

Income support among people of working age

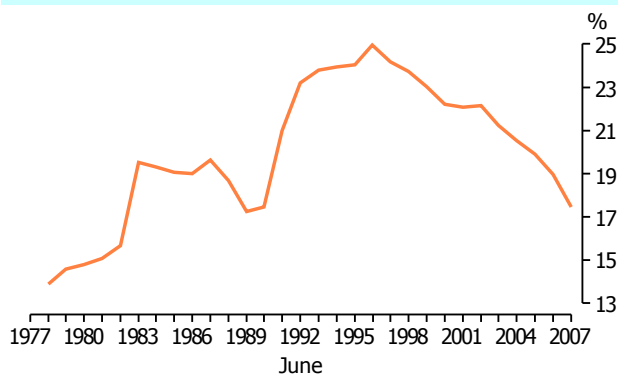
Over most of the 20th century an increasing proportion of the population received income support. In 1901, only 1% of Australians aged 15 years and over received an income support payment. By the early 1970s, 12% received income support and this increased rapidly during the 1970s to reach 23.5% in 1979. The proportion peaked in 1996 at 33% before declining to 27% in 2008.¹

Trends in rates of income support receipt among the working aged

One of the explanations for the long-term increase in the overall rate of income support receipt among people aged 15 years and over is that, because Australians are living longer, an increasing proportion of the population has become eligible to receive the Age Pension. Yet the proportion of working age people receiving income support also grew until the mid 1990s. The reasons for the increase in this proportion between June 1978 (about 14%) and June 1996 (around 25%)² include declines in full-time employment, an increase in the proportion of people without partners, and higher levels of education participation among young people (see *Australian Social Trends 2001*, [Income support among people of workforce-age](#)).

This article focuses on the subsequent decrease in the proportion of working age people receiving an income support payment between June 1996 (about 25%) and June 2007 (about 17%).² Factors contributing to this decrease include strong jobs growth, the closure or phasing out of some payments, and tightening of eligibility criteria to receive some other payments.

Proportion of working age people receiving income support(a) – 1978-2007



(a) Excluding DVA Income Support Supplement, Exceptional Circumstances Relief Payment, and Farm Family Restart.

Source: Parliament of Australia Parliamentary Library 2008, [Trends in the receipt of income support by workforce age people 1978 to 2007](#)

Data sources and definitions

Some of the data presented in this article have been sourced from publications and papers freely available on the websites of various Australian Government agencies. ABS Estimated Resident Population has been used to calculate rates of income support receipt. Other data are sourced from the ABS 2007–08 Survey of Income and Housing. Detailed information about this survey can be found in:

- [Household Income and Income Distribution, Australia, 2007–08](#) (ABS cat. no. 6523.0).
- [Information Paper: Survey of Income and Housing, User Guide, Australia, 2007–08](#) (ABS cat. no. 6553.0).

Income support from the Australian government is designed to provide a basic, acceptable standard of living for people unable to fully support themselves. The amount paid reflects prevailing community standards, and is largely determined by the application of income and asset thresholds and tapers (i.e. *means testing*). As a result of means testing, a claimant may receive a full-rate income support payment, a part-rate payment, or be assessed as ineligible to receive income support.

Not all payments from government are considered to be income support. Payments which are not means tested (e.g. economic stimulus payments, one off payments to seniors and carers), payments intended to help meet specific costs (e.g. Family Tax Benefit, Baby Bonus, Utilities Allowance), and payments which represent compensation for loss (e.g. DVA Disability Pension, War Widow(er)'s Pension and Orphan's Pension) are not regarded as income support.

In June 2007, *income support payments* comprised the following payments: Age Pension, Disability Support Pension, Newstart Allowance, Parenting Payment (Single), Youth Allowance (Full-time study), Service Pension, Parenting Payment (Partnered), Carer Payment, DVA Income Support Supplement, Youth Allowance (Other), Partner Allowance, Widow Allowance, Wife Pension, Abstudy, Exceptional Circumstances Relief Payment, Austudy, Sickness Allowance, Special Benefit, Mature Age Allowance, Widow B Pension, Bereavement Allowance, and Farm Family Restart.¹

In this article, people of *working age* are people aged 16–64 years. Children aged 15 years are often excluded from the working age range when calculating rates of income support receipt as very few 15 year olds are eligible to receive an income support payment. This article excludes 15 year olds from the working age population to maximise comparability between different data sources.

...strong jobs growth

A sustained increase in employment opportunities saw the proportion of working age people receiving an unemployment payment fall from

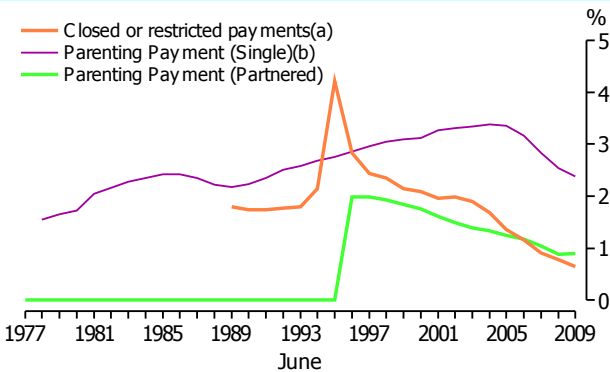
6.9% in June 1996 to 3.3% in June 2008 before rising to 4.2% in June 2009. These movements closely mirror changes in the unemployment rate (see *Australian Social Trends March 2010*, ["The labour market during recent economic downturns"](#)).

While it is a major contributor, the lower rate of receipt of an unemployment payment accounts for less than half of the 7.5 percentage point fall in the proportion of working age people receiving income support between June 1996 and June 2007. Given that the proportions of working age people receiving Disability Support Pension and Carer Payment actually increased over the same period, factors other than lower unemployment clearly also contribute to the fall in income support receipt among people of working age.

...several payments closed or being phased out

One of the other reasons for the decrease in the rate of income support receipt among working age people between June 1996 and June 2007 has been the closure and/or phasing out of a number of income support payments. Wife Pension was closed to new entrants in 1995. Access to Widow B Pension was limited in 1987, and then closed to new entrants in 1997. Partner Allowance and Mature Age Allowance were both closed to new claimants in 2003, and by 2008 there were no longer any recipients of Mature Age Allowance. Since 2005, new grants of Widow Allowance have been limited to women born on or before 1 July 1955.

Proportion of working age people receiving selected income support payments

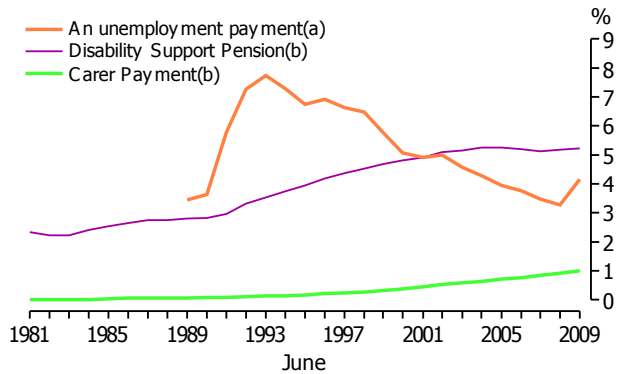


(a) Comprises Mature Age Allowances, Partner Allowance, Wife Pension, Widow B Pension and Widow Allowance. Some recipients are 65 or over, and some live overseas. These recipients are in the numerator but not the denominator of the proportion.

(b) Recipients living overseas are in the numerator but not the denominator of the proportion.

Source: Australian Government Department of Families, Housing, Community Services and Indigenous Affairs [Occasional Paper No. 1 Income support and related statistics: a 10-year compendium, 1989-1999](#); [Statistical Paper No. 1 Income support customers: a statistical overview 2002](#); [Statistical Paper No. 4 Income support customers: a statistical overview 2005](#); [Annual Report 2005-06, 2006-07, 2007-08, 2008-09](#); Australian Government Department of Education, Employment and Workplace Relations [Annual Report 2005-06, 2006-07, 2007-08, 2008-09](#); [Labour Market and Related Payments, January 2010](#); Parliament of Australia Parliamentary Library [Trends in the receipt of income support by workforce age people 1978 to 2007](#); [Population by Age and Sex, Australian States and Territories, June 2009](#) (ABS cat. no. 3201.0)

Proportion of working age people receiving selected income support payments



(a) Currently comprises Newstart Allowance and Youth Allowance (Other). Some recipients of Youth Allowance (Other) are under 16. These recipients are in the numerator but not the denominator of the proportion.

(b) Some recipients are 65 or over, and some live overseas. These recipients are in the numerator but not the denominator of the proportion.

Source: Australian Government Department of Families, Housing, Community Services and Indigenous Affairs [Occasional Paper No. 1 Income support and related statistics: a 10-year compendium, 1989-1999](#); [Occasional Paper No. 7 Income support customers: A statistical overview 2001](#); [Statistical Paper No. 1 Income support customers: a statistical overview 2002](#); [Statistical Paper No. 4 Income support customers: a statistical overview 2005](#); [Annual Report 2005-06, 2006-07, 2007-08, 2008-09](#); Australian Government Department of Education, Employment and Workplace Relations [Annual Report 2005-06, 2006-07, 2008-09](#); [Population by Age and Sex, Australian States and Territories, June 2009](#) (ABS cat. no. 3201.0)

The proportion of working age people receiving either Wife Pension, Widow B Pension, Partner Allowance, Mature Age Allowance or Widow Allowance decreased from 4.2% in June 1995 to 0.6% in June 2009. None of these closed or restricted income support payments have participation or activity requirements such as studying, training or searching for work. When introduced, the payments reflected attitudes and policies of the time about which groups of working age people could not reasonably be expected to find paid work to support themselves. However, attitudes and policies about the capacity for workforce participation by working age people without recent job experience have changed over recent decades.

...tightened eligibility for some payments

Another reason for the decrease in the rate of income support receipt among 16-64 year olds has been the gradual raising of the age at which women qualify for receipt of a pension for having reached retirement age. In June 1996, women needed to be aged 60.5 years to qualify for receipt of the Age Pension and 55.5 years to qualify for an equivalent retirement pension from the Department of Veteran's Affairs. By June 2007, these qualifying ages had risen to 63 years and 58 years respectively. This has resulted in progressively fewer working age people receiving the Age Pension. In June 1995 there were 211,685 women under 65 receiving the Age Pension (representing 1.8% of all

working age people). By June 2007 the number of women under 65 receiving the Age Pension had more than halved.²

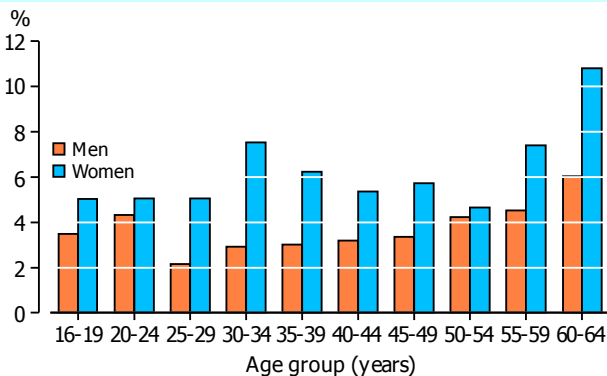
Until 10 May 2005, people qualified for the Disability Support Pension if they had an impairment that prevented them from working (or being re-skilled to work) for 30 hours a week at or above the minimum wage for at least the next two years. This changed from 30 hours a week to 15 hours a week for some working age people applying for this income support payment between 11 May 2005 and 30 June 2006, and for all new claimants from 1 July 2006. After rising from 1.7% in June 1972 to 5.3% in June 2004, the proportion of working age people receiving the Disability Support Pension changed little to June 2009 (5.2%).

Immediately prior to 1 July 2006, Parenting Payment was available (subject to means testing and residence rules) to the principal carer of a child aged under 16 years. Since 1 July 2006, new recipients needed to have a child under six (if partnered) or eight (if single). New recipients were required to look for at least 15 hours work per week when their youngest child turned six, and existing recipients were required to do so on 1 July 2007 or when their youngest turned seven (whichever was later).^{1,3} The proportion of working age people receiving Parenting Payment (Single) increased from under 1.6% in June 1978 to 3.4% in June 2005. Over the next four years it steadily fell to 2.4%. The rate of receipt of Parenting Payment (Partnered) has also declined; from 2.0% in June 1996 to 0.9% in June 2009.

Who receives income support?

The age/sex distribution of working age income support recipients is shaped by factors such as the incidence of disability (which rises with age) and parenting activity (which increases for women when they have children then decreases as their children age).

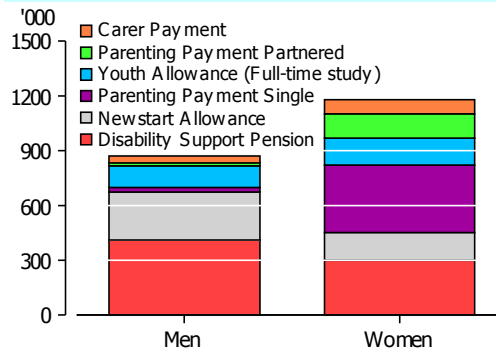
Age/sex distribution of working age income support recipients(a) – 2007-08



(a) Some income support recipients are excluded from this distribution because of the scope of the survey, and some are excluded because the survey did not determine that they were receiving an income support payment.

Source: ABS 2007-08 Survey of Income and Housing

Recipients of selected income support payments – June 2007



Source: Harmer, J 2008 *Australia's future tax system: Pension Review Background Paper*

In 2007–08, women represented nearly two-thirds (63%) of all working age income support recipients living in private dwellings. Yet men are more likely than women to receive certain types of payments. In June 2007, men comprised 63% of Newstart Allowees and 58% of Disability Support Pensioners. Rates of receipt of the Disability Support Pension rise with age for both men and women,¹ which partly explains the relatively high proportion of working age income support recipients who are aged 55–64 years.

In June 2007, some payments to people of working age (i.e. Wife Pension, Widow B Pension, Widow Allowance and the Age Pension) were received by women only, while some others (e.g. Carer Payment, Partner Allowance and Bereavement Allowance) were mainly received by women. These payments also partly explain the relatively high proportion of working age income support recipients who are 55–64 year old women.

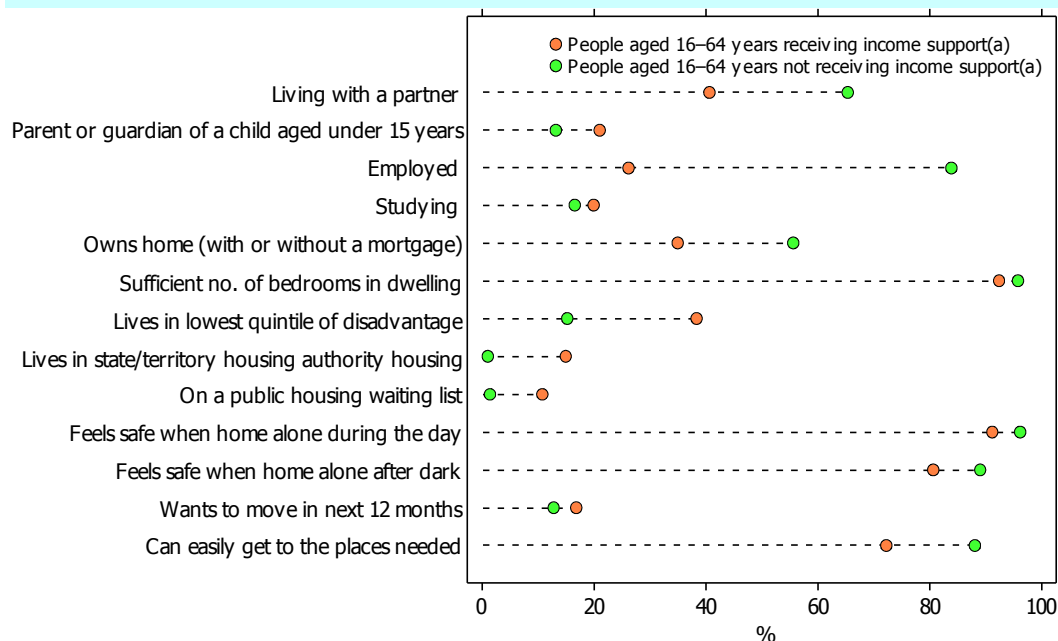
Among younger age groups, there were other reasons why there were more female than male income support recipients. High proportions of people receiving Parenting Payment (Single) (93%) and Parenting Payment (Partnered) (91%) were women, as were more than half (54%) of all students receiving either Youth Allowance (Full-time study), Austudy or Abstudy.

Characteristics and living standards

On some socioeconomic measures collected in the ABS 2007–08 Survey of Income and Housing, working age people receiving income support appear broadly similar to working age people not receiving income support. On other measures, the income support recipients do not fare nearly as well.

Largely because their rate of participation in paid employment was relatively low (26% compared with 84% of other 16–64 year olds), income support recipients had lower income-related consumption possibilities. In 2007–08, their mean weekly disposable personal

Selected socioeconomic characteristics and selected indicators of living standards – 2007-08



(a) Some income support recipients are excluded from these proportions because of the scope of the survey, and some are included in the 'not receiving income support' population because the survey did not determine that they were receiving an income support payment.

Source: ABS 2007-08 Survey of Income and Housing

income (\$371) was less than half (47%) that of 16-64 year olds who did not receive income support (\$787). Taking into account the income of other household members and the economy of scale benefits derived from sharing household expenses, the average weekly household equivalised disposable income of working age income support recipients (\$525) was 59% that of other 16-64 year olds (\$895).

Working age income support recipients were also less likely than other working age people to be living with a partner (41% compared with 65%) yet were more likely to be the parent or guardian of one or more children aged under 15 (21% compared with 13%). Around 13% of working age income support recipients lived alone (compared with 9% of other 16-64 year olds), 19% lived in a one-parent family household (compared with 3% of other 16-64 year olds) and 52% lived in a couple family household (compared with 77% of other 16-64 year olds).

Other measures show little difference between recipients and non-recipients of income support. For example, 20% of working age income support recipients were studying (compared with 17% of other 16-64 year olds), 92% had a sufficient number of bedrooms in their dwelling (96% of other 16-64 year olds), 91% felt safe when home alone during the day (96% of other 16-64 year olds) and 17% wanted to move in the year ahead (13% of other 16-64 year olds).

Looking ahead

Government policy to maximise workforce participation combined with recent indications of improving labour market conditions might be expected to keep rates of income support receipt relatively low among people of working age. Further tightening of eligibility criteria to receive income support could be expected to have a similar effect.

One example of further eligibility tightening took effect on 1 July 2009, when there were changes to what Centrelink defined as assessable income for determining eligibility to receive most means tested income support payments. Assessable income could no longer be reduced by investment losses or salary sacrificed superannuation contributions.⁴

Another example of further eligibility tightening is that the Age Pension qualifying age is continuing to increase. Rates of income support receipt observed among 63 and 64 year olds in 2007-08 may lower in forthcoming years as the Age Pension qualifying age for women incrementally increases from 63 to 65 years between 2007 and 2013. Between 2017 and 2023, the Age Pension qualifying age is scheduled to gradually increase to 67 years for both men and women.⁵ This may extend the upper age limit of what is regarded as 'working' age.

The Australian Government is currently considering a wide-ranging review of the tax and transfer system, aiming to improve

incentives to work, reduce complexity and maintain cohesion.¹ The review made recommendations to meet looming demographic, social, economic and environmental challenges.⁶ Changes to aspects of some working age income support payments are one possible outcome of the government's response to the review.

Endnotes

- 1 Harmer, J., 2008, *Australia's future tax system: Pension Review Background Paper*, Canberra, <www.fahcsia.gov.au>.
- 2 Parliament of Australia Parliamentary Library 2008, *Background Note: Trends in the receipt of income support by workforce age people 1978 to 2007*, APL, Canberra, <www.aph.gov.au>.
- 3 Department of Education, Employment and Workplace Relations 2009, *Annual Report 2008–09*, DEEWR, Canberra, <www.deewr.gov.au>.
- 4 Centrelink, 2009, *Changes to the definition of income could affect your payment*, Centrelink, Canberra, <www.centrelink.gov.au>.
- 5 Centrelink 2009, *Increase in Age Pension Age*, Centrelink, Canberra, <www.centrelink.gov.au>.
- 6 Australian Treasury 2009, *Australia's future tax system*, Treasury, Canberra, <www.gov.au>.