian Social Trends 2002...


The Productivity Commission report on the Job Network found evidence of long-term difficult cases being ‘parked’ as effort got devoted to easier-to-place cases (Independent Review of the Job Network Canberra, 2002)


“The unemployed largely determine their reservation wage on the basis of the wage received in their last job discounted by around 0.14 of a percentage point for each week of unemployment, or by about 7.5 per cent after one year of unemployment” (Alfred Dockery, Looking inside the unemployment spell, Paper given at the National HILDA conference, University of Melbourne, 13 March 2003, p.24).


Lawrence Mead, ‘From welfare to work: Lessons from America’ (In Alan Deacon, ed., From Welfare to Work London, Institute of Economic Affairs, 1997): “Most welfare recipients and other poor people typically say that they want to work… [But] without enforcement, the recipients are free to avoid work because of the difficulties. Mandatory programmes take that option away. They place people in a situation where they get needed help to work, but they also have to work. They now have to do what they always wanted to do. The combination of help and hassle promotes employment as neither voluntary benefits nor a denial of aid can do” (p.37).

Wayne Vroman and Vera Brusentsev ‘Australian unemployment protection: Challenges and new directions’ In T. Eardley and B. Bradbury (eds) Competing Visions (SPRC Report 1/02, April 2002), 348-86

Seventeen states have imposed a time limit of less than 5 years, but some have no time limit at all (see Jane Waldfogel et al, ‘Welfare reform and lone mothers’ employment in the US’ (Centre for Analysis of Social Exclusion paper No.47, London School of Economics, 2001; David Butler, ‘Assessing the effects of welfare reform policies on low income families’ (Paper to the conference on Welfare reform, Melbourne Institute, 9/10 November 2000). All states are allowed to exempt up to 20% of their caseload from time limits (a recognition that some claimants may simply be unemployable – Evans).

S. Danziger and others, ‘Does it pay to move from welfare to work?’ Journal of Policy Analysis and Management vol.21, no.4 (2002), 671-692


The work-for-the-dole’ model is only one possible back-up system, and other possibilities could also be explored. The Danish ‘Farum model,’ for example, uses municipalities as labour exchanges offering community service jobs in exchange for welfare (B. Carlson, ‘Welfare reform: Sweden’ in
Stockholm Network, *Europe’s Welfare Burden* Civitas, London, 2002), and in New Zealand the National Party recently floated the idea that people requiring work could turn up on a daily basis at a local Post Office or similar facility offering guaranteed minimum wage work.

There are countless examples: “If we are looking at the barriers to people finding work, one key issue is there simply aren’t enough jobs around. There are 8 to 10 people for every job vacancy” (Stephen Ziguras of the Brotherhood of St Laurence, quoted in *Sydney Morning Herald* 11 December 2002); “Unemployment in Australia in recent years is overwhelmingly caused by a shortage in demand for workers, not by a lack of incentive to work…We’ve got 750,000 people registered unemployed…we have 70,000 job vacancies. I think that’s all you need to know” (Sue Richardson, formerly of ACOS, in *Rebuilding the safety net*, Business Council of Australia, Melbourne, 2000, p.54); “There are 700,000 plus unemployed people at any one time and only 100,000 or so jobs (many of which don’t fit the location or skills of the unemployed)” (John Meahan, Acting President of St Vincent de Paul Society, in a Society media release, 12 March 2002); “At any one time in Australia there are only 100,000 jobs on offer, Lookig for those jobs are 1.3 million people – 13 people for every job” (Terry McCarthy, interview on *ABC Life Matters* 30 June 2003)

One-third of registered unemployed job seekers find a job through networks and contacts; only 4 per cent get a job through Centrelink and the Job Network (ABS, *Australian Social Trends 2002: Work – Underutilised labour, searching for work*).

Even from month to month, significant numbers of Australians change their labour force status…between July and August 1999 about 4 per cent of people who had been employed lost or left their jobs and over 5 per cent of people who had been jobless gained employment” (John Landt and Jocelyn Pech, ‘Work and welfare in Australia’ *Australian Social Policy*, 2000, p.39). Jobs turn over even faster (vacancies stay vacant on average for between 5 and 15 days), so although an unemployed job seeker may at any one time be competing with 7 or 8 other people for each job, a completely new set of vacancies arises every fortnight. Even with 16 people chasing every job, Peter Dawkins estimates that there is a greater than even chance of an unemployed person becoming employed before six months have elapsed (*Labour market issues in welfare reform*, In Peter Saunders, ed., *Reforming the Australian Welfare State*, AIFS, p.245).


ABS predicts a dramatic fall in the number of new working-aged people enterig the labour market each year from 170,000 today to just 12,500 in twenty years time. The head of Westpac, David Morgan, says this means that mothers, older workers and disabled people will all be in demand from employers (*Australian* 12 June 2003). This contrasts with welfare lobbyists who persistently claim that there are no jobs for these groups to do.

Alison Preston, *The Changing Australian Labour Market: Developments during the Last Decade*, Discussion Paper No. 16 (Perth: Women’s Economic Policy Analysis Unit, Curtin University of Technology, August 2001), Table 1. This trend is, of course, encouraging for those looking for part-time work (including parents whose children start school and mildly disabled people capable of working 15+ hours per week), although availability of jobs will clearly vary widely between different parts of the country.


Jose Pinera, ‘The success of Chile’s privatised social security’ *Cato Policy Report* vol. 18, no.4, July/August 1995; William Conerly, ‘Chile leads the way with individual unemployment accounts’ *Brief Analysis* No.424, National Center for Policy Analysis, Dallas, November 2002


