Support through the welfare system

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Peter Whiteford, Crawford School of Public Policy
Director, Social Policy Institute, https://socialpolicy.crawford.anu.edu.au/peter.whiteford@anu.edu.au
Outline

• The Australian welfare system for families with children
  – Developments in the family benefits system and income support for families with children

• Alleviating child poverty- a benefits strategy or a work strategy?
Public expenditure on family benefits by type of expenditure, in per cent of GDP, 2013 and latest available
Australia targets family benefits to the poor more than any other rich country

Ratio of benefits received by poorest quintile to benefits for richest quintile, around 2008
Trends in spending on family cash benefits, Australia, the USA and OECD, 1980 to 2013 (% of GDP)
Child poverty rate, 2011 or nearest year
Percentage of children aged 0-17 living in households whose disposable income is below 50% of the median
Most poor children in Australia live in jobless households

Jobless households as percentage of all poor (<50% median income) households with children, 2010
In some countries, benefits for jobless families would have to be increased significantly to reach the poverty line.

Benefit entitlements including housing benefits for lone parents as percentage of median income, 2010.
Lone parent families working full-time at the minimum wage would be above a 60% poverty line in only a few countries

Disposable income as % of median income, 2010
What might the future hold – summary and prospects

• In both family payments and income support for lone parents the broad trend from the 1960s and 1970s onwards - with the exception of the Fraser government - was an expansion of support both in terms of coverage and levels of generosity.

• This was substantively reversed from around 2006 both by the Coalition and Labor governments.

• Indexation of payments is crucial determinant of where low income families will be in the future.

• Residualisation of assistance seems likely and the re-emergence of very high child poverty a possibility.
Additional material
Major family policy developments

- 1976: child endowment and tax rebates replaced by family allowances
- 1976 to 1982: family payments not indexed to inflation
- 1983: increase in family allowances and introduction of FIS for low income working families
- 1987: income-testing of family allowances; introduction of Family Allowance Supplement with higher rates and more relaxed income test
- 1989: further rate increases and formal indexation to married rate of pension
- 1993: integration of payments for those in paid work and those receiving income support benefits
- 1995: partial individualisation of income support system
- 1996-97: introduction of family tax payments and formal wage indexation of pensions
- 2000: introduction of GST and Family Tax Benefit Parts A and B merging six payments/tax rebates into two; higher rates, higher threshold and withdrawal rate reduced from 50% to 30%
- 2002: introduction of “baby bonus”
- 2004: introduction of lump sum payments of $600 per year per child (to deal with overpayments), increase in threshold and reduction in first withdrawal rate to 20%.
- 2008: Income-testing of FTB Part B at $150,000
- 2008-09: Stimulus payments during GFC for families with children
- 2009: Change in indexation from wages to prices and freezing of income thresholds for family payments
- 2014 and 2015: Budget proposals to remove lump sum family payments
Policy developments for lone parents

- 1942 – Introduction of Class A “Widows Pension”.
- 1968 – States Grants Deserted Wives Act assisted deserted wives in first 6 months after desertion or birth.
- 1973 - Introduction of Supporting Mother’s Benefit providing assistance after six month waiting period.
- 1975 – Introduction of no fault divorce.
- 1980 – Six month waiting period for SPB abolished.
- 1989 - Sole Parent Pension replaced Class A Widows Pension and SPB.
- 1998 – Parenting Payment Single (PPS) replaced SPP.
- 2006 - Child eligibility age lowered from 16 to 8 years for new applicants for social security payments, with new applicants having participation requirements and claiming Newstart (lower payment for unemployed).
- 2009 – Change in indexation of family payments from wages to prices.
- 2011 – Amendment to “grandfathering” to restrict impact of new birth.
- 2013 – Remaining “grandfathered” recipients moved to Newstart.
As a result of policy changes, benefits for families have increased significantly in different periods

Value of assistance for one child family, 2010 $ pw, 1975 to 2010
Lone parents as % of families with children under 15 years of age, 1974 to 2012
Trends in joblessness among parents, 1982 to 2009-10

- Partnered fathers not employed
- Partnered Mothers not employed
- Lone mothers not employed
Employment to population rate (%) among lone parent families, 1980 to 2012
Trends in principal source of income for lone parents, Australia, 1994-95 to 2013-14
Distribution of Family Tax Benefits, 2009-10

Deciles of equivalised household income

$ per Year

0 1 2 3 4 5 6 7 8 9 10

1 2 3 4 5 6 7 8 9 10

3500
3000
2500
2000
1500
1000
500
0
In-work earnings required to reach the poverty line (60% of median disposable income) vary widely

Per cent of average wage (AW)
Poverty rates are strongly influenced by employment and family status

% of households with incomes less than 50% of median income, 2007-08