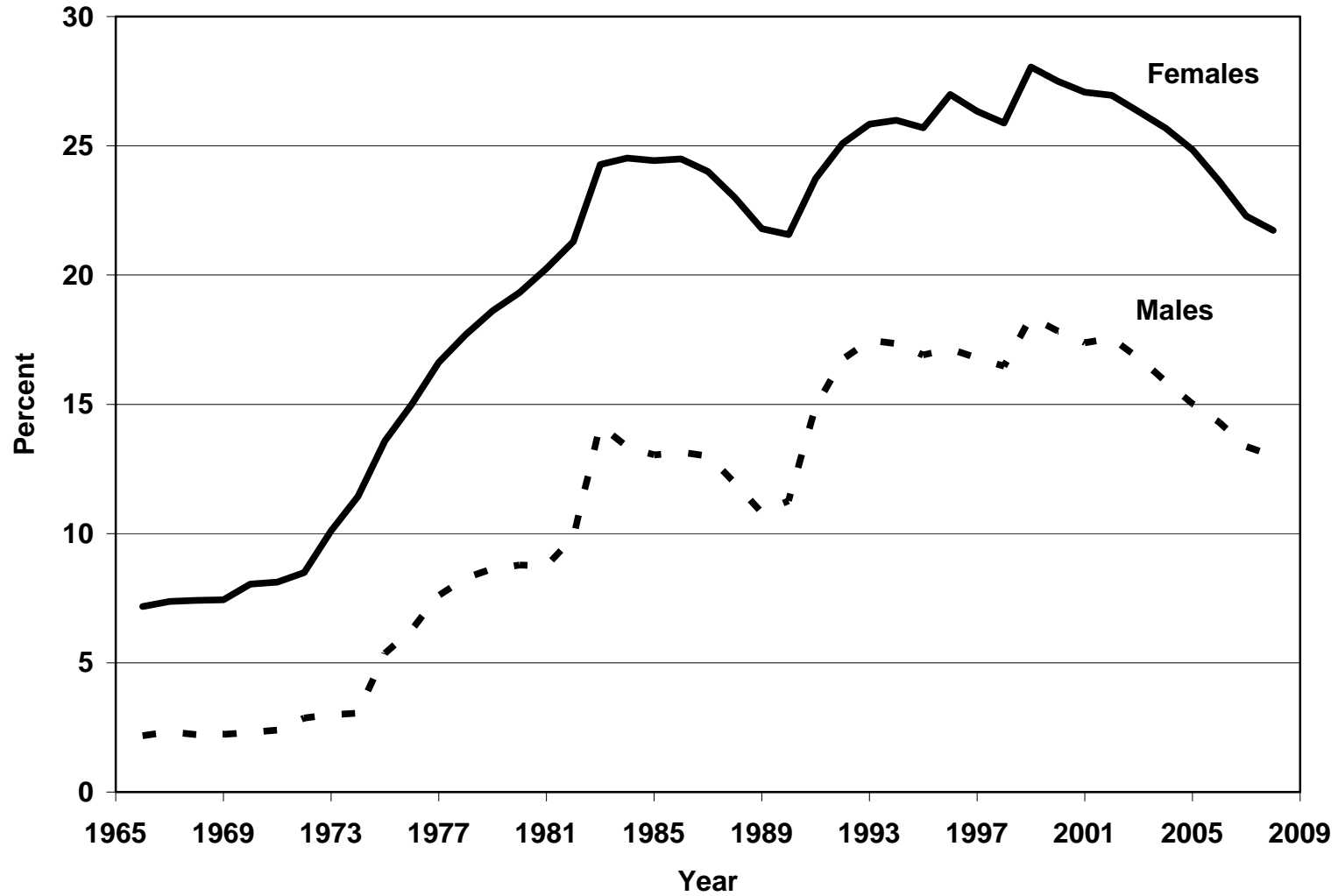


# Australian Welfare Reform Lessons I have learnt? Shifting beliefs and discovery.

Bob Gregory

ANU

**Workforce Age, Income Support to Population by Sex, Percent  
1966-2008**



# Lesson number one

## Distinct periods of change

1972-81, 1994-2003, 2003 onwards

1972-81

- Large increase in replacement rate in early 1970s
- Large reduction in demand for unskilled men
- Creation of new programs with easy entry conditions - lone parents, disability

1994-2003

- Why did IS not decline?

2003 onwards

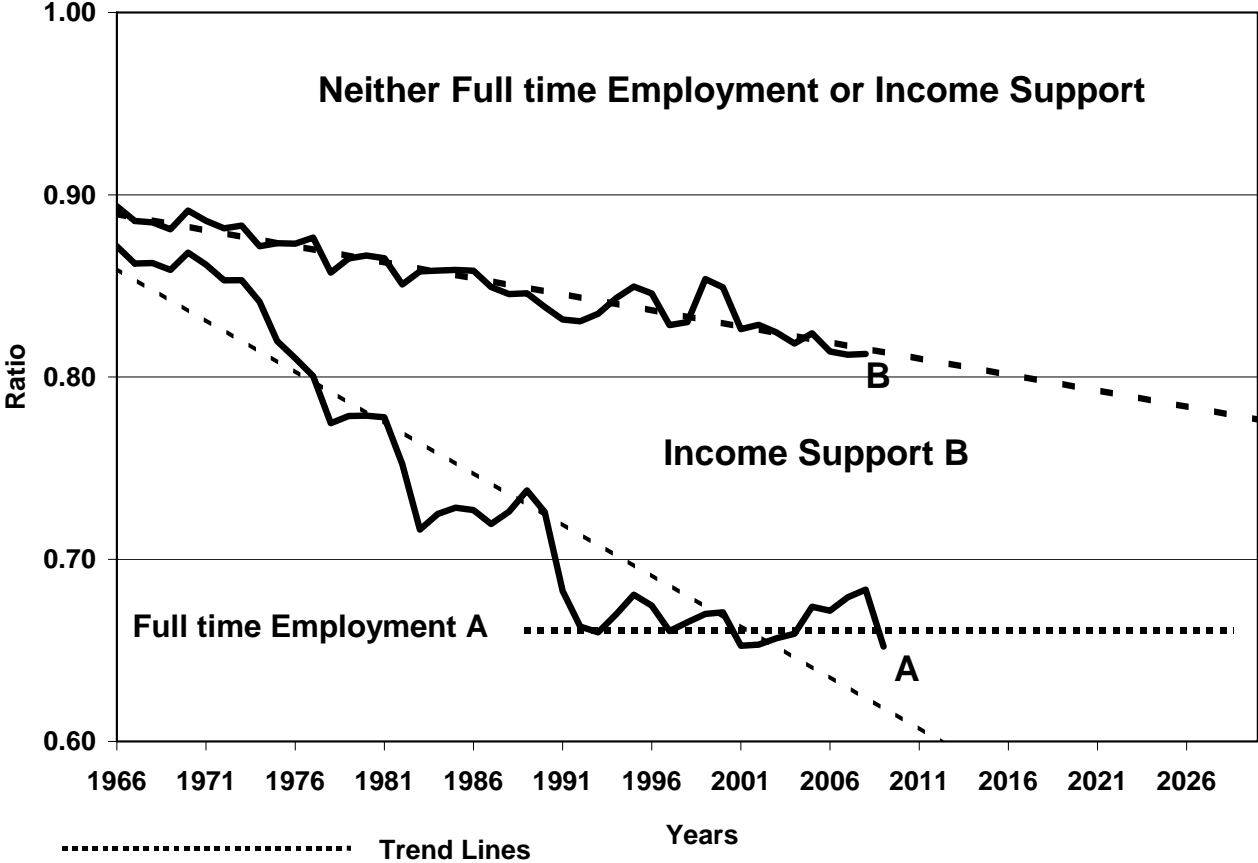
- Program analysis suggests reform is reducing the IS stock at an increasing rate

## Lesson number two

Very little empirical analysis to understand these different periods

- 2003 onwards
- Program analysis suggests optimism
- IS - Lone parent, married disability, partnered couple -has been falling
- Macro economy-IS relationship does not yet suggest a clear change

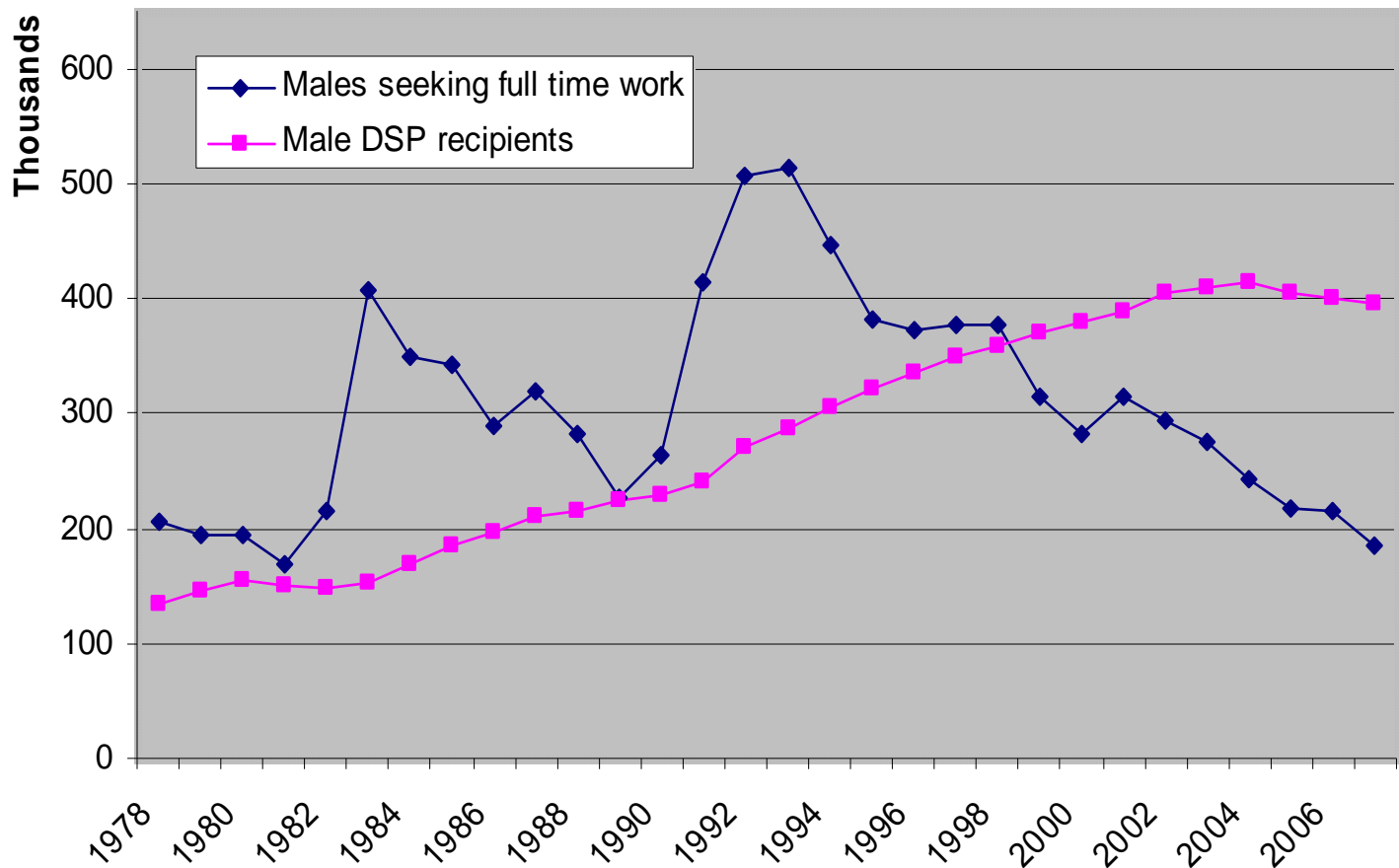
Australia, Males 15-64, Labour and Income Support to Population  
1966-2009



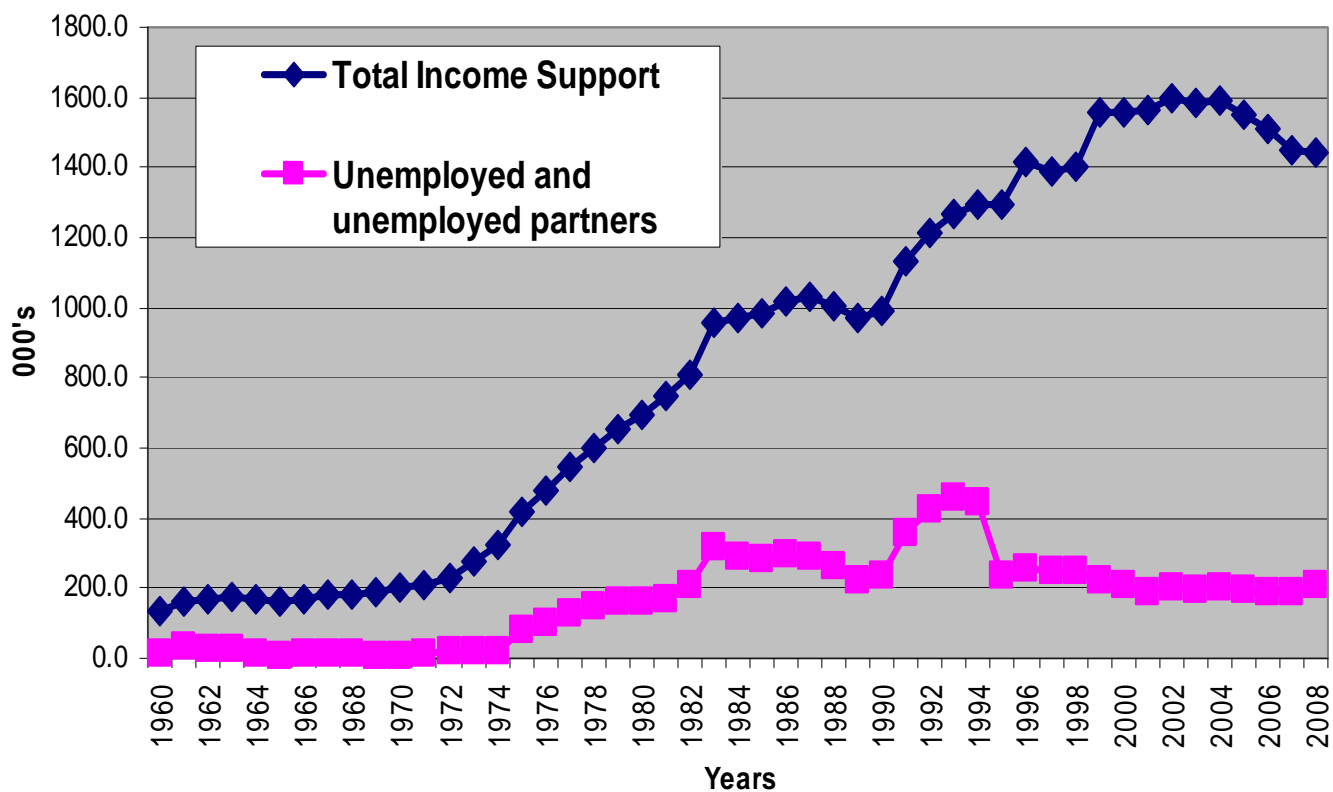
## Lesson number three

The macro economy effect works through male unemployment initially but largest impacts found elsewhere in the IS system

## Males Seeking Full Time Work and DSP Recipients 1978-2007



# Total Income Support, Unemployed and Unemployed Partners Working Age Females



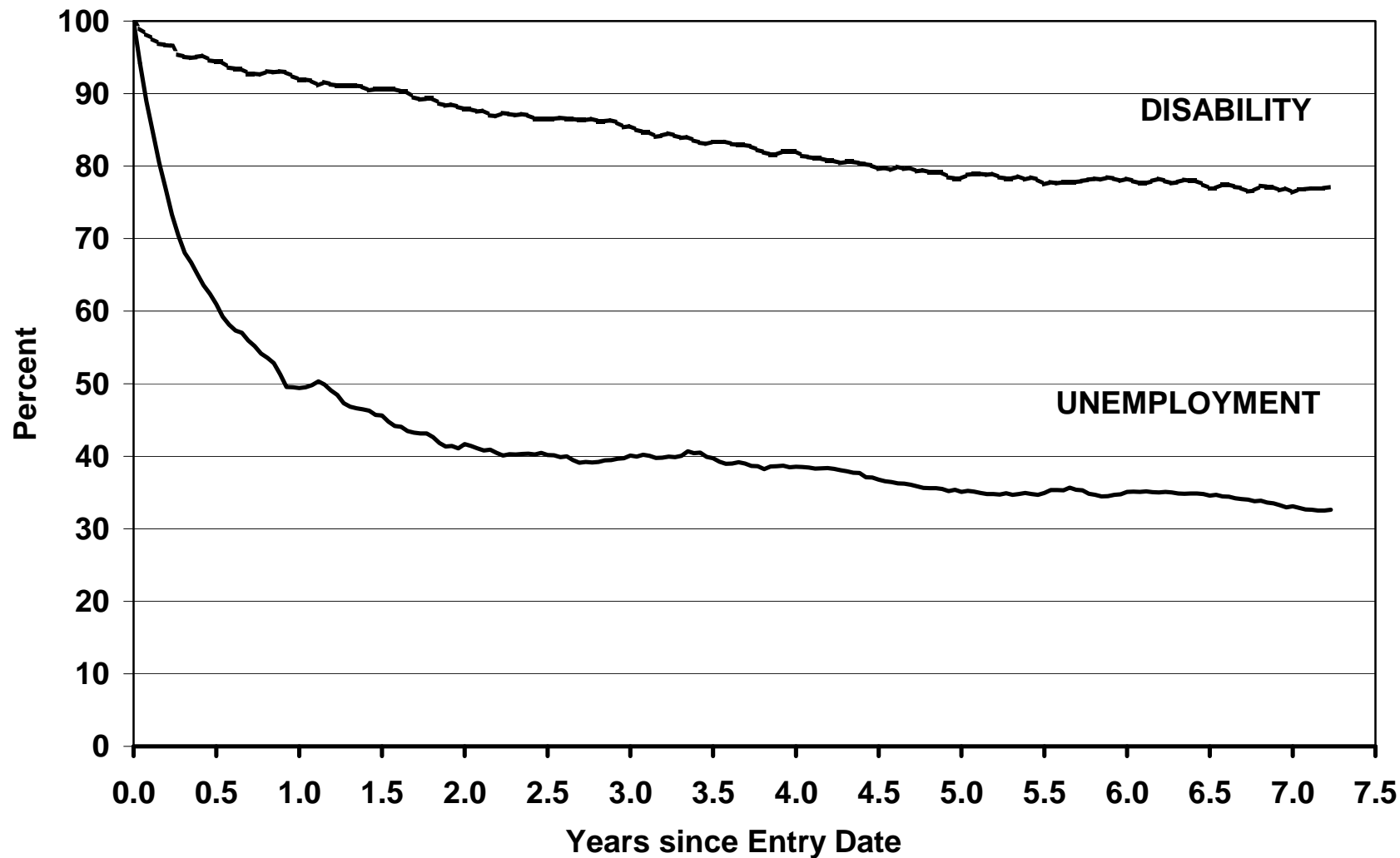
## Lesson number four

Long duration is the norm so IS  
stocks change slowly in response to  
reform

The reason is that repeat spells are so  
important and dominant contributor

This is why history matters so much

**1995 UB and DSP Inflow  
Proportion on Income Support, Males 15-64**



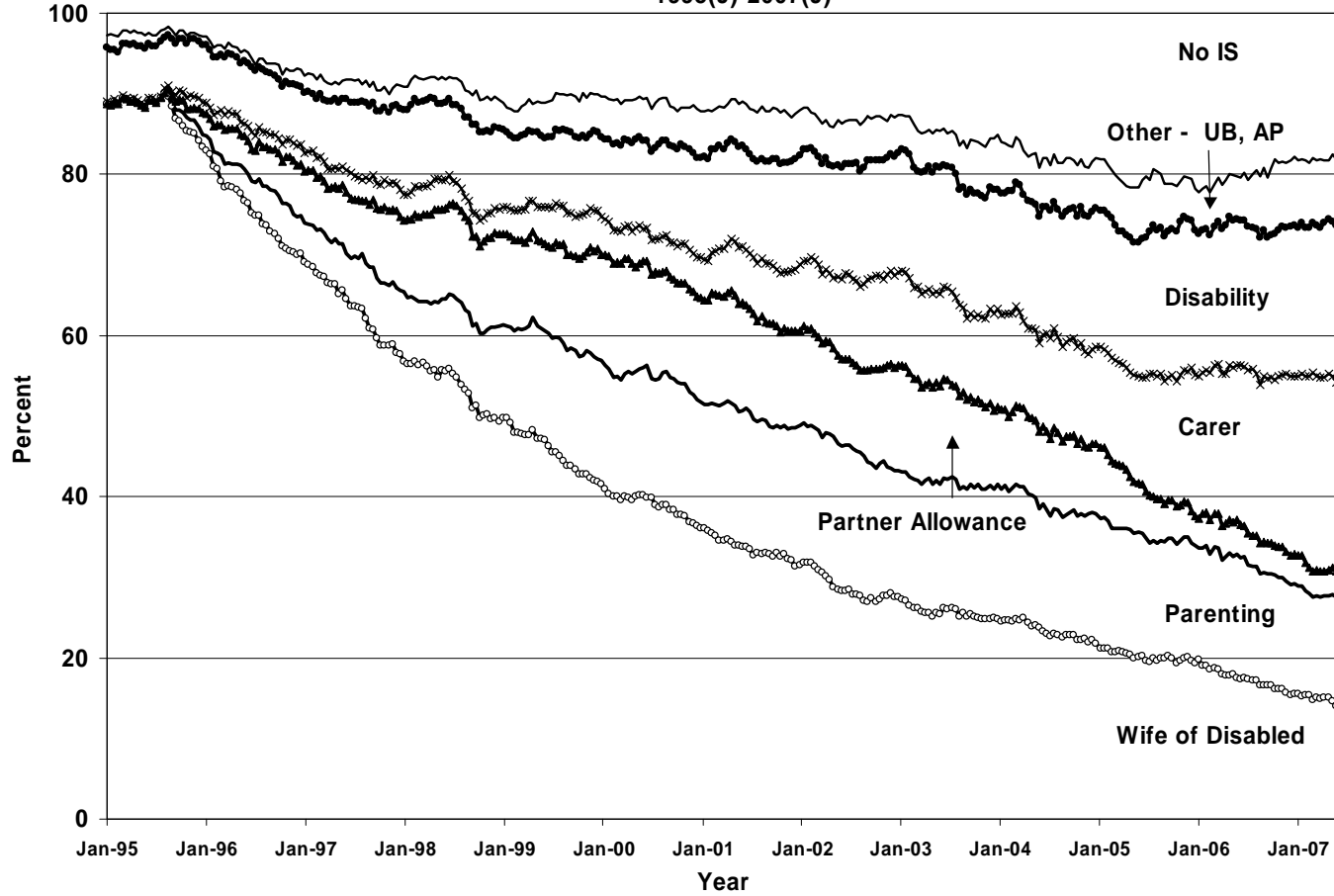
# Lesson number five

## The IS programs form an interrelated system with substantial substitution between programs

If entry to one program is restricted then there will be an overflow to another

- if one program has better conditions then it will attract inflows from other programs

Percent - Married DSP Males 45-54, What are their wives on?  
1995(J)-2007(J)



# Lesson number six

- Not enough research to identify substitution parameters
- Substitution possibilities vary by age and gender
  - young people may substitute between unemployment benefits and student allowances
  - female lone parents may change partner status to continue to receive Income Support
  - older women subject to increases of pension age eligibility may substitute into a disability pension

# Lesson number seven

- Changing eligibility conditions can have a big effect depending on substitution possibilities
  - Where has changing eligibility conditions reduced IS inflows and stocks?
    - Lone parent eligibility
    - Dependent partner eligibility
  - Where has this not worked?
    - Retirement age for women?

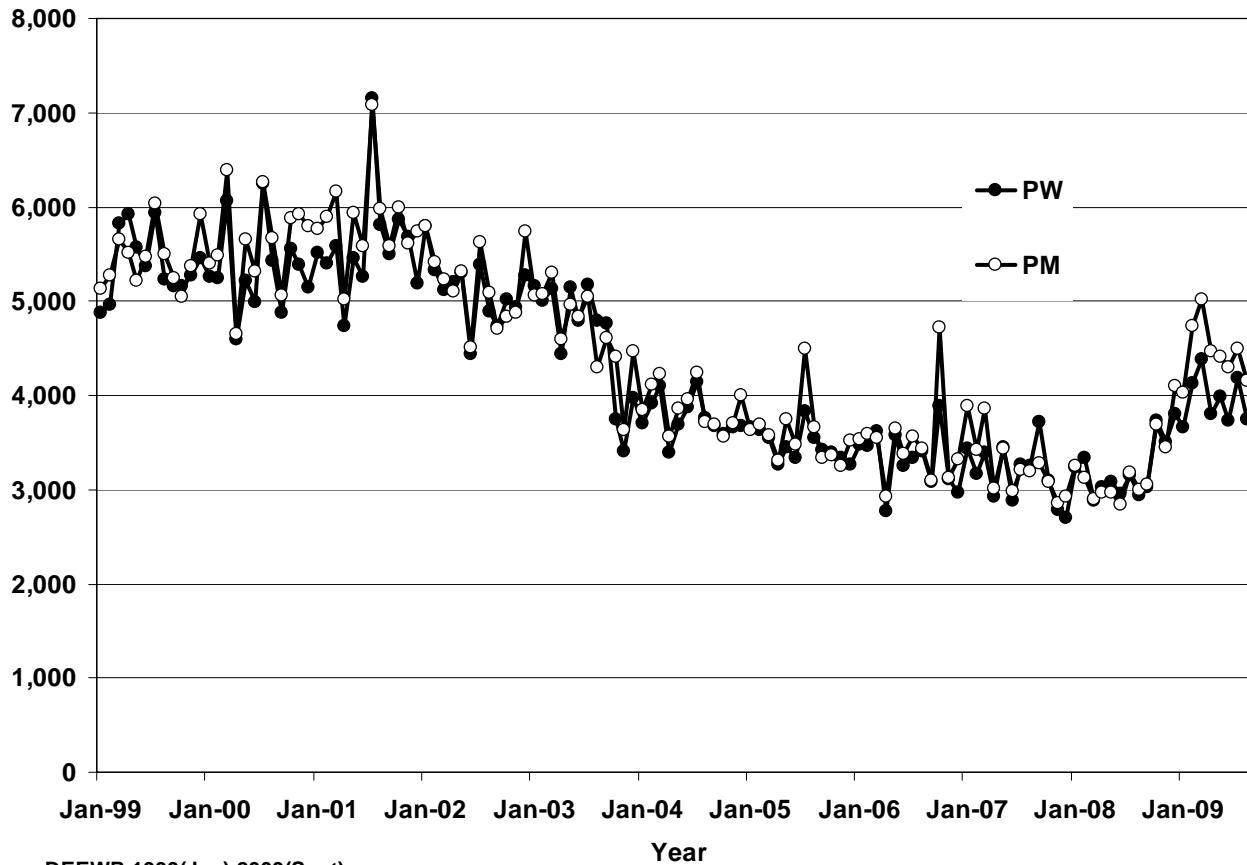


## Lesson number eight

Changing eligibility conditions may impact on groups not directly affected by the policy change

Partnered male response to changing eligibility for dependent female partner allowance

Figure 6 Total Inflows into Income Support, Partnered Women and Men 45-59  
1999(1)-2009(9)



DEEWR 1999(Jan)-2009(Sept).

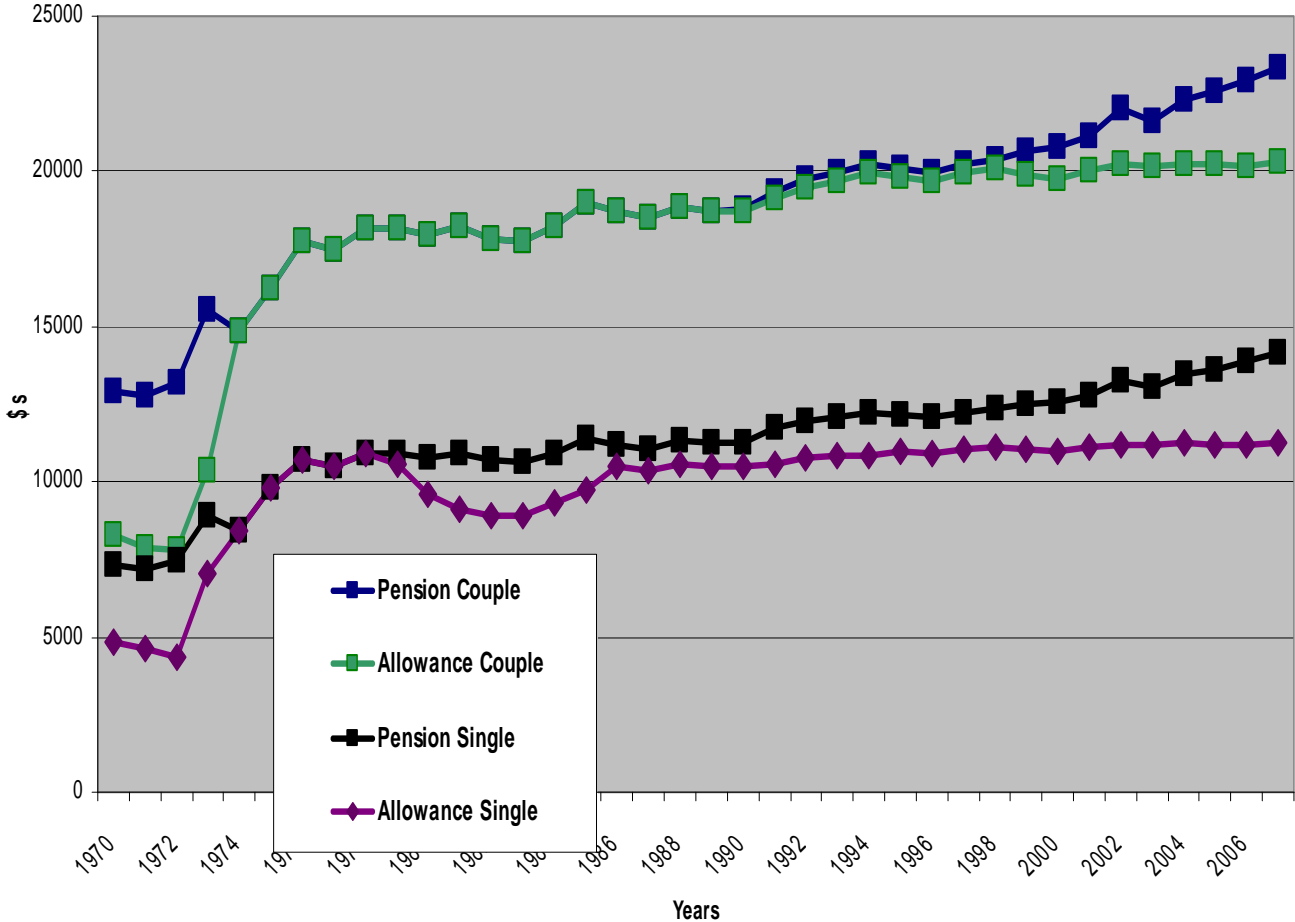
# Lesson number nine

- Interventions on the stock of long term income recipients have very low impact
- Examples of limited success
  - » Disability interventions
  - » Intensive assistance interventions

# Lesson number ten

- We know nothing about the effect of large changes in replacement rates and are unwilling to learn
  - Insufficient variation
  - 1975 experience
  - Links with minimum wage
  - Replacement rate in a policy context
    - Indexation of Pensions and allowances

# Allowances and Pensions Real Terms

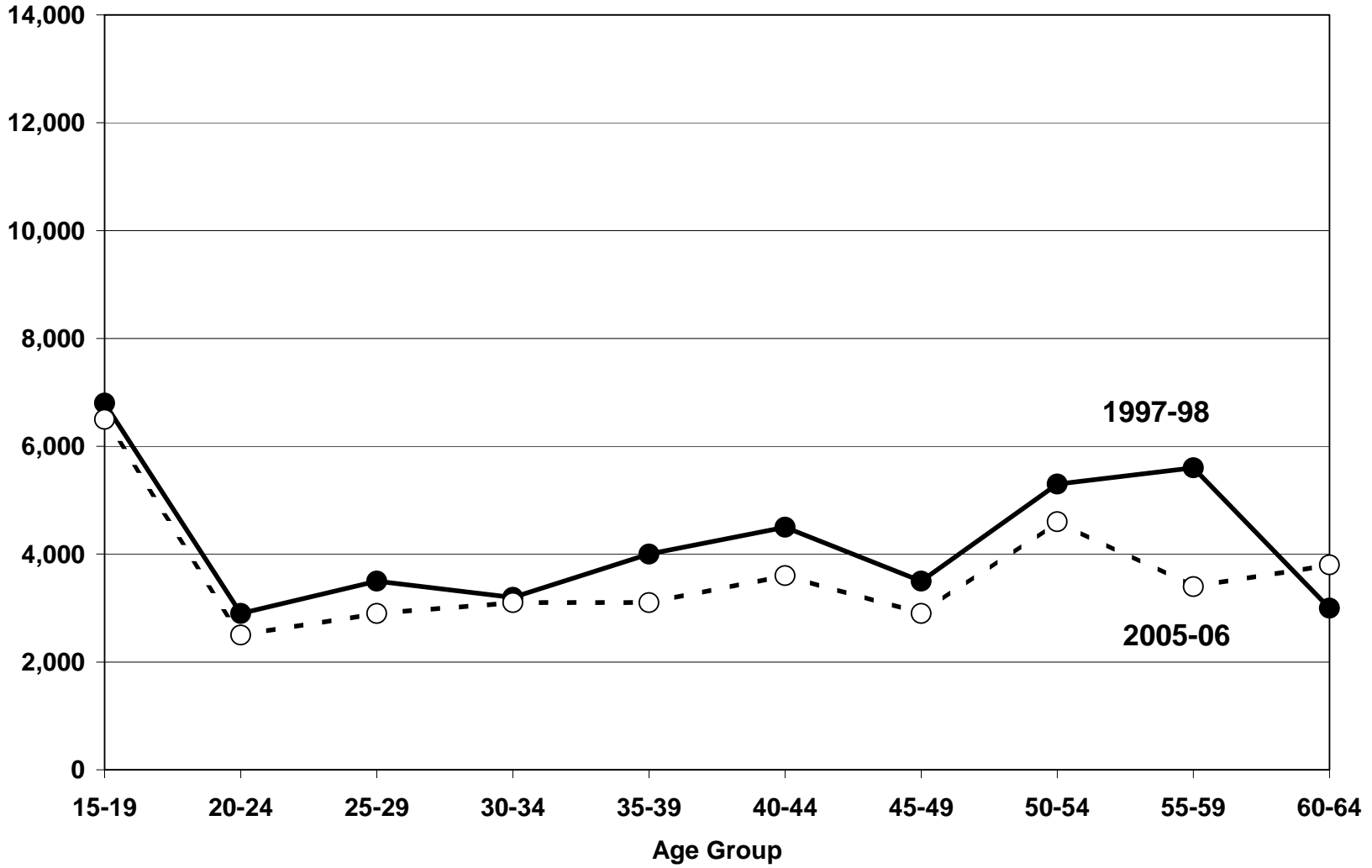


# Lesson number eleven

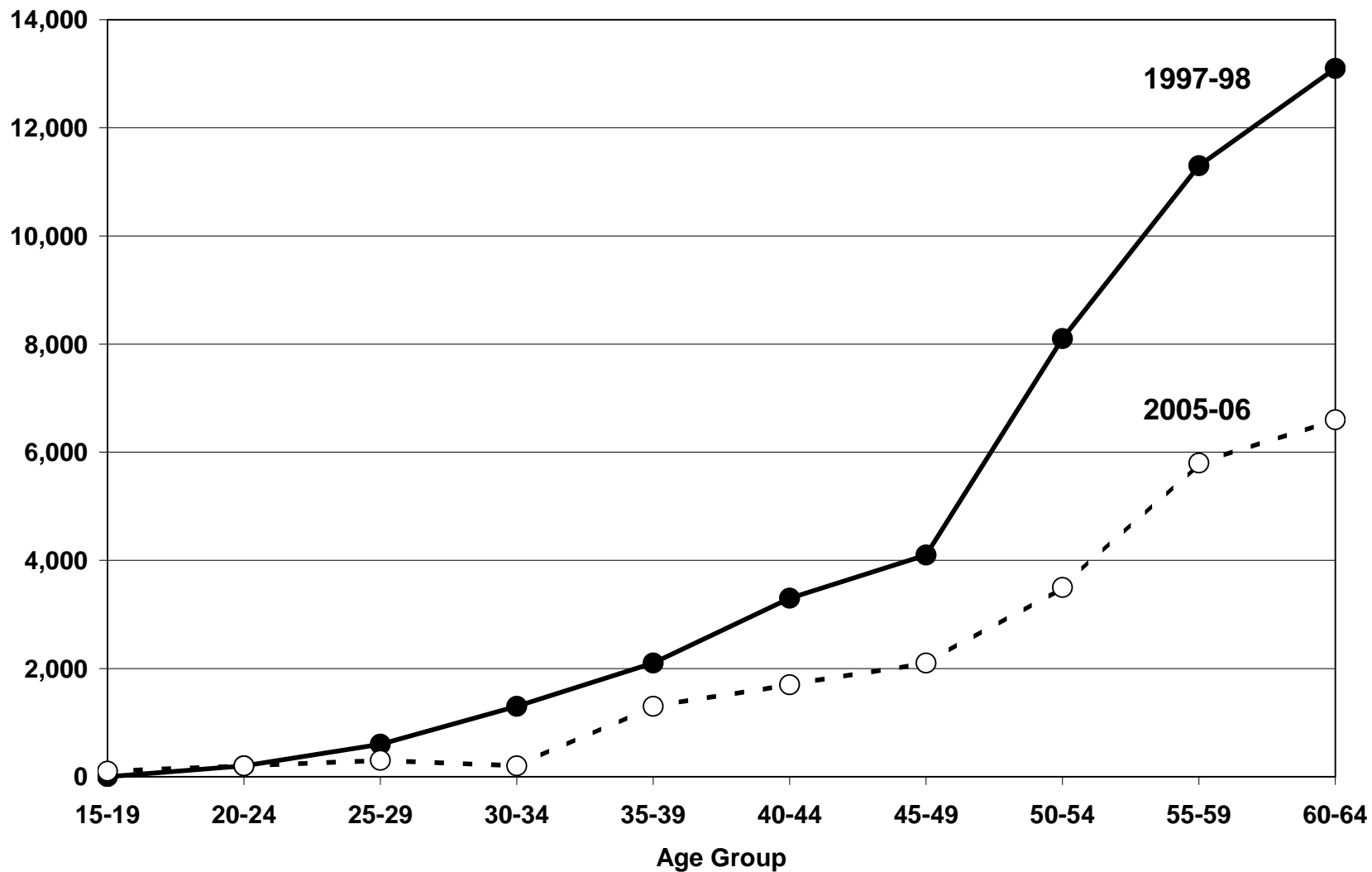
We need to give more attention  
to heterogeneity

- Some proportion of the IS stock clearly chooses to access IS, some proportion has little choice
- You would like to have policy distinguish between these groups

**Single, Male DSP Two Year Inflow by Age Group  
Comparing 1997-98 and 2005-06**



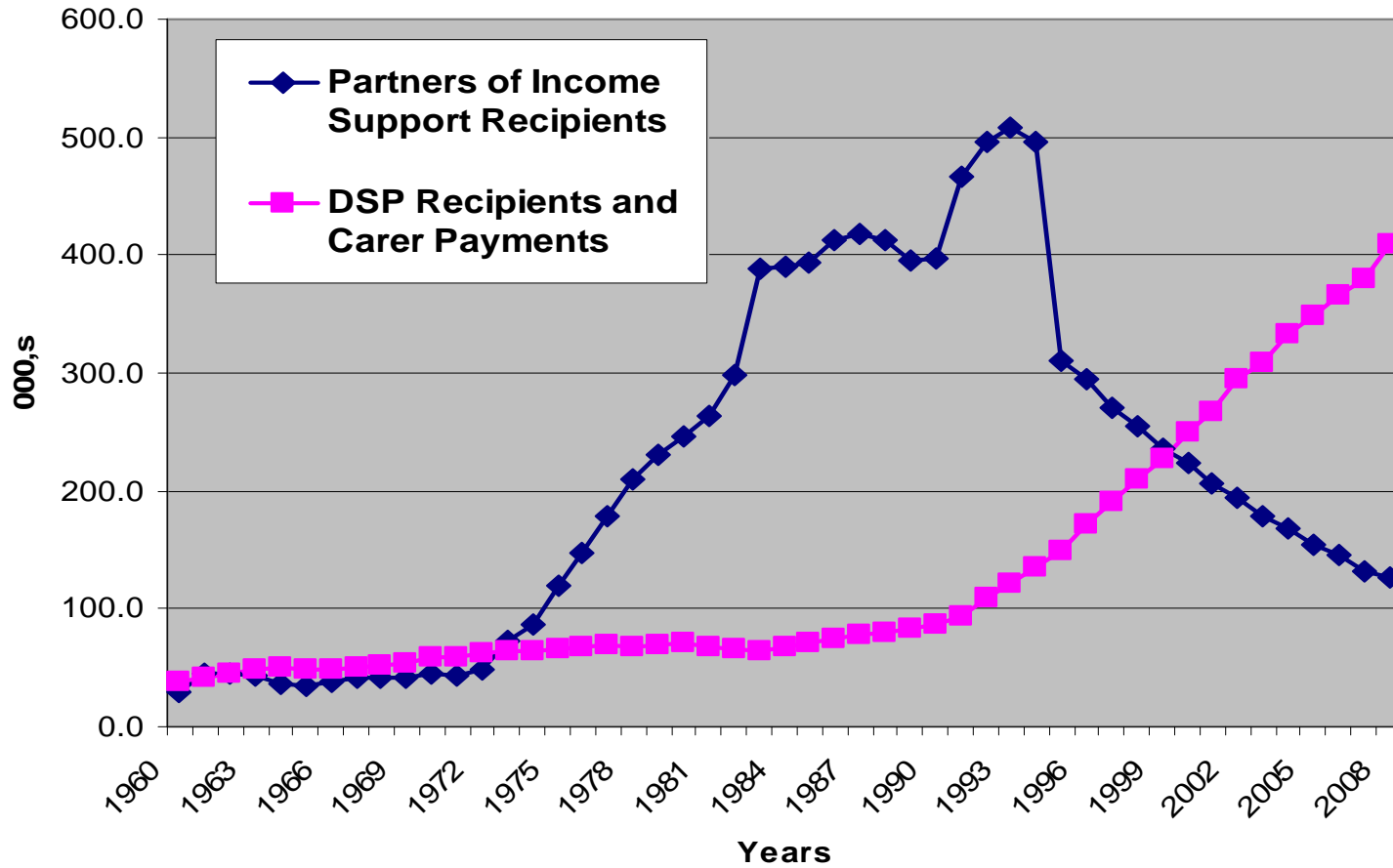
**Married, Male DSP Two Year Inflow by Age Group  
Comparing 1997-98 and 2005-06**



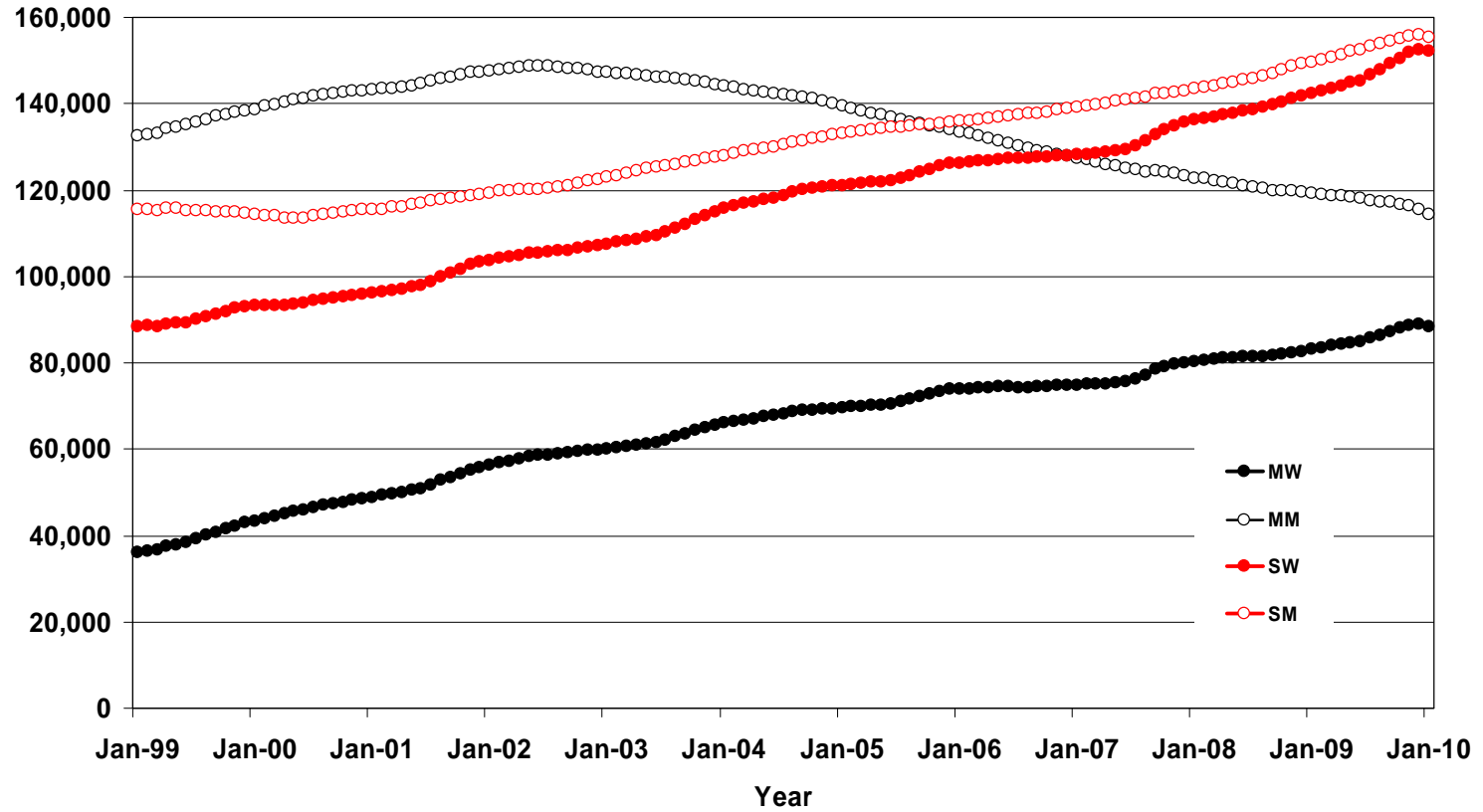
# Lesson number twelve

Some welfare programs grow because  
policy closes other programs

### Partners of Income Support Recipients, DSP and Carers Females



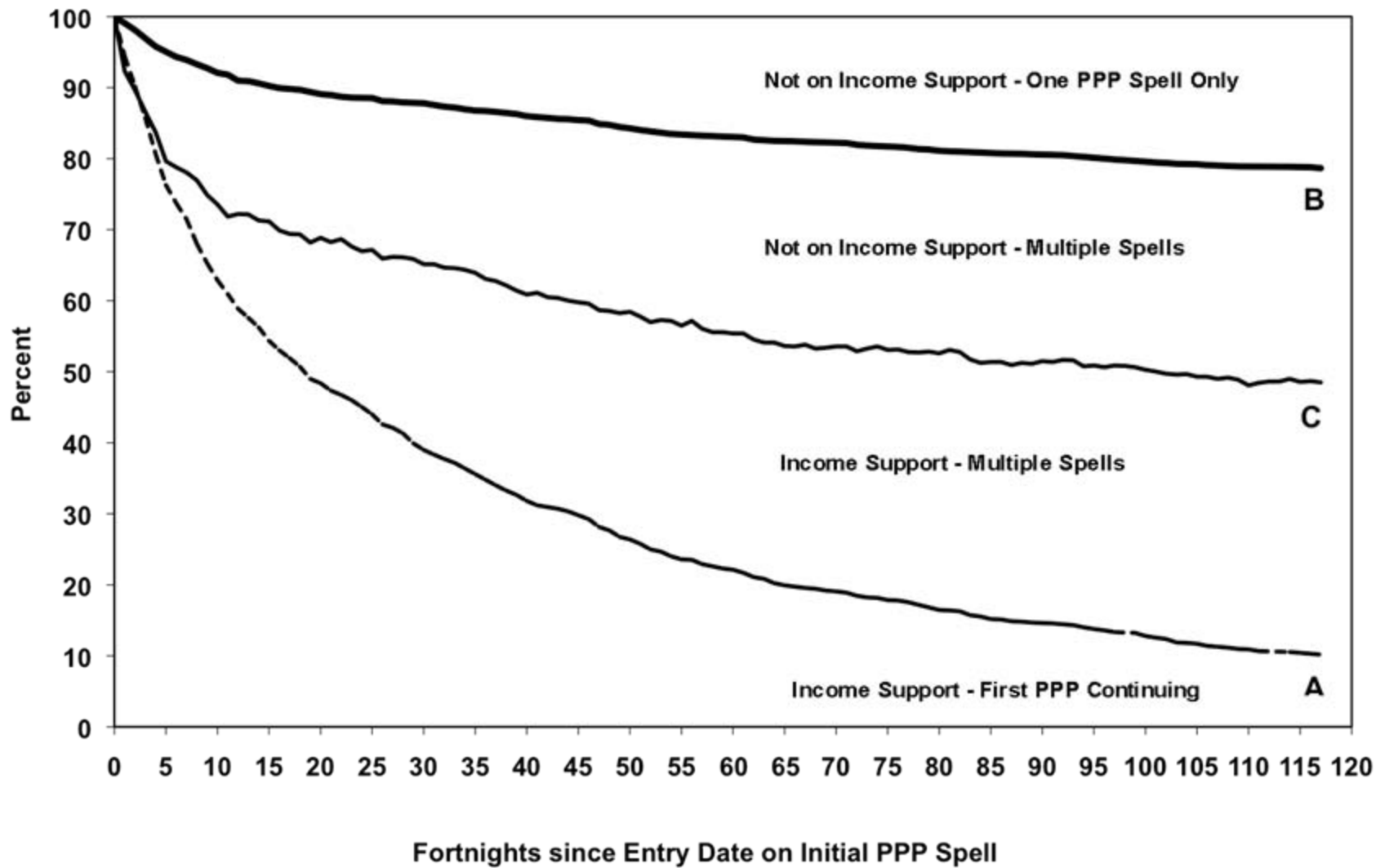
DSP Stock 45-64 by Sex and Marital Status  
1999(1)-2010(1)\*



\* DEEWR.

The End

Figure 3 Income Support Patterns for the 1995 Female PPP Inflow



# Part 2 An Example; Reform of the Partner Allowance Payment

- In Sept 1994 automatic access to a partner pension/allowance was abolished
- Partners must seek income support in their own right
- But those born before July 1955 with limited work history could still access a partner allowance
- The partner pension/allowance was also grandfathered
- This provision abolished in July 2003

- Short run substitution elasticity of about 40 per cent.
- The short run substitution is into Newstart as anticipated
- Notice that the NewStart response is of long standing
- But no bounce back to the old Income Support numbers.

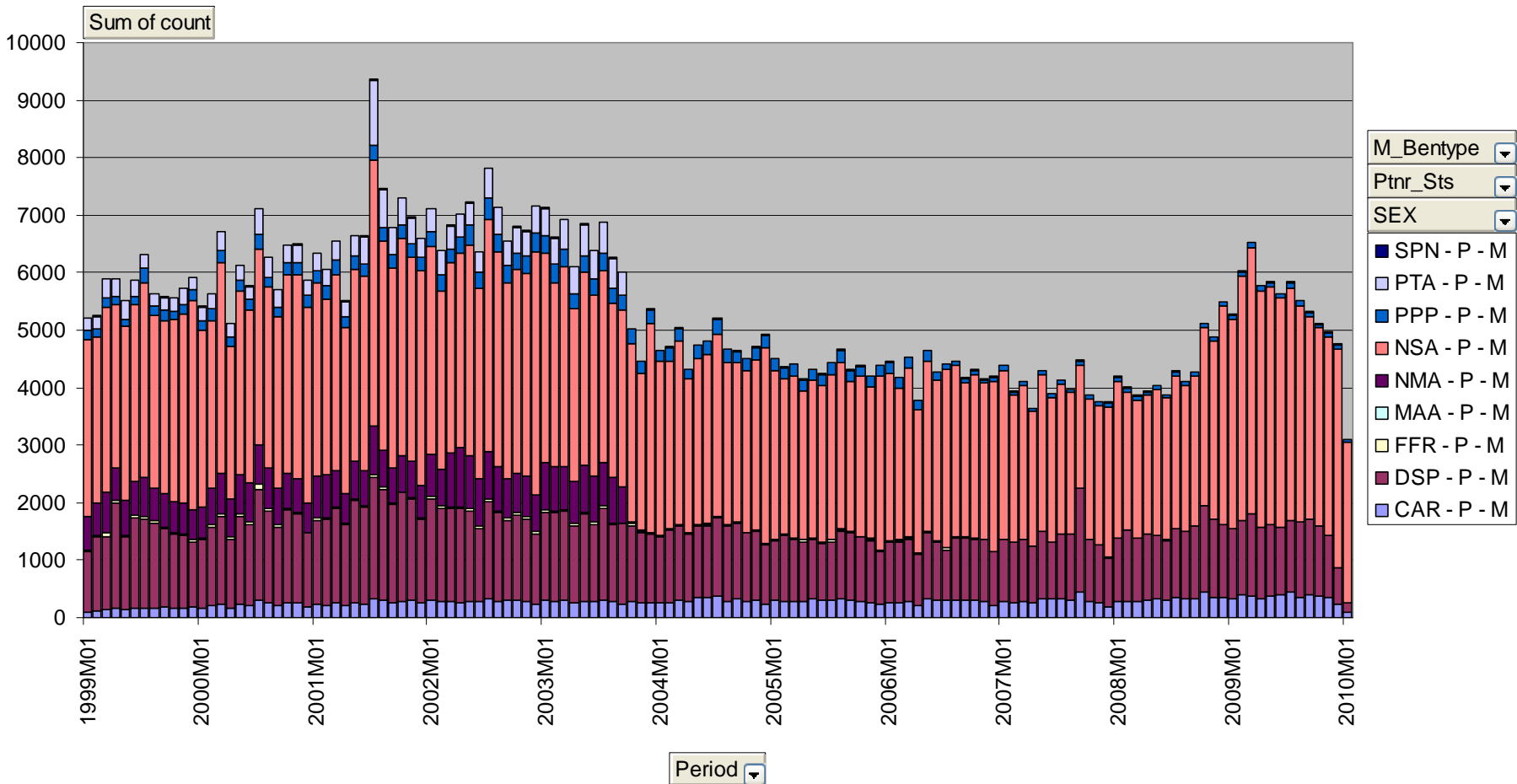
- Married men not directly affected by this provision but their behaviour may change if their wife cannot receive a partner payment
- I call this the cross gender effect
- Gender substitution occurs when both members of a married couple are affected by an income support policy change that only applies to one
- This phenomenon will be noted a number of times and to my knowledge has been largely ignored – at least in the academic literature - which is very surprising

- Married men *do* seem to have been affected
- So cross gender substitution as well and the policy change looks more effective now – *two for the price of one*
- It seems as though married men fell a little more than married women (but there is another policy change only affecting men at the same time). The male response may be a little more spread out through time but not very much
- We do not know though what the men and women did after they responded to the policy, nor are we absolutely sure as yet that gender substitution is an important effect



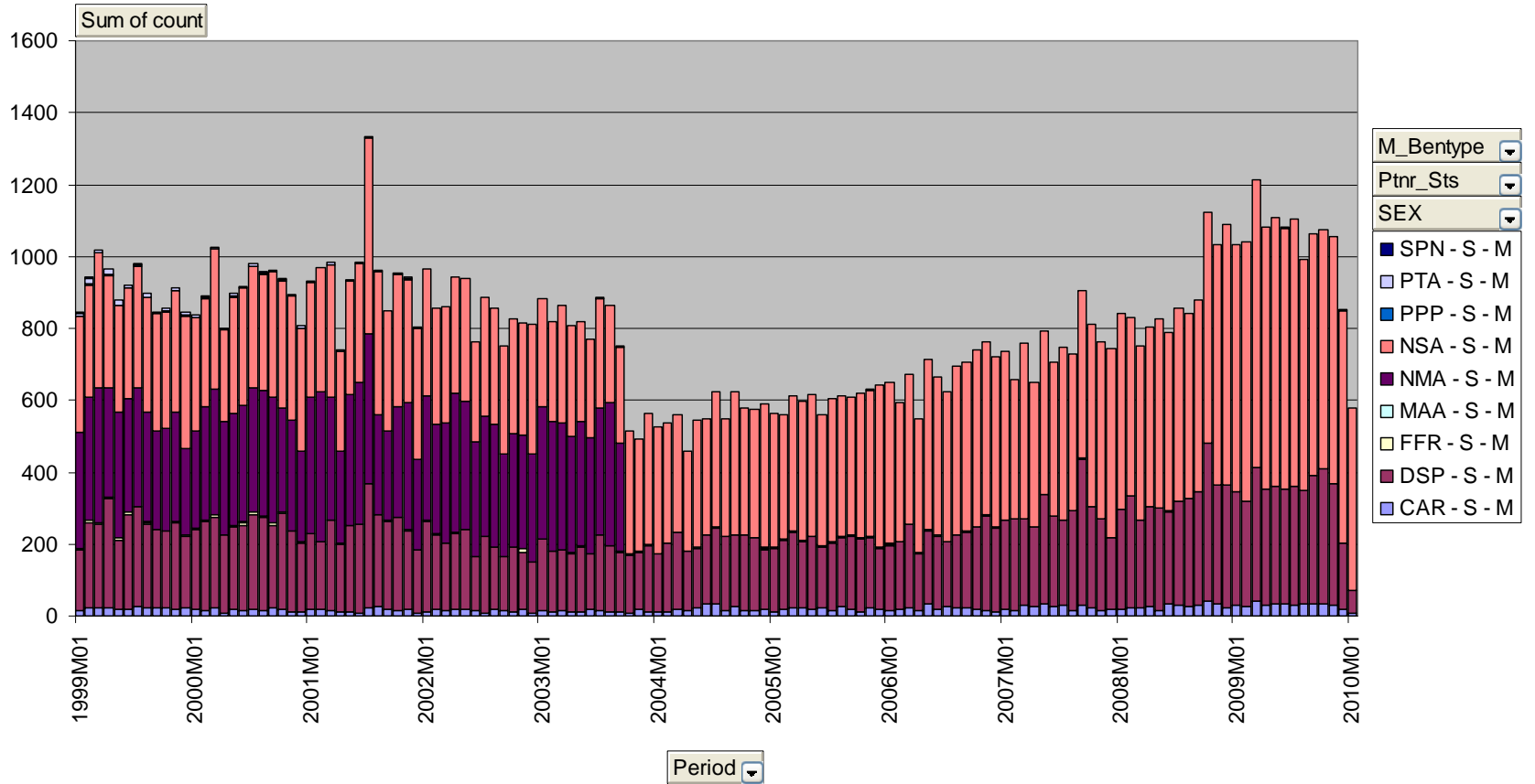
nd INF BenGrp (All) AgeGrpB (All)

# Partnered Men 45-64 Inflows to Income Support

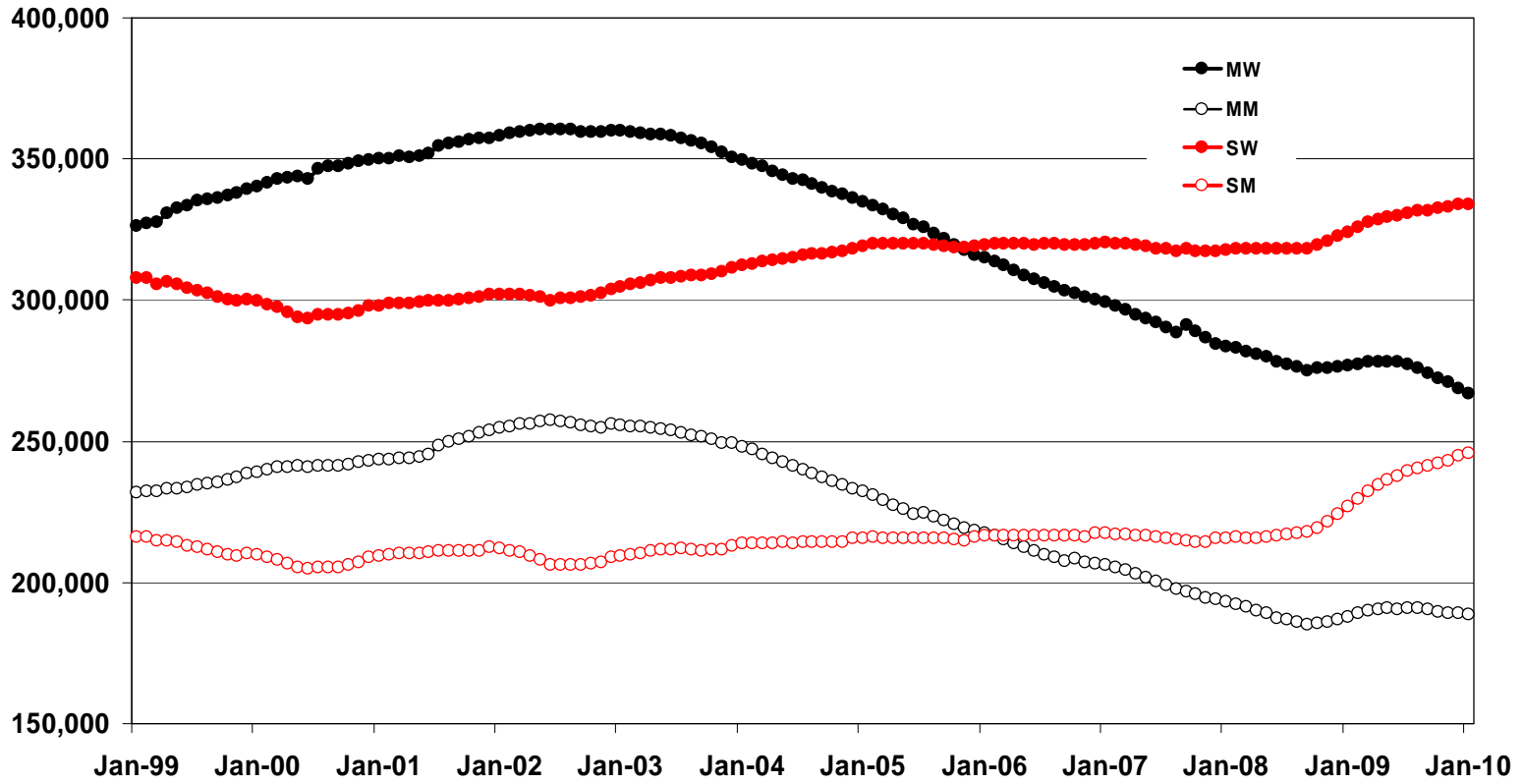


Ind INF BenGrp (All) AgeGrpB 60-64

# Single Men 60-64 Inflows to Income Support



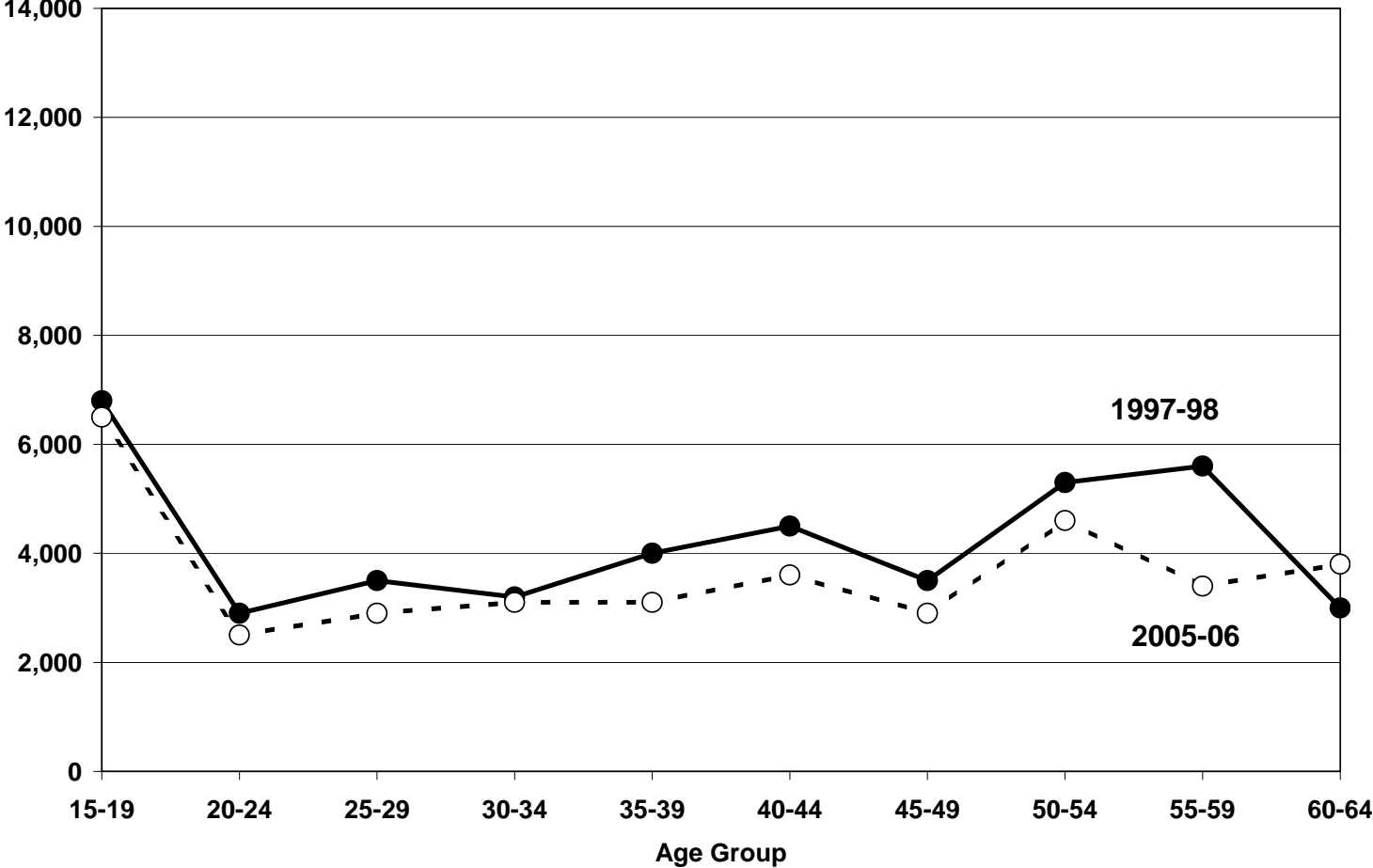
Total Income Support Stock 45-64 by Sex and Marital Status  
1999(1)-2010(1)\*



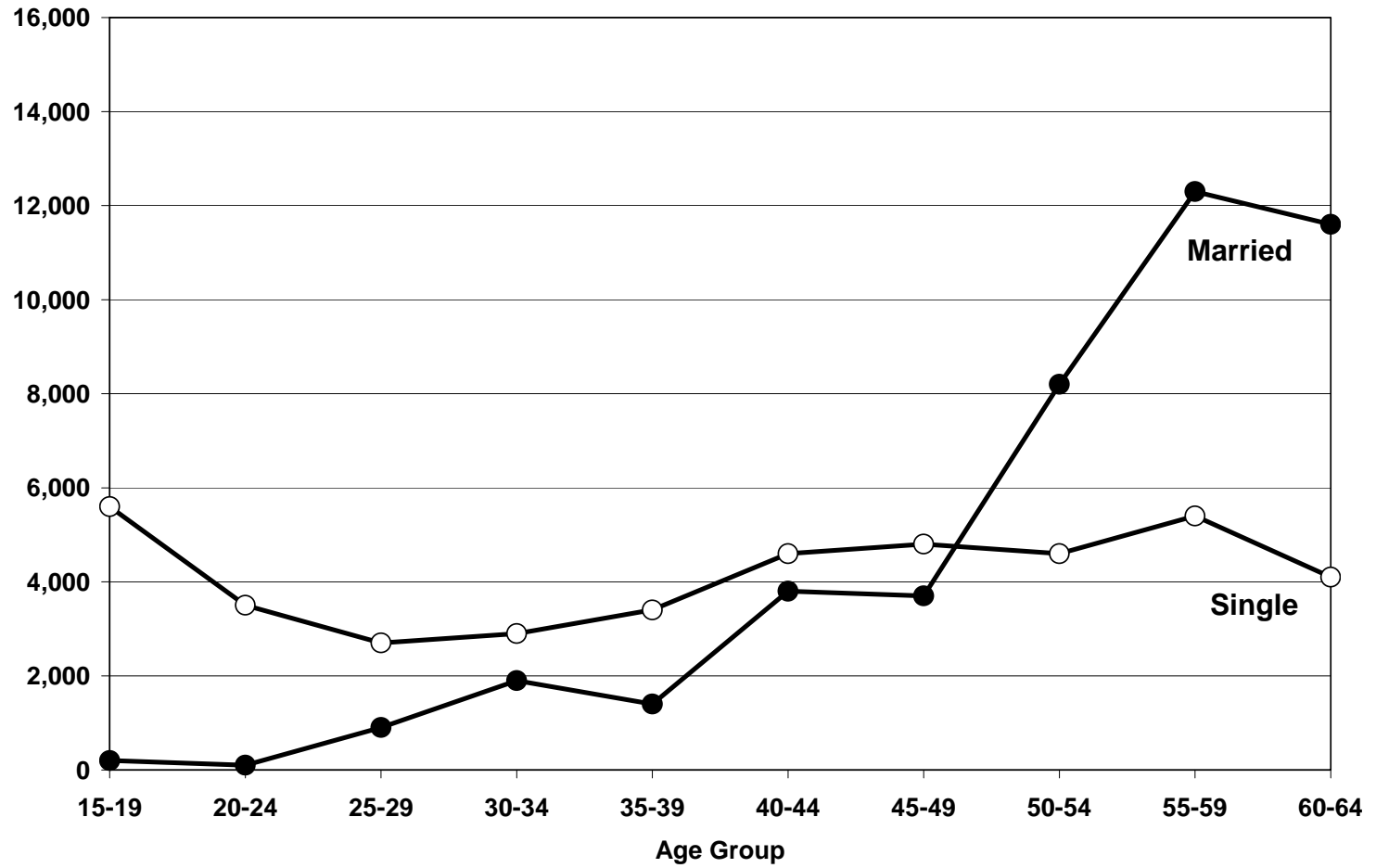
\* DEEWR.

Year

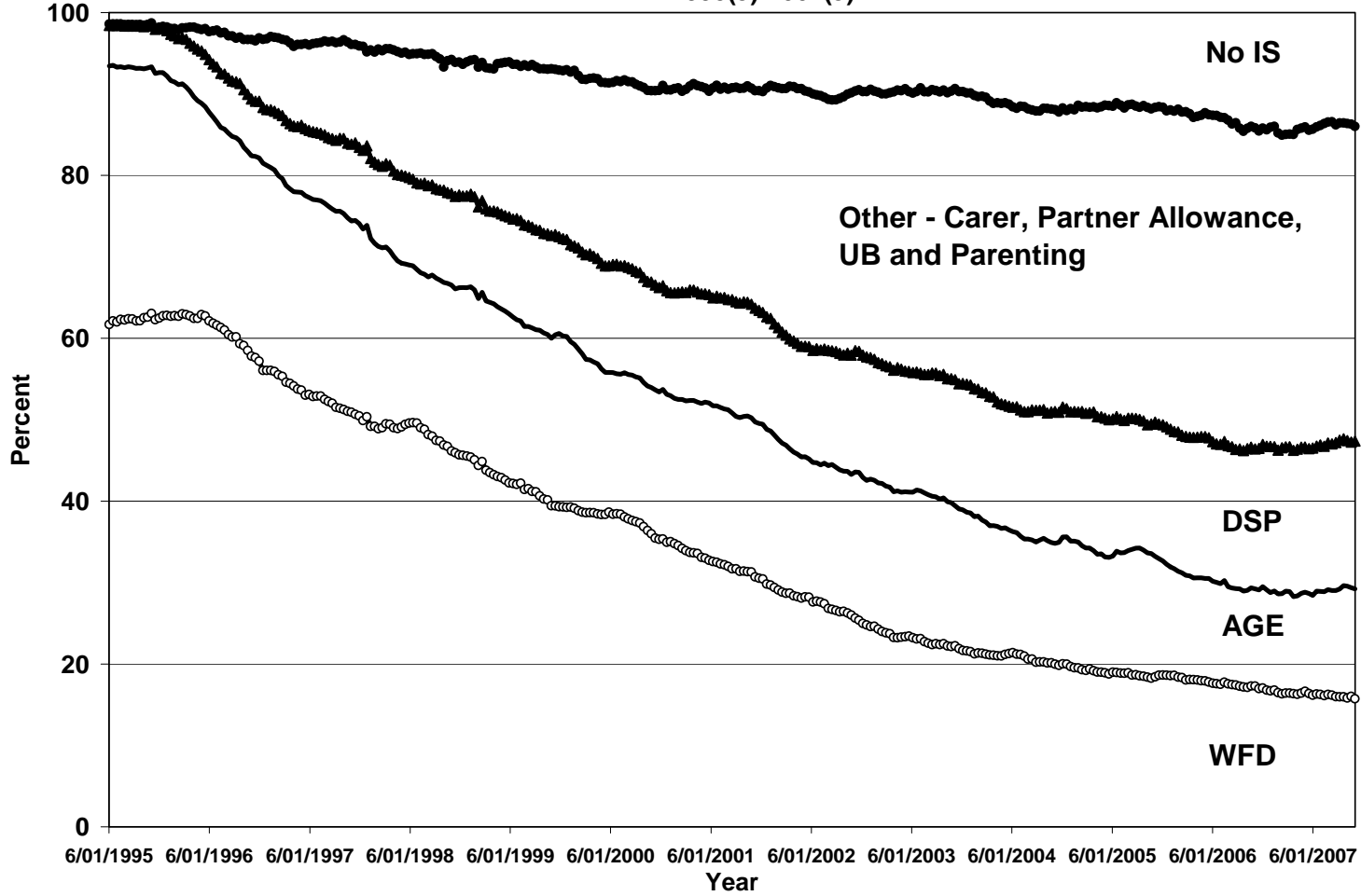
Single, Male DSP Two Year Inflow by Age Group  
Comparing 1997-98 and 2005-06



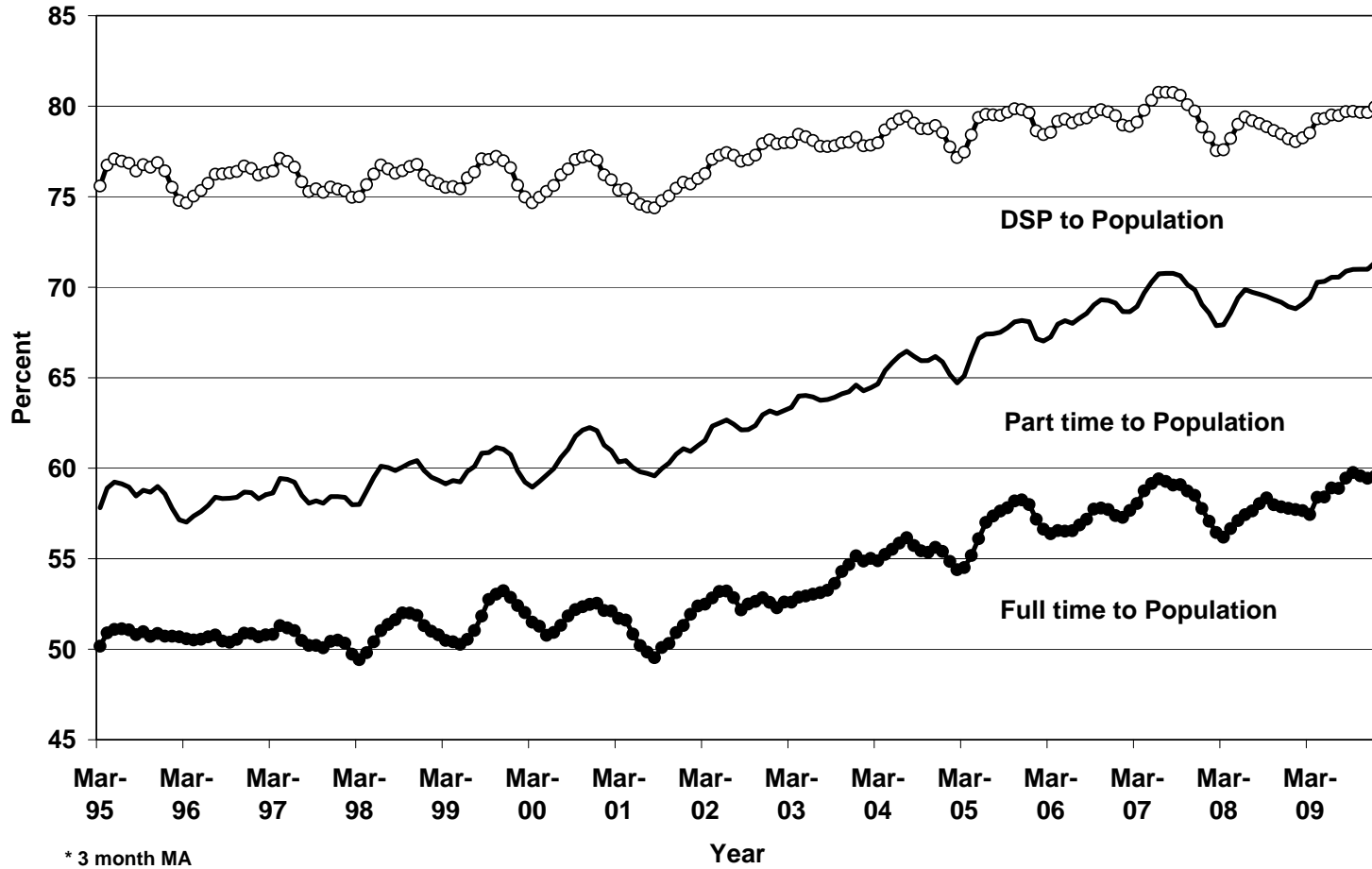
**Male DSP Two Year Inflow by Age Group and Marital Status  
1999-2000**



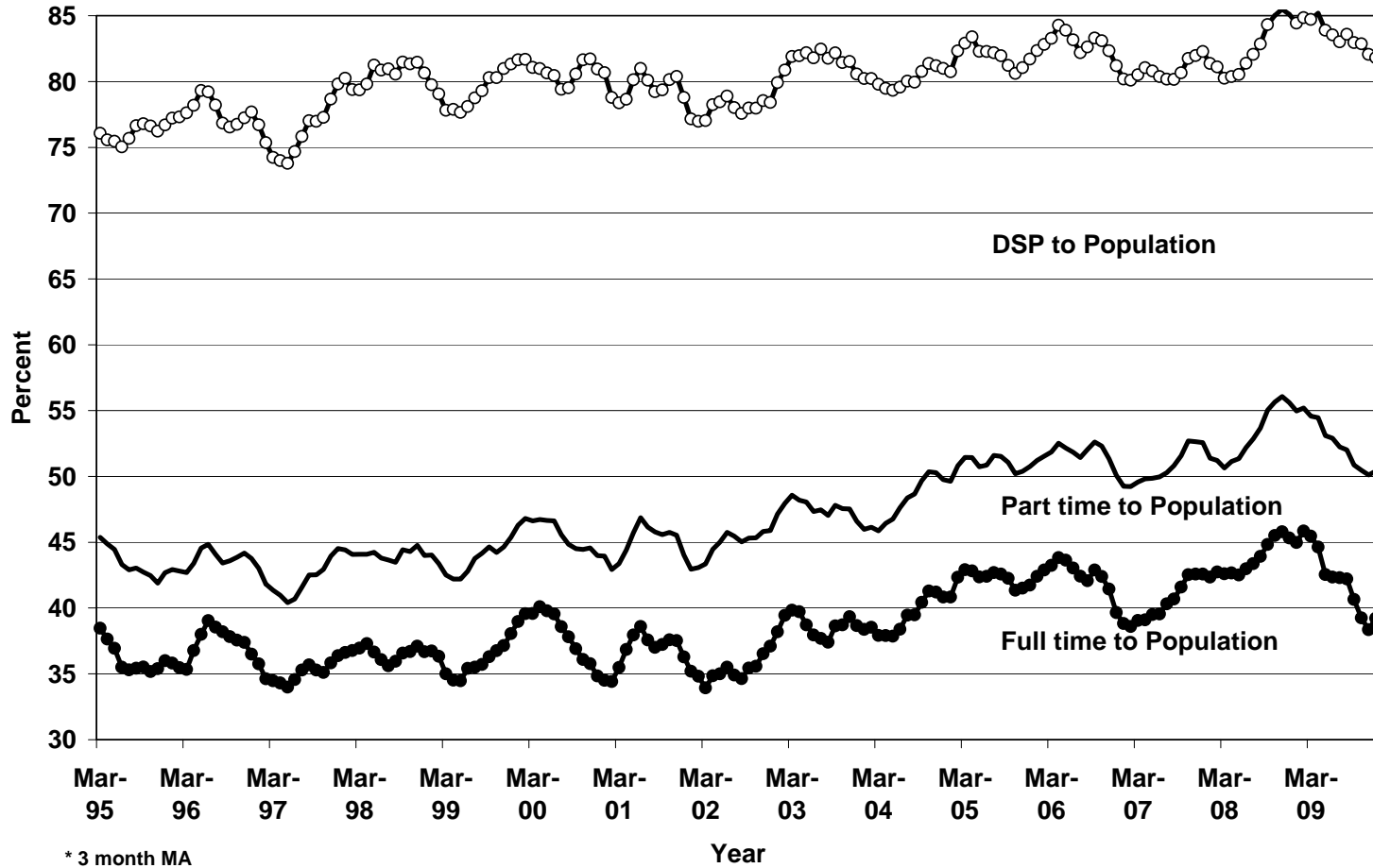
Percent - Married DSP Males 55-64, What are their wives on?  
1995(J)-2007(J)



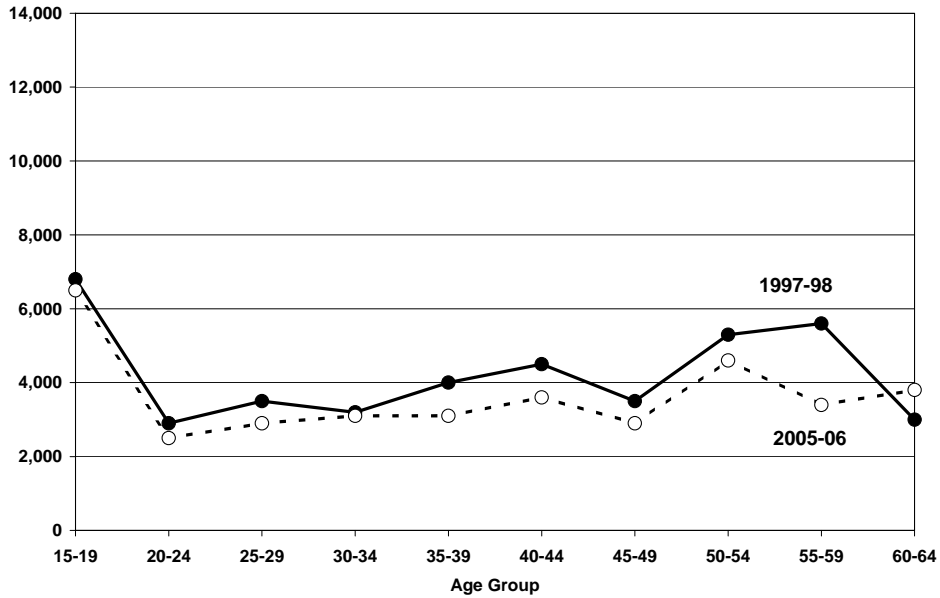
**Cumulative Percent - Married Males 55-64  
1995(M)-2009(D)\***



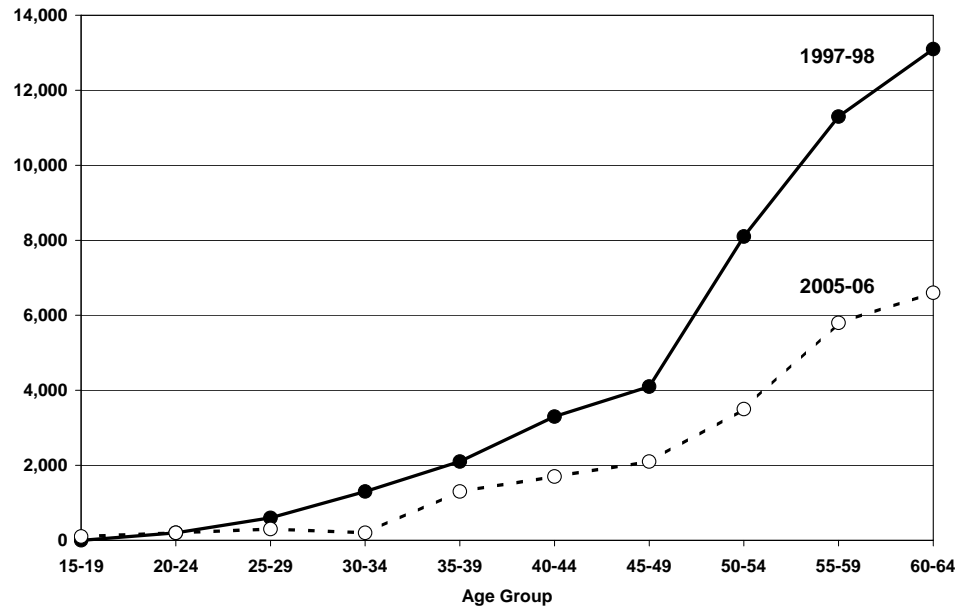
**Cumulative Percent - Single Males 55-64  
1995(M)-2009(D)\***



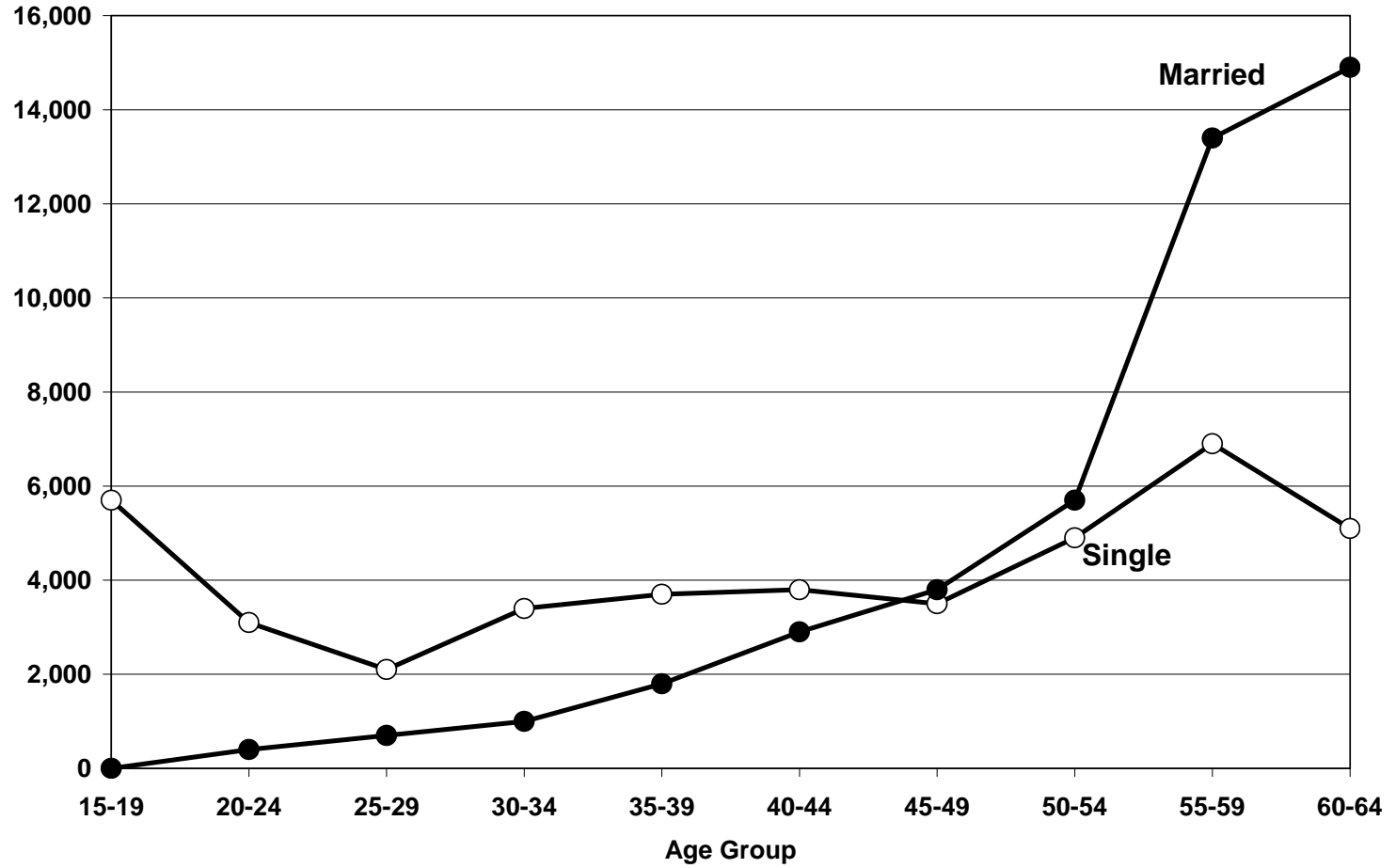
Single, Male DSP Two Year Inflow by Age Group  
Comparing 1997-98 and 2005-06



Married, Male DSP Two Year Inflow by Age Group  
Comparing 1997-98 and 2005-06



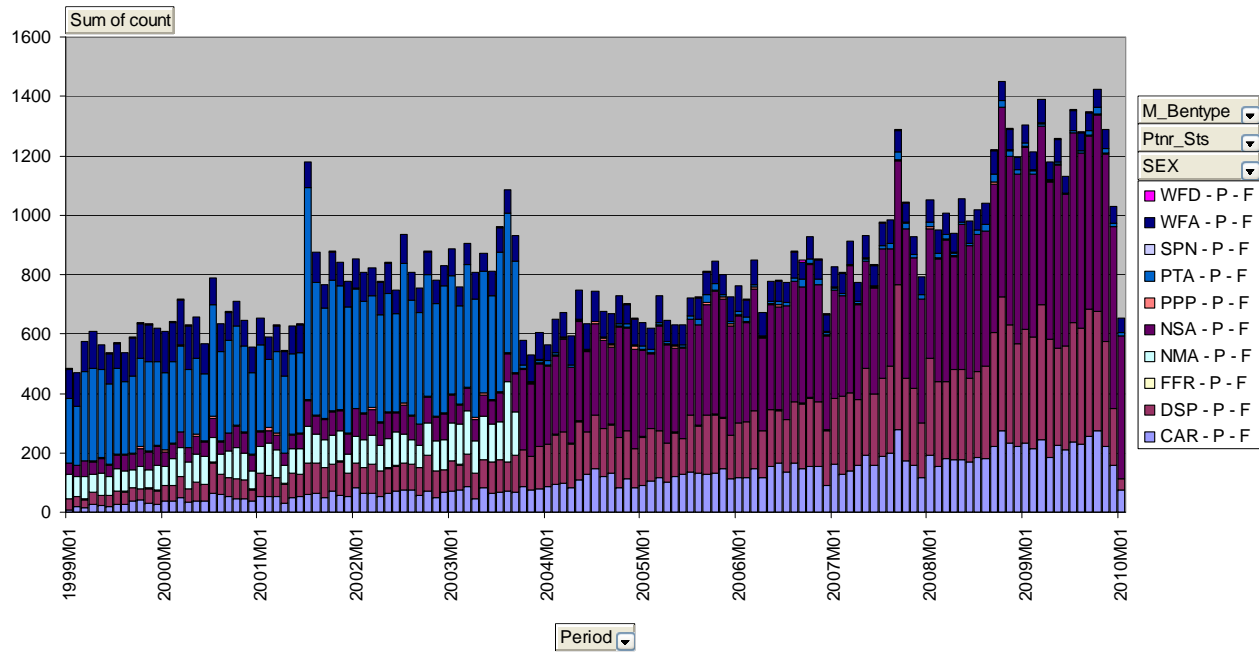
Male DSP Two Year Inflow by Age Group and Marital Status  
2001-2002





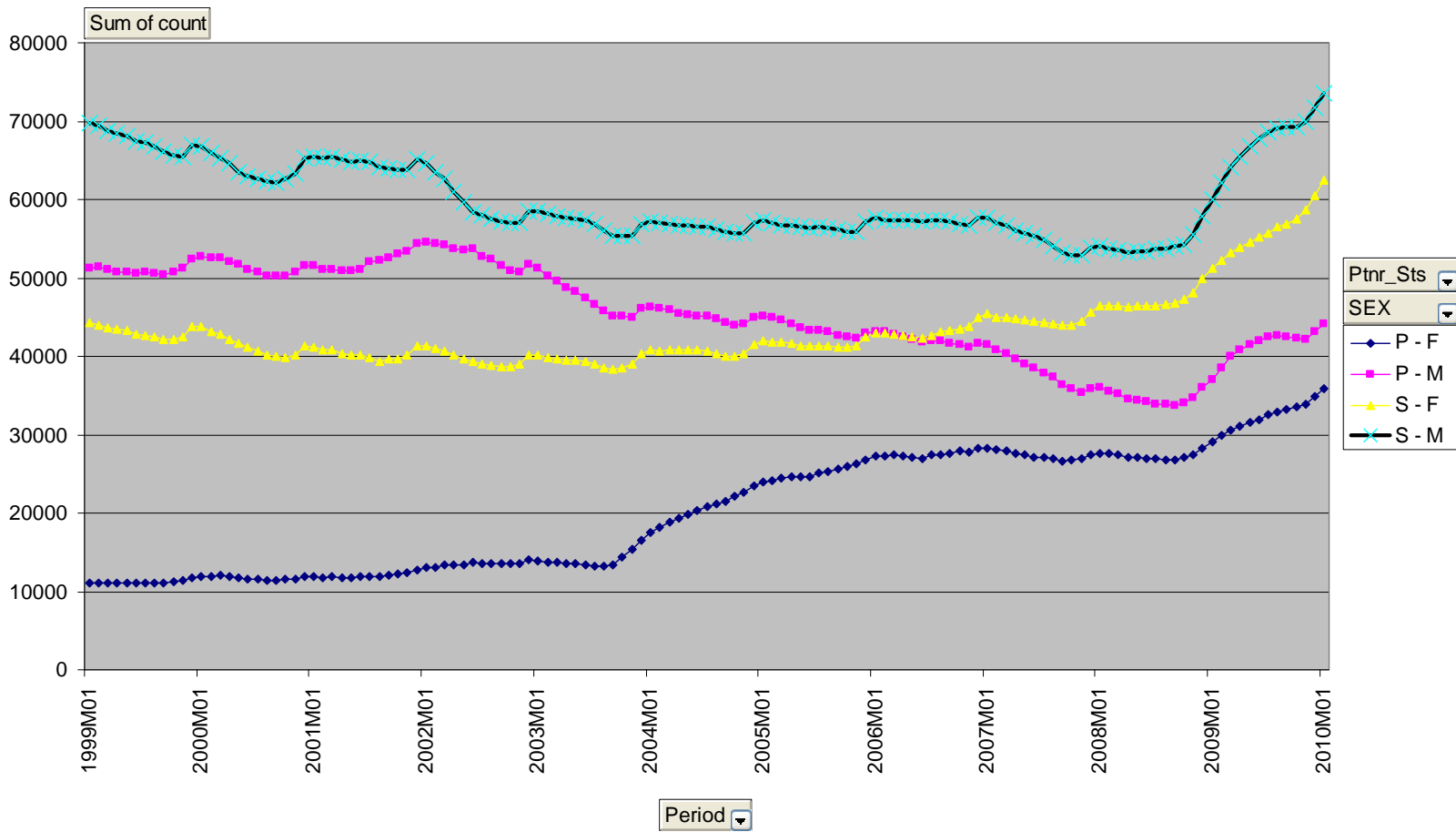
Ind INF BenGrp (All) AgeGrpB 60-64

## Partnered Females 60-64 Inflows to Income Support

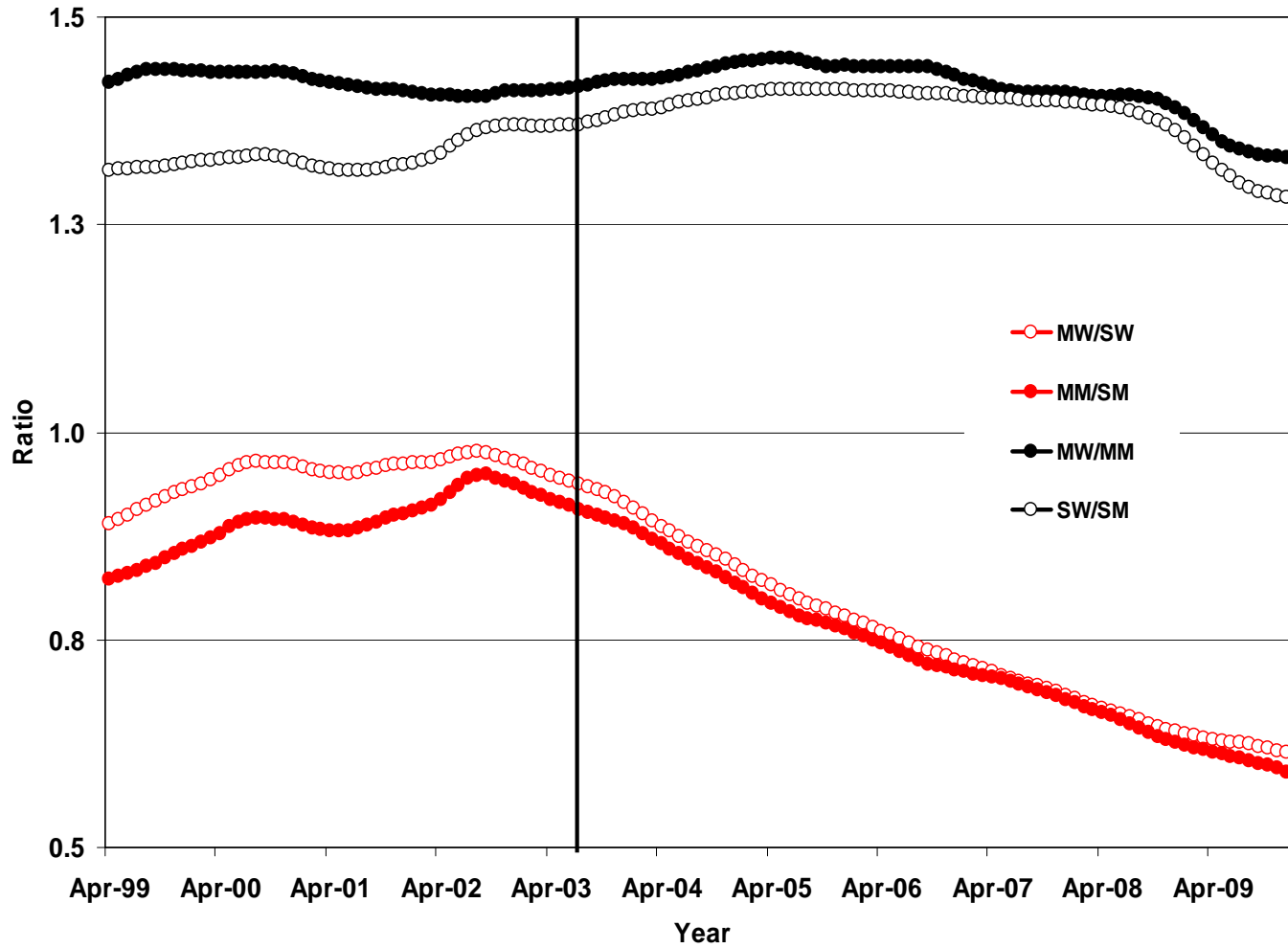


Ind (All) M\_Bentype (All) BenGrp NSS AgeGrpB (All)

# Newstart Stocks 45-64 years



Stock, Total Income Support, 45-59, Ratios  
1999(4)-2010(1)\*



\* 4 month MA, DEEWR.

Figure 4 Total Inflows into Income Support, Partnered and Single Women 45-59  
1999(1)-2009(9)

