

# Welfare to Work

BUDGET  
BUDGET  
BUDGET  
BUDGET  
BUDGET  
BUDGET  
BUDGET  
BUDGET  
BUDGET  
BUDGET

10 MAY 2005

Budget  
2005-06

BUDGET  
BUDGET  
BUDGET  
BUDGET  
BUDGET  
BUDGET  
BUDGET  
BUDGET  
BUDGET  
BUDGET



# CONTENTS

A sustainable welfare system for the future	1	More generous income tests	7
A better balanced welfare system	2	Services — more help for people to look for work	8
Key features of the welfare to work package	3	Services — more help for people to look for work (2)	9
What does it mean for parents?	4	Services – more child care places	10
What does it mean for people with disabilities?	5	Encouraging participation	11
What does it mean for other groups?	6	Benefits and financial impact of reform	12
		Summary of measures	13



# A sustainable welfare system for the future

Most working age welfare recipients are not required to seek work. This is not sustainable, particularly given the ageing population. Increased participation in work from all Australians capable of work, including welfare recipients, increases individual wellbeing and is needed to help improve our future standard of living.

## Furthering welfare reform

This Budget introduces a comprehensive reform of the welfare system for working age Australians. In doing so, it tackles the twin goals of lifting workforce participation and reducing welfare dependency, while maintaining a strong safety net for those who need it.

The changes build on those announced in *Australians Working Together* — and will ensure the sustainability of the welfare system into the future.

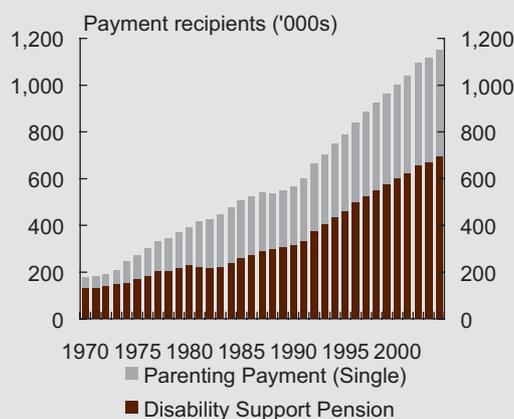
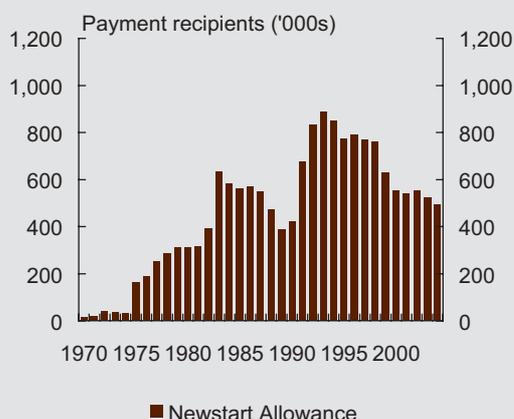
## Need for increased participation

The Intergenerational Report highlighted the need for higher workforce participation to maintain

Australia's high living standards, as the proportion of the working age population decreases over time.

Only 15 per cent of the 2.6 million working age Australians currently on income support are required to actively search for a job at a particular point in time. This reflects an outdated presumption in the welfare system that only those who can work full time must seek work.

Welfare reform plays a role in increasing participation by ensuring that people who can work do so. This is an important part of a broader response to demographic change.



Change in working age income support recipients for specific payment groups, 1970 – 2004

# A better balanced welfare system

Australia's welfare system provides support to those in need, but it must be sustainable to ensure that it meets the long-term needs of our society. The changes to the welfare system for working age Australians will address high levels of welfare dependency and will improve workforce participation.

## Growing welfare dependency

Since 1974, the proportion of working age Australians receiving an income support payment has risen from a modest 5 per cent to around 20 per cent today. Around 2.6 million working age Australians currently receive some welfare payment.

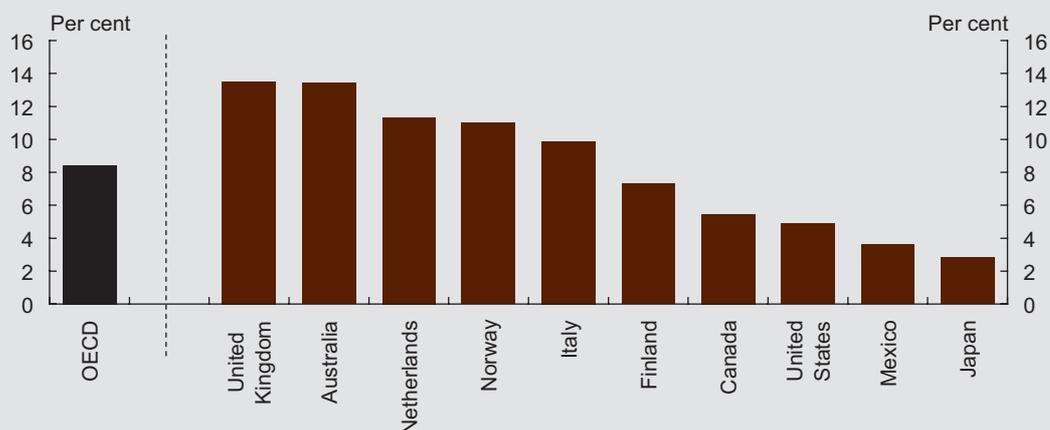
Strong economic growth since 1996 has lowered unemployment — but has done little to slow the growth in single parents and people with disabilities on welfare.

The social impact of welfare dependency is high. Australia has a high proportion of people living in jobless families. Around 690,000 children live in households where no parent works.

## Opportunity for change

Strong economic growth and the increasing desire for and availability of part-time work provide an opportunity to rebalance Australia's welfare system so that it better meets the needs of the 21st century.

The outdated approach of people on welfare being expected to seek work only when they can work full time will be replaced. Policy will focus on encouraging self-reliance and recognising the capacity of many recipients to work part-time. This approach recognises that the best form of income comes from a job, not welfare.



The proportion of total population living in jobless households is high by international standards

# Key features of the welfare to work package

Reform will cover all aspects of the welfare system for working age Australians. The changes represent a substantial \$3.6 billion investment in moving people from welfare to work.

## Obligations for those who can work

Parents on welfare will generally be required to seek part-time work if their youngest child is aged 6-15. People with disabilities applying for welfare who can work part time will be required to seek part-time work. Existing people on Disability Support Pension will not be affected.

## Services to help people into work

Services to help people into work will increase by more than \$2 billion. A new comprehensive work capacity assessment will be introduced to better assess and connect people with services.

## A new approach to payments

People currently on existing payments will remain on those payments. Single parents with

a youngest child aged 6-15 and people with disabilities applying for welfare after 1 July 2006 will be eligible for enhanced Newstart.

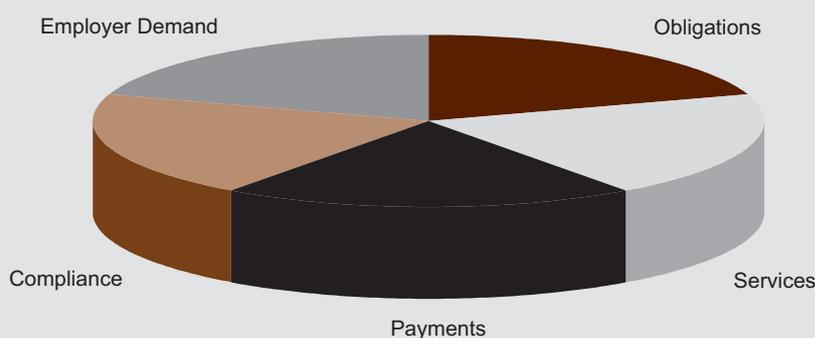
Other allowances will be changed to improve the rewards from work.

## Better compliance framework

A new compliance framework will provide better incentives for people to meet their obligations.

## Helping employers

An employer strategy will help promote the employment of parents, mature age Australians and people with disabilities who can work.



Elements of reform

# What does it mean for parents?

Current Parenting Payment recipients will have access to their current payment protected, but will be required to seek part-time work once their youngest child is aged 7. New parents applying for welfare with a youngest child aged 6 and over will receive a payment and obligation that recognises their capacity to work part time.

## Existing Parenting Payment recipients

Parents receiving Parenting Payment prior to 1 July 2006 will be able to remain on Parenting Payment under the current entitlement, that is, until their youngest child turns 16.

This group of parents will have a year to seek work voluntarily from the later of 1 July 2006 or when their youngest child turns 6. After that, they will become subject to an obligation, based on their capacity, to seek part-time work of at least 15 hours per week.

This applies to both partnered and single Parenting Payment recipients.

## New Parenting Payment recipients

Parents applying for Parenting Payment on or after 1 July 2006 will receive Parenting Payment while their youngest child is less than 6 years old. When their youngest child turns 6, this group of parents will receive enhanced Newstart and be subject to an obligation, based on their capacity, to seek part-time work of at least 15 hours per week.

Single parents on Newstart with a youngest child aged 6-15 will receive a Pensioner Concession Card and Pharmaceutical Allowance.

Partnered parents on Newstart will continue to receive the Health Care Card.

Income support recipient		Obligation	Payment
<b>Parent, youngest child aged under 6</b>	Existing recipient (on 30 June 2006)	None	Parenting Payment (single or partnered)
	New applicant <sup>(a)</sup> (from 1 July 2006)	None	Parenting Payment (single or partnered)
<b>Parent, youngest child aged 6 or over</b>	Existing recipient (on 30 June 2006)	Part time <sup>(b)</sup>	Parenting Payment (single or partnered)
	New applicant (from 1 July 2006)	Part time	Enhanced Newstart Allowance

(a) When the youngest child turns 6, a part-time obligation is applied and enhanced Newstart Allowance is payable.

(b) Existing recipients of Parenting Payment have a 12 month grace period before new obligations commence. This means their obligations commence from the later of 1 July 2007 or their youngest child's 7th birthday.

# What does it mean for people with disabilities?

Current Disability Support Pension (DSP) recipients will not be required to seek work, but will be encouraged to do so and will remain on DSP. After 1 July 2006, people with disabilities seeking to go on DSP who can work 15-29 hours per week will have an obligation and payment that reflects their capacity to work.

## Current Disability Support Pensioners

People in receipt of Disability Support Pension (DSP) prior to 1 July 2006 will remain on DSP with no part-time work obligation. They will be subject to the normal review process for DSP which will apply the existing eligibility criteria based on being able to work 30 hours per week.

## Payment applicants after 1 July 2006

People seeking to go on DSP after 1 July 2006 will receive DSP if they are assessed as being incapable of 15 hours work a week at award wages. If they are capable of working 15-29 hours per week, they will receive enhanced Newstart and be subject to an obligation to seek part-time work.

## Payment applicants after Budget night

People applying for DSP between 11 May 2005 and 30 June 2006 will be assessed for DSP under the existing 30 hours test. However, they will be reassessed in periodic reviews (usually every two or five years) against the 15-29 hour test after 1 July 2006. Those able to work 15-29 hours per week will have an obligation to seek part-time work and will receive enhanced Newstart.

## Other benefits for people with disabilities

People with disabilities with a part-time obligation will receive the Pensioner Concession Card and Pharmaceutical Allowance. They may also be eligible for a higher rate of Mobility Allowance of \$100 per fortnight.

Income support recipient		Obligation	Payment
<b>Person with disabilities, capable of working 15-29 hours per week</b>	Existing recipient	None	Disability Support Pension
	New applicant (11 May 2005 to 30 June 2006)	None <sup>(a)</sup>	Disability Support Pension <sup>(a)</sup>
	New applicant (from 1 July 2006)	Part time	Enhanced Newstart Allowance

(a) New applicants for the Disability Support Pension between 11 May 2005 and 30 June 2006 will be assessed under the existing 30 hours test. Their ongoing eligibility will be assessed in periodic reviews, usually every 2 or 5 years, against the new 15-29 hour per week at award wages test after 1 July 2006. If the reassessment indicates they can work 15-29 hours per week they will be placed on enhanced Newstart Allowance and have a part-time work obligation. If not, they will remain on DSP.

# What does it mean for other groups?

Obligations for mature age people on Newstart will be more closely aligned with those for younger recipients. The Government will expand assistance to help the very long-term unemployed find work. However, those who have not made an adequate effort to seek work may be required to participate in full-time work for the dole.

## Mature age people on Newstart

From 1 July 2006, Newstart recipients aged 50-64 will be obliged to seek full-time work in the same way as younger recipients. However, they will not be required to participate in work for the dole and those over 55 can meet their obligations through part-time and voluntary work.

## Very long-term unemployed

Wage Assist will be introduced from 1 July 2006 to enable Job Network members to offer an employer a wage subsidy for up to six months to employ a very long-term unemployed person. Up to 7,000 places will be available each year. Very long-term unemployed people who have a pattern of job avoidance may be required to

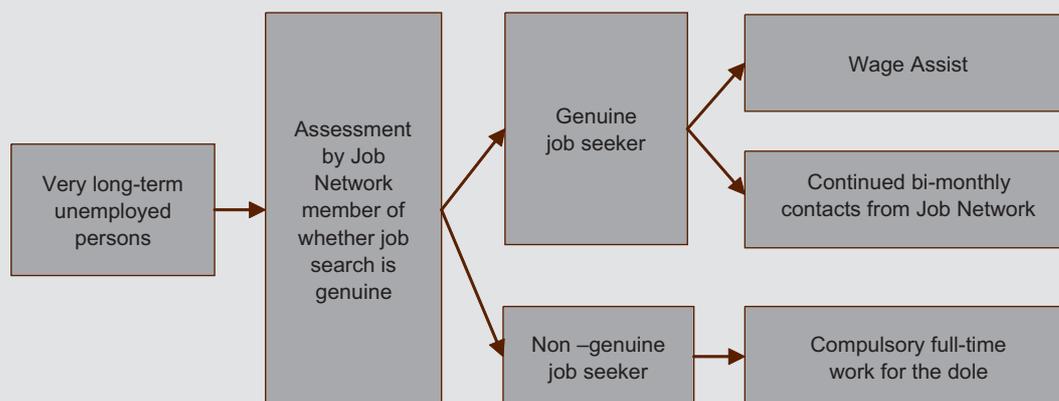
participate in compulsory work for the dole for 25 hours per week for 10 months of the year.

Other job seekers who make a genuine effort to find work will continue to receive Job Network assistance as occurs currently.

Some will also receive a comprehensive work capacity assessment to check their payment eligibility and service needs.

## Other working age payments

Recipients of Carer Payment and payments from the Department of Veterans' Affairs will be unaffected.



Services for the very long-term unemployed to apply from 1 July 2006

# More generous income tests

Newstart will be changed from 1 July 2006 to improve the rewards from part-time work and allow people to keep more of the extra money they earn while on payment. The income tests on other allowance payments will also be made more generous. These changes will benefit both new and existing recipients.

## Changes to Newstart and Parenting Payment Partnered

From 1 July 2006 the Newstart income test will be made more generous.

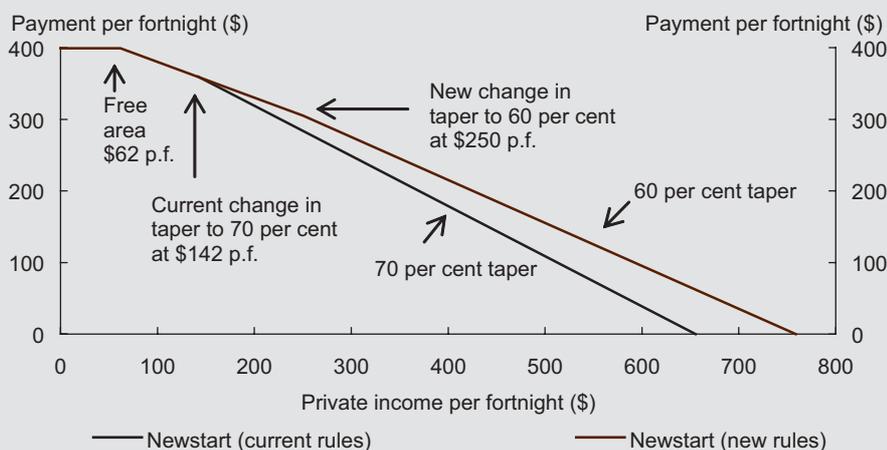
- The maximum taper for Newstart will be reduced from 70 cents to 60 cents in the dollar.
- Currently, after a free area of \$62 per fortnight, a single person has a 50 per cent taper up until \$142 per fortnight, before the maximum taper commences. From 1 July 2006, the 50 per cent taper will apply from \$62 to \$250 per fortnight before the new maximum taper of 60 cents cuts in.

This improves rewards from part-time work and helps people move from welfare into work.

## Changes to other allowances

Other allowance payments will also be changed in line with the changes for Newstart, including: Youth Allowance (non-students); Widow Allowance; Partner Allowance; Mature Age Allowance; and Sickness Allowance.

People in receipt of student payments (Youth Allowance (student), Austudy and Abstudy) will also benefit from a reduction in the maximum withdrawal rate from 70 cents in the dollar to 60 cents.



Personal income test for Newstart (single person, based on current rates)

# Services — more help for people to look for work

The Government is investing more than \$2 billion over four years in services to help people find a job and keep it. Key elements are a revised approach to assessment and referral, new services to help people find work and increased places in existing services.

## More services

The Government is committed to providing assistance to those with obligations to seek work to help them find a job. As a result, spending on services is being increased.

## Comprehensive work capacity assessment

Accurately assessing people's work capacity is critical to determining who should have an obligation to seek work. Assessments are also key to referring job seekers to the right services to help them find work.

The Government will introduce a new comprehensive work capacity assessment to provide accurate assessments and referrals to

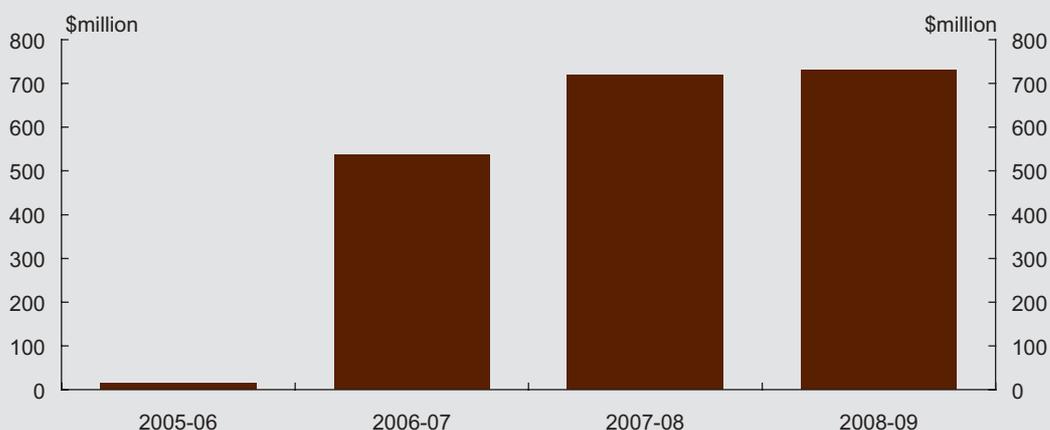
appropriate services. Around \$316 million over four years will be invested.

A new Pre-vocational Participation Account will provide short-term interventions, such as pain management, to enable quick movement of job seekers into work.

## Job Network

Funding for Job Network will be increased by \$681 million over four years, reflecting extra places for jobseekers and new services.

- This includes a new Employment Preparation service that will provide greater assistance to parents and mature age job seekers without recent labour market experience.



Additional spending of more than \$2 billion on services over four years

# Services — more help for people to look for work (2)

Extra spending on services will include more places in open employment and rehabilitation services to assist people with disabilities. The number of vocational education and training places will also increase.

## Disability open employment services

The number of places in disability open employment services will be increased to meet demand from new job seekers by 20,600 places. Disability open employment services help people with disabilities to find and retain jobs.

The Government will also consult with the disability sector about how open employment services can best assist new jobseekers.

## Rehabilitation

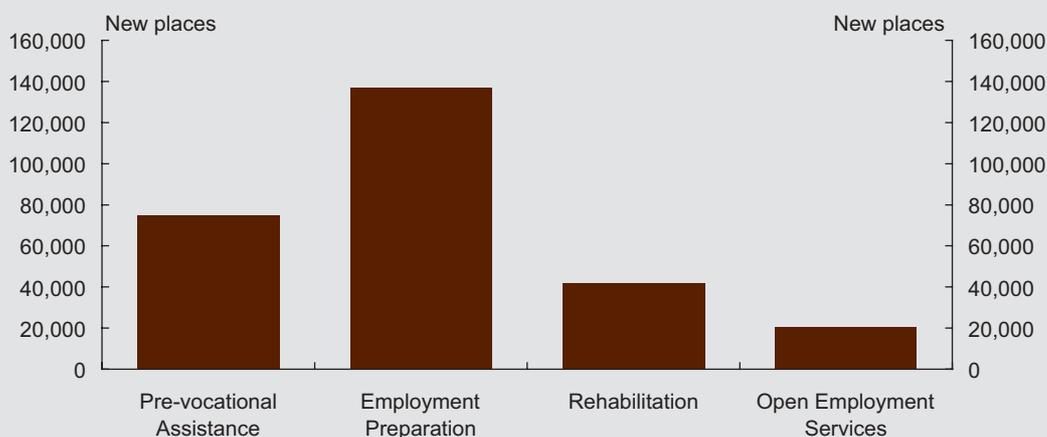
Rehabilitation places will be increased by 41,600 places to meet demand from new job seekers.

## Education and training

While the reform package encourages work, some people will require access to education or training before being able to seek a job.

Additional funding will provide an extra 12,300 vocational education and training places, at a cost of \$43 million over three years.

The Language, Literacy and Numeracy Programme, will also be expanded by 2,900 places.



Extra places in services to help people find and retain employment (over four years)

# Services – more child care places

To assist parents, the Government has committed an additional \$266 million to child care over the next four years. This significantly increases the number of places available.

## A boost to child care places

The Government is boosting child care through a \$266 million package to assist parents in the transition from welfare to employment, education or training.

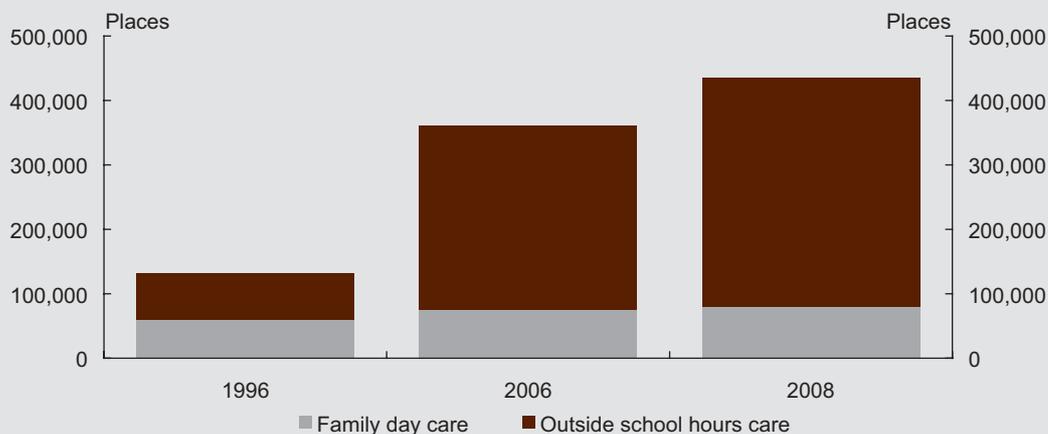
This package includes:

- 84,300 extra Outside School Hours Care places
- 2,500 extra Family Day Care places
- 1,000 extra In-Home Care places
- help for 52,000 families through Jobs, Education and Training Child Care fee assistance.

Jobs Education and Training Child Care assists low income families meet any 'gap' in child care fees. The additional funding will help ensure that child care costs are not a barrier for parents making the transition from welfare to work.

This substantial package builds on earlier Government commitments to child care including:

- the Child Care Tax Rebate, a 30 per cent rebate on out-of-pocket child care expenses costing \$1 billion over four years
- 40,000 additional Outside School Hours Care places and 4,000 additional Family Day Care places in the 2004-05 Budget.



Child care places will be much higher than in 1996

# Encouraging participation

A new compliance framework incorporating suspension will support the participation focus of the new arrangements.

A range of measures will encourage employer demand, particularly for people with disabilities.

## Compliance

A suspension based approach to compliance will replace the current breaching approach from 1 July 2006. This is consistent with the directions of the Breaching Review Taskforce. Suspensions will better encourage income support recipients to comply with the conditions of their payment.

The new approach will apply to working age income support recipients with a participation requirement.

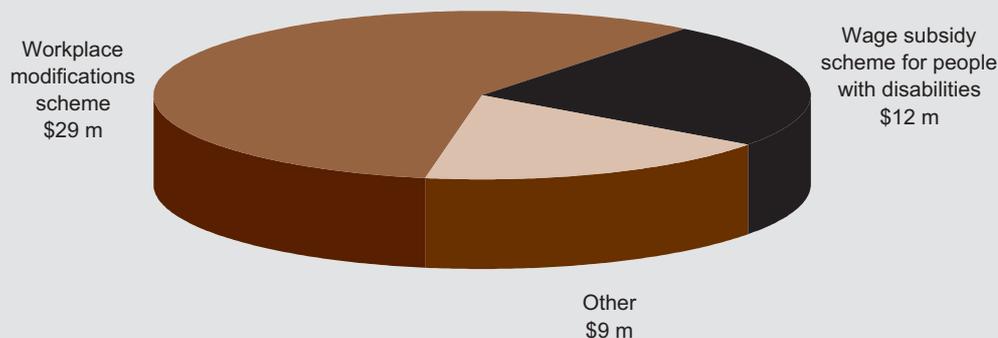
As a last resort, payment will be stopped for eight weeks for serious participation failures. Case management will avoid unreasonable hardship on individuals and their families.

## Helping employers

A number of strategies will be adopted to promote employer demand to help people with the transition from welfare to work.

Government will work with industry groups and employers to promote better matching of job seekers to employment opportunities.

Two schemes will be expanded to help the employers of people with disabilities. The Workplace Modifications Scheme will be expanded, at a cost of \$29 million over four years. The Wage Subsidy Scheme will also be expanded by \$12 million over four years.



Elements of the \$50 million employer demand strategy

# Benefits and financial impact of reform

The *Welfare to work* package is a significant investment in individuals, their families and Australia's future economic performance — at a cost of \$3.6 billion over four years.

## Benefits

Reforming the welfare system will have a significant positive impact on the economy.

The reforms will result in increased labour force participation and higher employment over time. This will generate stronger economic growth, increasing individuals' and Australia's prosperity.

However, increased participation may lead to the measured unemployment rate also rising in the short term, due to participation initially rising faster than employment. Over time, this will dissipate as job opportunities are taken up by those people who are participating in the workforce.

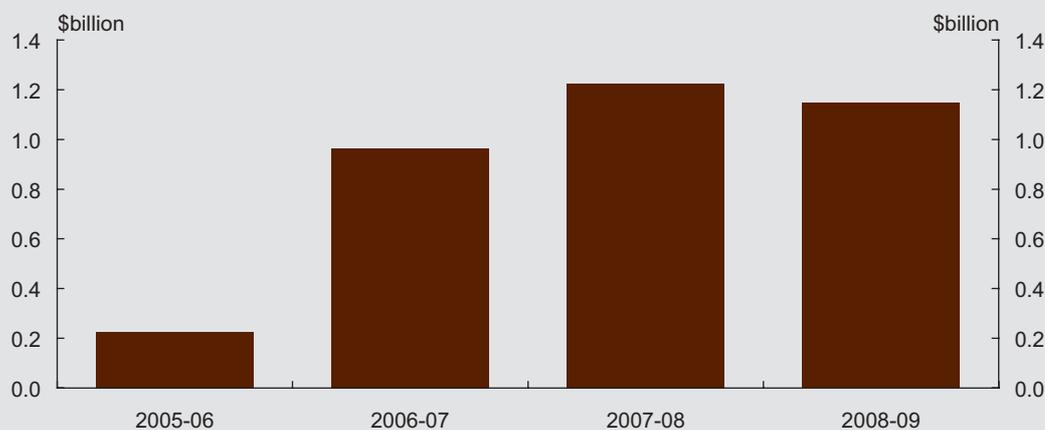
## Financial Implications

More than \$2 billion will be spent on services to underpin the reforms over the four years commencing 2005-06. This includes:

- \$681 million on Job Network
- \$266 million on child care
- \$170 million on disability open employment services.

The changes to Newstart will cost \$943 million over four years.

The total cost of the package is \$3.6 billion over four years.



A welfare to work package costing \$3.6 billion over four years

# Summary of measures

The Welfare to Work package costs the Government \$3.6 billion over four years.

	2005-06 \$m	2006-07 \$m	2007-08 \$m	2008-09 \$m	Total \$m
<b>EXPENSE MEASURES</b>					
<b>Department of Education, Science and Training</b>					
More generous Newstart Allowance Income test	-	48.2	55.0	54.7	157.8
- Increasing participation of people with a disability	-1.5	2.5	6.0	10.4	17.4
- Increasing participation of parents	-	10.9	27.5	39.3	77.7
- Expansion of vocational education and training to support participation	-	25.5	13.2	3.9	42.6
- Increasing participation of the mature aged	-	0.5	0.2	0.2	0.9
<b>Sub Total</b>	<b>-1.5</b>	<b>87.7</b>	<b>101.8</b>	<b>108.5</b>	<b>296.5</b>
<b>Department of Employment and Workplace Relations</b>					
- an improved compliance framework	21.1	65.0	78.9	76.2	241.3
- increasing participation of people with a disability	32.6	140.2	135.9	173.2	481.9
- evaluation and monitoring	2.2	3.0	3.2	2.8	11.2
- improved information technology to support participation	32.8	33.4	27.3	21.1	114.7
- communication strategy	8.7	11.1	8.9	0.2	29.0
- Employment Preparation	-	16.7	20.8	10.3	47.7
- assistance for employers	7.0	14.7	15.3	13.0	50.0
- increasing participation of the very long term unemployed	4.7	100.0	117.1	138.1	359.9
- increasing participation of parents	26.5	90.7	163.0	2.2	282.4
- increasing participation of the mature aged	7.2	2.1	1.9	-5.5	5.6
- increase in the Mobility Allowance for certain recipients	-	11.6	14.2	16.8	42.5
- more generous Newstart Allowance Income test	2.3	187.3	290.4	305.1	785.2
<b>Sub Total</b>	<b>145.1</b>	<b>675.8</b>	<b>876.9</b>	<b>753.6</b>	<b>2451.4</b>
<b>Department of Family and Community Services</b>					
- enhance child care arrangements to support work participation	25.7	41.6	80.5	118.7	266.4
- increasing participation of parents	-	2.5	7.1	11.3	21.0
- increasing participation of people with a disability	-	11.0	18.3	26.0	55.3
<b>Sub Total</b>	<b>25.7</b>	<b>55.1</b>	<b>105.9</b>	<b>156.0</b>	<b>342.8</b>
<b>Human Services</b>					
- Comprehensive Work Capacity Assessments	0.8	105.3	107.3	102.7	316.0
- Pre-vocational Assistance Participation Account	0.2	26.8	28.4	25.1	80.5
<b>Sub Total</b>	<b>1.0</b>	<b>132.1</b>	<b>135.7</b>	<b>127.8</b>	<b>396.6</b>
<b>Total Expense measures</b>	<b>170.3</b>	<b>950.7</b>	<b>1220.3</b>	<b>1145.9</b>	<b>3487.2</b>

# Summary of measures

The Welfare to Work package costs the Government \$3.6 billion over four years.

	2005-06	2006-07	2007-08	2008-09	Total
	\$m	\$m	\$m	\$m	\$m
<b>CAPITAL MEASURES</b>					
<b>Department of Employment and Workplace Relations</b>					
– improved information technology to support participation	40.1	12.8	5.8	0.5	59.2
– increasing participation of parents	0.2	-	-	-	0.2
– increasing participation of people with a disability	0.4	-	-	-	0.4
– increasing participation of the mature aged	0.1	-	-	-	0.1
<b>Sub Total</b>	<b>40.8</b>	<b>12.8</b>	<b>5.8</b>	<b>0.5</b>	<b>59.9</b>
<b>HUMAN SERVICES</b>					
<i>Centrelink</i>					
– increasing participation of parents	7.7	-	-	-	7.7
– increasing participation of people with a disability	7.3	-	-	-	7.3
<b>Sub Total</b>	<b>15.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15.0</b>
<b>Total Capital measures</b>	<b>55.8</b>	<b>12.8</b>	<b>5.8</b>	<b>0.5</b>	<b>74.9</b>
<b>PACKAGE TOTAL</b>	<b>226.3</b>	<b>963.6</b>	<b>1,226.1</b>	<b>1,146.3</b>	<b>3,562.4</b>