

## **Submission to the Select Committee on Intergenerational Welfare Dependence**

This submission, compiled by the Department of Social Services with input from a range of Commonwealth agencies (see list of contributors at the end of the submission), is designed to provide the Select Committee with a brief overview of some of the key issues related to intergenerational welfare dependency and disadvantage. It also describes some of the programs and policies already in place to identify and address circumstances that lead to poor outcomes.

### **The Australian welfare system**

The Australian welfare system includes income support payments that aim to provide a basic acceptable standard of living. It also includes supplementary payments that provide additional assistance, generally to address specific costs (for example, children, or the costs of renting privately). More broadly, the welfare of Australians is supported by a progressive personal income tax system, as well as the provision and/or subsidisation of some goods and services.

The income support system has categorical eligibility criteria with specific payments targeting the needs of the aged, people with disability, carers of people with disability and the frail aged, principal carers of young children, full-time students and the unemployed. Income support payments are paid primarily to support individuals with limited or no private resources. Families with children can also receive support through family payments.

### **Income support and welfare dependence**

Receipt of income support does not necessarily imply that an individual or family is reliant or dependent on income support over the long-term, especially where such support is likely to be relatively short-term, or is an investment in future self-reliance (such as payment of income support to full-time students). Also, changes to income support income tests since 1980 have made it possible for more working-aged income support recipients to mix the receipt of income support with levels of part-time work (and, more recently, with full-time work). For some people, income support receipt may be supplementing other income such as part-time earnings from work, and, therefore they qualify for part-payment of income support. This can be influenced by external factors such as the state of the economy and/or the local employment market (for example, the rise of the gig economy).

The Priority Investment Approach (PIA) to Welfare is a major initiative designed to improve people's capacity to live independently of welfare, address the risk of intergenerational welfare dependence and reduce long-term social security costs. PIA allows the identification of particular cohorts at risk of long-term welfare receipt. Cohorts identified to date include: young people moving from study directly to employment payments, young parents, young carers, Newstart Allowance recipients aged 50 years and over, migrants and refugees on

working age income support, working age carers on Carer Payment, and at-risk young people receiving income support. Using insights from PIA, the Government's \$96.1 million Try, Test and Learn Fund is trialling new or innovative approaches to assist some of the most vulnerable in society into stable, sustainable employment.

The most recent analysis from the PIA includes an 'intergenerational welfare' variable, which identifies the proportion of a recipient's childhood (up to the age of 15 years) spent in the care of a parent receiving income support. Analysis by the Department shows young people aged 22 to 24 years whose parents or guardians received income support payments for over 80 per cent of their childhood are 2.9 times more likely to be on income support payments today, compared to those with no parental income support history.

There is no one set way to define or measure welfare dependence. PIA analysis noted above uses a time-based measure of welfare dependency (the proportion of a recipient's childhood spent in the care of a parent receiving income support). The Australian Bureau of Statistics publishes measures of the contribution of welfare to gross household income, including the number of households whose largest income source is government pensions and allowances, and the number of households that receive 90 per cent or more of their income from welfare. Another approach sometimes used is the proportion of working age Australians receiving income support on a 'headcount' measure. However, this would include a very large number of people who would not usually be considered as being welfare dependent as they may attract a part-rate of payment or only be in receipt of income support for a short period (e.g. students). The proportion of working age Australians receiving income support on this 'headcount' measure is now 15.1 per cent, the lowest level in over 25 years.

Recent research by the Productivity Commission (*Rising inequality? A stocktake of the evidence*, 2018) demonstrates that persistent and recurrent income poverty affects a small but significant proportion of the population. The Commission's research suggests that people living in single parent families, unemployed people, people with disabilities and Indigenous Australians are particularly likely to experience income poverty and disadvantage. It notes the risks of economic disadvantage becoming entrenched seem particularly elevated for children living in jobless households. It should be noted that inequality is a distinct concept from welfare dependency and disadvantage.

## **Data and evidence**

The Australian Government has been working to develop the evidence and the forward-looking picture needed to break cycles of disadvantage, and to improve outcomes for individuals and families.

- The PIA uses 17 years' worth of social security and other population data, and economic data and forecasts, to allow projections showing how particular groups of people are likely to interact with the social security system over their future lifetime based on the current system settings. This new data allows the identification of cohorts at risk of longer-term welfare receipt.

- The Data Integration Partnership for Australia (DIPA) initiative provides funding and an overarching framework across three broad areas (data assets, data integration, and analytics units), aimed at addressing challenges to achieve better national outcomes through better policies and programs.
- The Australian Government supports and funds a number of longitudinal studies, including: The Household, Income and Labour Dynamics in Australia (HILDA) Survey; The Longitudinal Study of Australian Children (LSAC); The Longitudinal Study of Indigenous Children (LSIC); the Longitudinal Surveys of Australian Youth (LSAY); and Building a New Life in Australia (BNLA). These surveys can be used to show how policy levers and settings affect outcomes over time.
- The Australian Government supports and funds the triennial Australian Early Development Census (AEDC) program that collects developmental data on children in their first year of full-time school. The AEDC data can be used to support early childhood policy development and program evaluation. The data is available for research and data linkage purposes and has the potential to help inform on how long-term welfare dependency affects children's developmental vulnerability and readiness for school.

Data collection and analysis can identify correlations between the patterns of welfare payment receipt among different groups. However, these correlations do not necessarily mean there is a causative effect and rigorous analysis techniques are required to investigate possible causes.

### **Programs and policies**

The Australian Government has a large number of payments and programs in place to support families to find pathways out of intergenerational welfare dependence and broader disadvantage. These payments and programs are designed to break the cycles of disadvantage, to collect the evidence on what works, and to support families and communities to build the opportunity, human capital (education and health), and capability (the skills and access to resources) to change children's and families' outcome trajectories and increase their capacity for self-reliance.

These payments and programs include (but are not limited to):

- support to a range of individuals and families through payments to assist with various costs (such as costs of children and paying private rent);
- labour market activity and payment conditionality requirements; and a range of programs and trials that aim to improve job readiness and provide material assistance;
- support for people in times of financial crisis as well as providing advice and financial counselling;
- providing access to high quality early childhood education and care, including preschool, alongside supporting parents in their role as children's first and most

enduring educators, as part of the strategies that aim to tackle issues associated with vulnerability and improve learning and development outcomes for young children;

- support for students to ensure they get the resources they need, regardless of their background or where they live, including needs-based funding to support improved outcomes for Aboriginal and Torres Strait Islander students;
- support for disadvantaged students and young people to stay at school, complete Year 12 (or equivalent), and successfully transition from school to work or to further education and training;
- support for children and parents through programs that take an early intervention and prevention approach, or programs that focus on at-risk families or critical family transition points, through counselling and education, and financial capability services to help people to build longer-term capability to budget and manage their money and to make informed choices about their money in the future;
- programs to address the social determinants of health;
- community development initiatives, particularly with respect to Indigenous communities; and
- innovative evidence-based trials that aim to reduce disadvantage.

A list of many of these initiatives is included in Appendix A.

#### **List of contributing agencies to this submission**

- Australian Bureau of Statistics
- Australian Government Actuary
- Australian Institute of Health and Welfare
- Department of Education and Training
- Department of Finance
- Department of Health
- Department of Human Services
- Department of Jobs and Small Business
- Department of the Prime Minister and Cabinet
- Department of Social Services
- Department of Veterans' Affairs
- Productivity Commission
- The Treasury

**Appendix A – List of government payments and programs**

<b>Agency</b>	<b>Program/payment</b>
<p>Department of Social Services</p>	<p>The Australian social support system is intended to help meet the costs of daily living, increase participation in work and social activities, and build individual and family functioning. The Australian social security system supports the broader social support system by providing a safety net for Australians without the means to achieve a basic acceptable standard of living. Income support payments are the primary form of support for adults, with supplements available to provide assistance to those with additional costs.</p> <p>The Australian income support system is categorical, with two main types: pensions and allowances. Pensions are paid at higher rates than allowance payments, with youth and full-time students paid the lowest rates. Payments are targeted to need by the application of income and assets tests. For working age recipients, self-provision through participation in paid work is generally expected and supported where capacity exists. Participation requirements and mutual obligations support this objective (see Department of Jobs and Small Business).</p> <p>Family Tax Benefit is the primary supplementary payment in the Australian welfare system. The payment is targeted to families with children on low to middle incomes. The Government’s primary consideration in providing family assistance is to ensure that all children have access to at least a basic acceptable standard of living.</p> <p>Commonwealth Rent Assistance (CRA) is an important component of the income support and family payment systems. It contributes to the improvement of housing affordability and complements broader income support objectives by assisting individuals, families and older Australians with additional costs of renting in the private market. Note: some Department of Veterans’ Affairs and Department of Agriculture payment recipients that rent privately may also be eligible for CRA.</p> <p>The Try, Test and Learn Fund trials new and innovative policy responses for groups of people at risk of long-term welfare dependency, helping some of the most vulnerable people in society to find work or stay in education. In part, projects are selected to produce high-quality policy evidence about the effectiveness of interventions, and for who, and under what circumstances, do they work.</p> <p>The Australian Government is responsible for two welfare quarantining programs: the trial of the Cashless Debit Card (CDC) and Income Management (IM). The primary purpose of the CDC is to reduce harm from the misuse of alcohol, drugs and gambling at a community level.</p>

	<p>A flow-on impact from addressing these issues is that participants are able to stabilise their lives, leading to an increased ability to participate in the workforce. The CDC acts alongside other reforms to address drug and alcohol misuse and problem gambling. IM aims to reduce hardship by directing a percentage of welfare payments, generally 50 per cent, to the priority needs of recipients and their families. There are specific IM measures, which apply to people who have been out of work or study for some time.</p> <p>The Australian Government announced several social impact investing (SII) initiatives in the 2017–18 and 2018-19 Budgets including the establishment of an SII Sector Readiness Fund. The Fund aims to grow the Australian SII market by providing capability-building grants to organisations looking to enter this market and become investment-ready.</p> <p>The Department of Social Services funds a range of families and children’s programs, including:</p> <ul style="list-style-type: none"><li>• <i>The Home Interaction Program for Parents and Youngsters</i> is a two-year, home based parenting and early childhood learning program that supports parents and carers of children aged four to five years to be their child’s first teacher.</li><li>• <i>Communities for Children Facilitating Partners</i> is a place-based model of investment that operates in 52 locations across Australia. It facilitates a whole of community approach to support early childhood development and wellbeing for children from birth to 12 years.</li></ul> <p>The Australian Government is working with States, Territories and the community sector to develop a Fourth Action Plan 2018–2020 under the <i>National Framework for Protecting Australia’s Children 2009–2020</i>. The Fourth Action Plan will help families and communities to deliver better futures for their children by strengthening community engagement and capacity building.</p> <p>Through the Financial Wellbeing and Capability Activity, the Government provides support to individuals, families and communities to improve their ability to manage their financial affairs, and meet immediate needs in times of financial crisis. The Government invests around \$100 million per year in emergency relief, financial counselling, financial capability and microfinance. These services provide assistance to manage serious debts, build basic budgeting and financial literacy skills, and access to saving and credit options, which support people on low incomes and/or income support recipients.</p>
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	<p>Information, Linkages and Capacity Building (ILC) is the component of the National Disability Insurance Scheme (NDIS) that provides information, linkages and referrals to efficiently and effectively connect people with disability, their families and carers, with appropriate disability, community and mainstream supports. ILC is an important part of the NDIS because it can enable greater access to the social and economic life of the community for people with disability, their families and carers.</p> <p>The Government invests approximately \$800 million per year to assist individuals whose disability, injury or health condition is assessed as the main impediment to them gaining sustainable open employment through the Disability Employment Services (DES) program. The program provides funding to DES providers, to help prepare people with disability for employment and provide ongoing assistance, where required, to maintain long-term employment.</p> <p>The Australian Government is instituting an outcomes based framework as part of its settlement services that prioritises the three “E”s of English proficiency, education and training, and employment.</p>
<p>Department of Human Services</p>	<p>The Department of Human Services (DHS) has a range of services to support families and children. This includes:</p> <ul style="list-style-type: none"> <li>• social workers who provide short-term counselling, support and referrals to other services;</li> <li>• community engagement officers who can help vulnerable customers access payments and services;</li> <li>• financial information service officers who provide education and information about financial matters; and</li> <li>• the free Centrepay service, which assists customers to pay bills and expenses and makes it easier for customers to budget.</li> </ul>
<p>Department of Jobs and Small Business</p>	<p>Mutual obligation requires some income support recipients, as a condition of their ongoing receipt of payment, to look for work and/or undertake activities designed to improve their employment prospects, either immediately or in the longer term. Participating in such activities can help job seekers, including parent job seekers, to become more work-ready and gain employment.</p> <p>The Australian Government funds a range of employment services that help increase the competitiveness of job seekers so they can take</p>

	<p>advantage of available work opportunities. These services include:</p> <ul style="list-style-type: none"> <li>• <i>jobactive</i>, which provides individually tailored assistance to address job seeker’s specific barriers to work;</li> <li>• <i>ParentsNext</i>, which helps eligible parents to plan and prepare for employment by intervening early and helping disadvantaged parents to become more work-ready and to prepare to find a job in the future; and</li> <li>• <i>Transition to Work</i>, which provides intensive pre-employment support to improve the work readiness of disadvantaged young people (age 15 to 21 years) who have disengaged from work and study and are at risk of long-term welfare dependence.</li> </ul>
<p>Department of Education and Training</p>	<p>The Department of Education and Training has a range of ‘whole of life’ education opportunities, including:</p> <ul style="list-style-type: none"> <li>• The <i>new child care package</i>, which commenced on 2 July 2018, provides 24 hours of subsidised child care per fortnight for families who do not meet the activity test and earning \$66,958 or less per annum. In addition, parents who undertake at least eight hours of recognised activity per fortnight will be entitled to 36 hours of subsidised child care a fortnight. Having a low entry requirement to subsidised child care will assist those returning to work in a graduated manner.</li> <li>• There is also a <i>Child Care Safety Net</i> (comprising the Additional Child Care Subsidy, the Community Child Care Fund and the Inclusion Support Programme) to give the most vulnerable and disadvantaged children a strong start, and support families and children facing barriers to accessing affordable child care, particularly in disadvantaged, regional and remote communities.</li> <li>• <i>Connected Beginnings</i> – aims to, over time, contribute to reducing the difference in school readiness and education outcomes between Indigenous and non-Indigenous children.</li> <li>• <i>Universal Access to Early Childhood Education</i> – aims to ensure all children participate in a quality preschool program for 15 hours per week in the year before school.</li> <li>• <i>Quality Schools Package</i> – delivers new funding arrangements to ensure every student gets the resources they need, regardless of background or where they live.</li> <li>• <i>Learning for Life</i> – provides financial, practical and emotional support to disadvantaged students to encourage them to stay</li> </ul>



	<p>at school, complete Year 12 (or its equivalent) and successfully transition from school to work or to further education and training.</p> <ul style="list-style-type: none"> <li>• <i>Skills for Education and Employment program</i> – provides language, literacy and numeracy training to eligible job seekers, to help them to participate more effectively in training or in the labour force. The program caters for job seeker groups with language, literacy and/or numeracy training needs, including Aboriginal and Torres Strait Islanders, youth, people with disabilities, mature aged people, and job seekers from culturally and linguistically diverse backgrounds.</li> <li>• <i>Multi Industry and School Based and Pre-Apprenticeship Support Pilot Project</i> – aims to provide young people, both school students and unemployed and underemployed youth, with the opportunity to trial a range of vocational occupations across a range of industries and to develop work readiness skills.</li> <li>• <i>HECS-HELP Loan Scheme</i> – students facing disadvantage need not pay upfront for their higher education. They receive subsidised tuition and are able to borrow their entire student contribution amount under the HECS-HELP loan scheme.</li> <li>• <i>Higher Education Participation and Partnerships Program</i> – provides funding to identified universities to undertake activities and implement strategies that improve access to undergraduate courses for people from low socio-economic status (SES) backgrounds and improve their retention and completion rates.</li> <li>• <i>National Disability Coordination Officer (NDCO) Program</i> – works strategically to assist people with disability access, and participate in, higher education and vocational education and training and subsequent employment, through a national network of regionally-based NDCOs.</li> </ul>
<p>Department of the Prime Minister and Cabinet</p>	<p>Community development and welfare reforms initiatives funded by government include:</p> <ul style="list-style-type: none"> <li>• The Community Development Programme, which is designed for remote Australia, providing opportunities for all job seekers – Indigenous and non-Indigenous – to engage and participate in work-like activities.</li> <li>• The Cape York Welfare Reform initiative has been in place in four communities since 2008.</li> <li>• Empowered Communities is an Indigenous designed and led</li> </ul>

	<p>model and aims to increase Indigenous ownership and give Indigenous people a greater say over decisions that affect them.</p> <ul style="list-style-type: none"> <li>• In Cape York, leaders have developed a new approach, Pama Futures, to empower local Aboriginal people and give them greater authority over key decisions. This would include the transition of the Cape York Welfare Reform Initiative and Empowered Communities into the new model.</li> </ul>
<p>Department of Health</p>	<p>The Department of Health is working to ensure that policy and planning decisions appropriately consider the potential implications on health, which can have important linkages with welfare dependency. The Department of Health is increasing access to health services for all Australians through:</p> <ul style="list-style-type: none"> <li>• the Stronger Rural Health Strategy, which is focused on improving the health of people living in rural, regional and remote Australia;</li> <li>• developing a National Rural Generalist Pathway – a medical training pathway that will attract, retain and support doctors in regional, rural and remote areas of need; and</li> <li>• preventative health initiatives that reduce inequality and incidences of preventable diseases in Aboriginal and Torres Strait Islander communities.</li> </ul>