



Welfare to Work and its regional effects

July 2006

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Executive Summary

Many single parents and people with disabilities who apply for social security payments after 1 July 2006 will be affected by the Government's *Welfare to Work* legislation, passed by the Parliament late last year. The changes include new activity requirements, greater investment in employment assistance services to help people get work, and a compliance and penalty regime for people who fail to meet the new requirements.

This paper deals with another major change applying from 1 July: reductions in the level of social security payments received by many single parents and people with disabilities. From 1 July 2006, the following applicants for income support will generally go onto lower payments like 'Newstart Allowance' (unemployment payments) or 'Austudy Payment' (for full time students) instead of the higher 'Parenting Payment Single' or 'Disability Support Pension':

- single parents whose youngest child is aged 8 and over
- people with a disability who are assessed as able to work 15-30 hours a week.

ACOSS supports policies that improve the job prospects of single parents and people with disabilities, but it is not necessary to put people on lower payments to achieve this. These cuts to payments will not help people get a job. Instead, they will increase poverty in Australia, including poverty among children.

In October 2005, ACOSS published estimates of the numbers of single parents and people with disabilities who are likely to be financially worse off as a result of these changes to social security payments. This paper updates that analysis to take account of subsequent changes to the policy.¹

Our analysis of official figures suggests that 158,000 social security recipients – 81,000 people with disabilities and 77,000 single parents - will be financially worse off over the first three years after introduction of the changes in July 2006.² This paper examines how much worse off people will be, and where those people worse off are located by States, and Federal Electorates.

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¹ See ACOSS Info 381 http://www.acoss.org.au/upload/publications/papers/353_info%20381%20worse%20off.pdf. Before the policy was legislated, the Government announced that single parents could continue to receive Parenting Payment until their youngest child reached 8 years (previously 6 years), and that those single parents who are foster carers, home educators, distance educators, or have 4 or more children who receive Newstart Allowance or Youth Allowance would be paid at the higher Parenting Payment rate. These changes mean that fewer single parents will be worse off.

² This is the number of recipients estimated by the Government to go onto lower payments, or no payment, instead of DSP or Parenting Payment Single, as a result of the policy.

How much worse off?

Those who will be worse off are people with disabilities and single parents who apply for social security after July 2006 and receive Newstart Allowance, Austudy Payment, or Youth Allowance instead of Disability Support Pension or Parenting Payment Single. As well as being much lower than pensions, these payments have stricter income tests for those working part time, and the student payments lack some of the supplements and benefits that pensioners get. We estimate that in 2006-07:

- a person with disabilities would be \$46 per week worse off if jobless, up to \$164 worse off if a full time student, and \$101 worse off if earning \$200 from a part time job (on Newstart Allowance or Austudy Payment compared with DSP).
- a single parent with 2 children 8 years and over would be \$29 per week worse off if jobless, \$60 worse off if a full time student, and \$96 worse off if earning \$200 from a part time job (on Newstart Allowance or Austudy Payment compared with PPS). (See table below).

Figure 1: Reductions in social security payments for people with disabilities and single parents going onto Newstart Allowance or Austudy Payment (2006-07)

	Single adult with disability able to work part time (\$ per week)	Single parent with primary school age children (\$ per week)
Jobless	-\$46	-\$29
Employed 15 hours per week at minimum wage (\$200pw)	-\$101	-\$96
Studying fulltime (not renting)	-\$113	-\$60
Studying fulltime (renting)	-\$164	-\$60

Source: ACOSS calculations; NATSEM 2005, *Distributional impact of welfare to work reforms upon single parents*; and NATSEM 2005 *Distributional impact of welfare to work reforms upon Australians with disability*. Based on projected average income support payment rates in 2006-07, when the changes commence.

The Government argues that people with disability and single parents will be better off because they would have more income working part time on Newstart Allowance than jobless on a pension. However, this does not compare like with like – such as a part time worker on Newstart Allowance with a person in the same job on a pension. It assumes that most will get jobs, which is very unlikely. It also ignores the low financial returns from part time work under the relatively strict Newstart Allowance income test.

How many worse off?

We estimate that, across Australia:

- 81,000 people with disability (0.6% of the current national electorate) would be worse off
- 77,000 single parents (0.6% the current national electorate) would be worse off.
- In all, those worse off represent 1.2% of the current Australian electorate.

- by State?

We estimate that, across the States:

- A disproportionate number of *people with disability* who are worse off live in Queensland (19,050 people), Tasmania (2,550), the Northern Territory (750), and South Australia (7,850).
- A disproportionate number of *single parents* worse off live in Northern Territory (2,300 people), Queensland (26,950), and Western Australia (10,780).
- In overall terms, a disproportionate number of those worse off live in Queensland, Western Australia or the Northern Territory, with 67,272 people or 43% of those worse off coming from these States (see figure 2 below).

The disproportionate effects in Queensland, Western Australia and the Northern Territory may reflect the trend for low income households to migrate to these States in search of cheaper housing or jobs.

- by Federal Electorate?

We estimate that, across Federal Electorates (for details see Attachment 1):

- A disproportionate number of those worse off (49%) live in rural or provincial electorates.
- Unemployment is higher in regional Australia, so those recipients affected by the policy will find it hard to avoid income losses by getting a full time job.
- However, the main reason many social security recipients live in these areas is that rents are too high in the major cities.
- Overall, 60% of those worse off live in Coalition electorates, 39% in Labor electorates and 2% in independent electorates.

- by level of poverty in each electorate?

Those worse off are more likely to live in electorates that are already poor:

- Half of those worse off live in the 43% of electorates where 10% or more of people live on less than half the average family disposable income – a standard measure of poverty.³

The top 50 'worst off' electorates

We ranked the 150 federal electorates according to the proportion of the electorate estimated to be worse off, and identified the top 50 (one third) of electorates (see figure 3 below):

- 32 of the top 50 are in Queensland, Western Australia or the Northern Territory (21 in Queensland, 9 in Western Australia and 2 in the Northern Territory).
- 27 of the top 50 are rural or provincial electorates and 19 are outer metropolitan seats, but only 4 are in inner metropolitan areas.
- 26 of the top 50 seats are held by the Liberal Party, 17 by the Labor Party, 6 by the National Party, and 1 by the Country Liberal Party.
- in 27 of the top 50 seats (54%), 10% or more of the population already live on less than 50% of average family disposable income. The overall proportion of seats with 10% or more living in poverty is much lower (43%).

Conclusion

This report indicates that people living in regional Australia, in the north and west of the country, and in Coalition electorates will be disproportionately affected by the cuts to future social security payments in the Welfare to Work changes.

³ Poverty data are from Parliamentary Library 2005, *Poverty rates by electorate*, Research Note No 49.

ACOSS supports the objective to assist more single parents and people with disability into employment. However, it is not necessary to cut people's future income support payments to achieve this. The proposed cuts are counterproductive. They would further constrain people's ability to live in areas where their job prospects are better and would drive more recipients into areas where fewer jobs are available. Many electorates with high numbers of people likely to be affected by the Welfare to Work changes already have higher poverty rates than the national average.

A fairer and more effective solution to the problem of joblessness among income support recipients in many parts of Australia would be to:

- restore the cuts to future social security payments, including restoration of the less severe pension income test to better encourage part time work;
- improve the employment assistance offered to people in the Welfare to Work package, especially education and training for single parents and specialist job programs for people with disability and health problems.⁴

Figure 2: Estimated number of people worse off by State

State	People with disability worse off	Single parents worse off	Overall number of recipients worse off	Recipients worse off as a % of electorate
NSW	23150	20800	43950	1.0%
Victoria	18950	11550	30500	0.9%
Queensland	19050	26950	46000	1.9%
Western Australia	7450	10800	18250	1.5%
South Australia	7850	2300	10200	1.0%
Tasmania	2550	1550	4100	1.2%
N.T.	750	2300	3100	2.8%
A.C.T.	1250	800	2000	0.9%
Australia	81,000	77,000	158,000	1.2%

Note: Numbers do not add up exactly to totals due to rounding

⁴ For more information on the ACOSS proposals, see *ACOSS Fact Sheet on Welfare to Work*, July 2006, at www.acoss.org.au.

Figure 3A: Top 50 electorates (ranked by % of the electorate worse off)

State and ranking	Electorate	Type of region	Party	Member	Number worse off	% worse off	Poverty rate (2001)
NT 1	Lingiari	rural	ALP	W. Snowdon	2,088	3.6%	10.5%
23	Solomon	innermet	CLP	D. Tollner	986	1.8%	7.2%
QLD 2	Forde	rural	LP	K. Elson	2,546	3.0%	10.7%
3	Fadden	outermet	LP	D. Jull	2,355	2.9%	9.9%
4	Oxley	outermet	ALP	B. Ripoll	2,442	2.7%	11.1%
5	Blair	rural	LP	C. Thompson	2,369	2.6%	11.3%
6	Leichhardt	rural	LP	W. Entsch	2,240	2.5%	8.6%
7	Longman	rural	LP	M. Brough	2,165	2.5%	11.7%
8	Fairfax	rural	LP	A. Somlyay	2,055	2.5%	11.2%
10	Fisher	rural	LP	P. Slipper	2,043	2.4%	10.5%
11	Wide Bay	rural	Nats	W. Truss	2,121	2.4%	13.8%
12	Rankin	outermet	ALP	C. Emerson	2,093	2.3%	10.5%
14	Hinkler	rural	Nats	P. Neville	2,135	2.3%	13.0%
17	Petrie	outermet	LP	T. Gambaro	1,867	2.1%	8.8%
18	Mcpherson	prov	LP	M. May	1,724	2.1%	9.5%
26	Moncrieff	prov	LP	S. Ciobo	1,470	1.8%	8.7%
28	Bowman	outermet	LP	A. Laming	1,471	1.7%	8.6%
30	Dickson	outermet	LP	P. Dutton	1,389	1.7%	7.4%
31	Moreton	innermet	LP	G. Hardgrave	1,450	1.7%	8.0%
33	Herbert	prov	LP	P. Lindsay	1,410	1.6%	9.2%
34	Bonner	outermet	LP	R. Vasta	1,389	1.6%	7.6%
35	Dawson	rural	Nats	D. Kelly	1,411	1.6%	11.2%
50	Groom	prov	LP	I. Macfarlane	1,161	1.3%	10.2%
WA 9	Forrest	rural	LP	G. Prosser	2,092	2.4%	9.1%
15	Pearce	outermet	LP	J. Moylan	1,839	2.2%	10.9%
19	Kalgoorlie	rural	LP	B. Haase	1,657	2.0%	8.0%
20	Brand	prov	ALP	K. Beazley	1,562	2.0%	11.0%
21	Hasluck	outermet	LP	S. Henry	1,635	2.0%	8.5%
27	Canning	outermet	LP	D. Randall	1,456	1.7%	9.7%
29	Cowan	outermet	ALP	G. Edwards	1,452	1.7%	8.7%
40	Perth	innermet	ALP	S. Smith	1,196	1.4%	9.3%
48	O'Connor	rural	LP	W. Tuckey	1,086	1.3%	13.1%
TAS 32	Denison	innermet	ALP	D. Kerr	1,111	1.6%	10.5%
NSW 16	Chifley	outermet	ALP	L. Price	1,809	2.2%	10.5%
37	Page	rural	Nats	I. Causley	1,236	1.5%	13.4%
41	Richmond	rural	ALP	M. Elliot	1,223	1.4%	13.0%
43	Hunter	rural	ALP	J. Fitzgibbon	1,230	1.4%	9.7%
46	Paterson	rural	LP	R. Baldwin	1,169	1.3%	10.0%
47	Lyne	rural	Nats	M. Vaile	1,219	1.3%	13.2%
49	Cowper	rural	Nats	L. Hartsuyker	1,097	1.3%	14.3%
SA 25	Kingston	outermet	LP	K. Richardson	1,687	1.8%	11.3%
38	Wakefield	rural	LP	D. Fawcett	1,319	1.5%	13.8%
VIC 13	Calwell	outermet	ALP	M. Vamvakinou	2,012	2.3%	10.5%
22	Gorton	outermet	ALP	B. O'Connor	1,740	1.9%	10.8%
24	Holt	outermet	ALP	A. Byrne	1,623	1.8%	7.1%
36	Lalor	outermet	ALP	J. Gillard	1,384	1.5%	9.9%
39	Dunkley	outermet	LP	B. Billson	1,297	1.4%	9.3%
42	Corio	prov	ALP	G. O'Connor	1,248	1.4%	9.5%
44	Gippsland	rural	LP	P. McGauran	1,270	1.4%	12.5%
45	Scullin	outermet	ALP	H. Jenkins	1,160	1.4%	9.9%

Note: prov = provincial; outermet = outer metropolitan. National % worse off was 1.2%; National poverty rate 9.3%.

Figure 3B: Top 50 electorates (ranked by % of the electorate in poverty)

State and ranking	Electorate	Type of region	Party	Member	Number worse off	% worse off	Poverty rate (2001)
TAS 1	Braddon	rural	LP	Baker, M	804	1.2%	15.1%
2	Lyons	rural	ALP	Adams, D	752	1.1%	14.9%
27	Bass	prov	LP	Ferguson, M	739	1.1%	11.6%
29	Franklin	outermet	ALP	Quick, H	687	1.0%	11.5%
SA 3	Grey	rural	LP	Wakelin, B	1121	1.2%	14.6%
9	Wakefield	rural	LP	Fawcett, D	1319	1.5%	13.8%
10	Port Adelaide	innermet	ALP	Sawford, R	1015	1.0%	13.5%
23	Barker	rural	LP	Secker, P	697	0.7%	12.2%
33	Kingston	outermet	LP	Richardson K	1687	1.8%	11.3%
QLD 8	Wide Bay	rural	Nats	Truss, W	2121	2.3%	13.8%
16	Hinkler	rural	Nats	Neville, P	2135	2.3%	13.0%
17	Maranoa	rural	Nats	Scott, B	1122	1.3%	13.0%
20	Capricornia	prov	ALP	Livermore, K	848	0.9%	12.6%
24	Longman	rural	LP	Brough, M	2165	2.5%	11.7%
31	Blair	rural	LP	Thompson, C	2369	2.6%	11.3%
34	Fairfax	rural	LP	Somlyay, A	2055	2.5%	11.2%
35	Dawson	rural	Nats	Kelly, D	1411	1.6%	11.2%
36	Oxley	outermet	ALP	Ripoll, B	2442	2.7%	11.1%
47	Forde	rural	LP	Elson, K	2546	3.0%	10.7%
49	Rankin	outermet	ALP	Emerson, C	2093	2.3%	10.5%
VIC 6	Mallee	rural	Nats	Forrest, J	792	0.9%	13.9%
12	Bendigo	prov	ALP	Gibbons, S	1001	1.1%	13.3%
21	Gippsland	rural	LP	McGauran, P	1270	1.4%	12.5%
22	Ballarat	prov	ALP	King, C	910	1.0%	12.3%
26	McMillan	rural	LP	Broadbent, R	1044	1.3%	11.7%
28	Wannon	rural	LP	Hawker, D	892	1.0%	11.5%
30	Murray	rural	LP	Stone, S	522	0.6%	11.5%
37	Gellibrand	innermet	ALP	Roxon, N	384	0.4%	11.1%
38	Indi	rural	LP	Panopoulos, S	783	0.9%	11.1%
44	Gorton	outermet	ALP	O'Connor, B	1740	1.9%	10.8%
45	Flinders	rural	LP	Hunt, G	886	1.0%	10.8%
46	Melbourne	innermet	ALP	Tanner, L	281	0.3%	10.7%
50	Calwell	outermet	ALP	Vamvakinou, M	2012	2.3%	10.5%
WA 15	O'Connor	rural	LP	Tuckey, C	1086	1.3%	13.1%
41	Brand	prov	ALP	Beazley, K	1635	2.0%	11.0%
43	Pearce	outermet	LP	Moylan, J	1839	2.2%	10.9%
NSW 4	Cowper	rural	Nats	Hartsuyker, L	1097	1.3%	14.3%
5	Gwydir	rural	Nats	Anderson, J	908	1.1%	14.2%
7	New England	rural	Ind.	Windsor, A	929	1.1%	13.8%
11	Page	rural	Nats	Causley, I	1236	1.5%	13.4%
13	Parkes	rural	Nats	Cobb, J	938	1.2%	13.3%
14	Lyne	rural	Nats	Vaile, M	1219	1.3%	13.2%
18	Richmond	rural	ALP	Elliot, M	1223	1.4%	13.0%
19	Eden-Monaro	rural	LP	Nairn, G	1060	1.1%	12.6%
25	Farrer	rural	LP	Ley, S	815	1.0%	11.7%
32	Calare	rural	Ind.	Andren, P	978	1.1%	11.3%
39	Gilmore	rural	LP	Gash, A	1017	1.2%	11.1%
40	Throsby	prov	ALP	George, J	1052	1.2%	11.0%
42	Reid	innermet	ALP	Ferguson, L	889	1.1%	11.0%
48	Shortland	prov	ALP	Hall, J	1048	1.2%	10.5%

Note: prov = provincial; outermet = outer metropolitan. National % worse off was 1.2%; National poverty rate 9.3%.

1. Overall number of social security recipients worse off

Under the Government's Welfare to Work policy, from July 2006 many applicants for income support will go onto the lower Newstart Allowance (unemployment benefits) or Austudy Payment instead of the Disability Support Pension (DSP) or Parenting Payment Single (PPS). As the figure below shows, those worse off over the first three years of implementation of the policy comprise:

- 81,000 people with a disability who are assessed as able to work 15 hours a week or more; and
- 77,000 single parents of children aged 6 and over.⁵

Figure 4: Number of recipients worse off across Australia

	Number of recipients worse off across Australia (over 3 years from 2006)
Number of people with disability worse off	81,000
Number of single parents worse off	77,000
Total number of recipients worse off	158,000

Source: Official responses to questions asked in the Senate during 2005.⁶

2. Distribution of people worse off by State

ACOSS has estimated the distribution across the States and Territories of the 81,000 people with disability and 77,000 single parents who will go onto lower income support payments as a result of the Welfare to Work policy.

To do this, we apportioned these 'worse off' recipients across the States and Territories in accordance with estimates of the growth in the number of DSP and PPS recipients in each State over time. States with the highest growth in recipients in the recent past are likely to have the highest growth in new claims for income support in future, and therefore a proportionately greater number of people worse off.⁷

The key findings are as follows:

- A disproportionate number of *people with disability* worse off live in Queensland (0.8% of the State's current electorate), Tasmania (0.8%), Northern Territory (0.7%), and South Australia (0.7%).
- A disproportionate number of *single parents* worse off live in Northern Territory (2.1% of the Territory's current electorate), Queensland (1.1%), and Western Australia (0.9%).

⁵ Our previous estimates, published in a similar paper released in October 2005 (ACOSS Info 381), were the same for people with disabilities, but that 95,000 single parents would be worse off. However, the Government subsequently announced that single parents could continue to receive Parenting Payment until their youngest child reached 8 years (previously 6 years), and that those single parents who are foster carers, home educators, distance educators, or have four or more children who receive Newstart Allowance or Youth Allowance would be paid at the higher Parenting Payment rate. These changes mean that fewer single parents will be worse off.

⁶ See question W136-06 Senate Employment Workplace Relations and Education Committee, August 2005 and transcript of Senate Community Affairs Committee Inquiry into Welfare to Work legislation (December 2005) at <www.aph.gov.au> (go to 'committees').

⁷ See Attachment 2 for more information on the methodology used.

- In overall terms, a disproportionate number of those worse off live in northern and western Australia, with 44% coming from Queensland, Western Australia and the Northern Territory combined.
- In these 'north-western' States, the proportion of the current electorate worse off ranges from 3.2% in Northern Territory to 2.1% in Queensland and 1.7% in Western Australia, compared to a national average of 1.2%.

The disproportionate effects on people living in the north and west of Australia may reflect a long standing trend for low income families to migrate to these States in search of less costly housing, or jobs. This trend appears to be especially pronounced among low income single parent families, perhaps reflecting their greater mobility than people with disability, as well as the severe financial pressures many single parent families face.

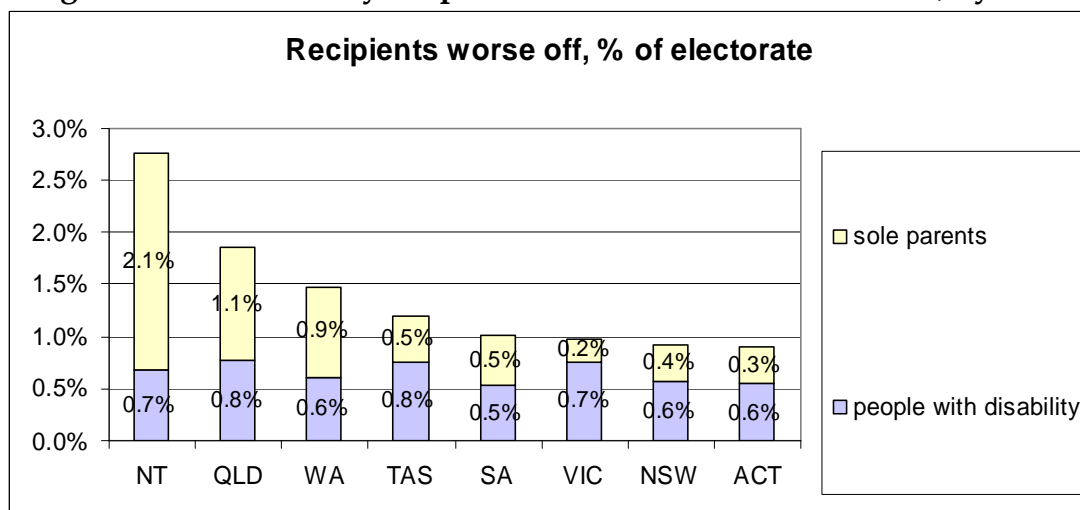
A breakdown of the estimates of numbers of recipients worse off by State was presented in figure 2 (above). Predictably, the overall number of people worse off is highest in, New South Wales, Victoria and Queensland – the most populous States. The figure below shows how those worse off are distributed across the States in percentage terms.

Figure 5: Distribution of people worse off by State

State	Percentage of people with disability worse off in each state	Percentage of single parents worse off in each state	Overall Percentage of recipients worse off in each state
NSW	29%	27%	28%
Victoria	23%	15%	19%
Queensland	24%	35%	29%
Western Australia	9%	14%	12%
South Australia	10%	3%	6%
Tasmania	3%	2%	3%
N.T.	1%	3%	2%
A.C.T.	2%	1%	1%
Australia	100%	100%	100%

The graph below shows the *percentage of the electorate* worse off in each State. This gives a better picture of the *probability* that an adult resident in any given State will be affected – regardless of the overall size of the population in that State. This is highest in Northern Territory, Queensland and Western Australia.

Figure 6: Social security recipients worse off as % of electorate, by State



3. Distribution of people worse off by electorate

We used the same method to estimate the number of recipients worse off in each Federal Electorate. To do this, we needed data on the number of recipients of Disability Support Pension and Parenting Payment in each Federal electorate at two different points in time (to compare the growth in the number of recipients over time in different electorates). ACOSS commissioned the *National Centre for Social Applications for Geographic Information Systems* at the University of Adelaide to estimate the number of recipients of these payments by electorate in 2002 and 1998.⁸

We estimate that a disproportionate number of those worse off live in:

- rural or provincial electorates (49%);
- Coalition electorates (60%);
- Queensland, the Northern Territory or Western Australia (43%).

4. The top 50 electorates, ranked by % worse off

We ranked all Federal electorates according to the *proportion of the electorate worse off* and examined the characteristics of the *top 50* (the top one third) of electorates so ranked. In the top 50 electorates, those worse off represent between 1.3% and 3.6% of the current electorate, compared with the overall national average of 1.2%. Figure 2 (page 5 above) listed the top 50 electorates by State, and the number worse off within each of those seats.

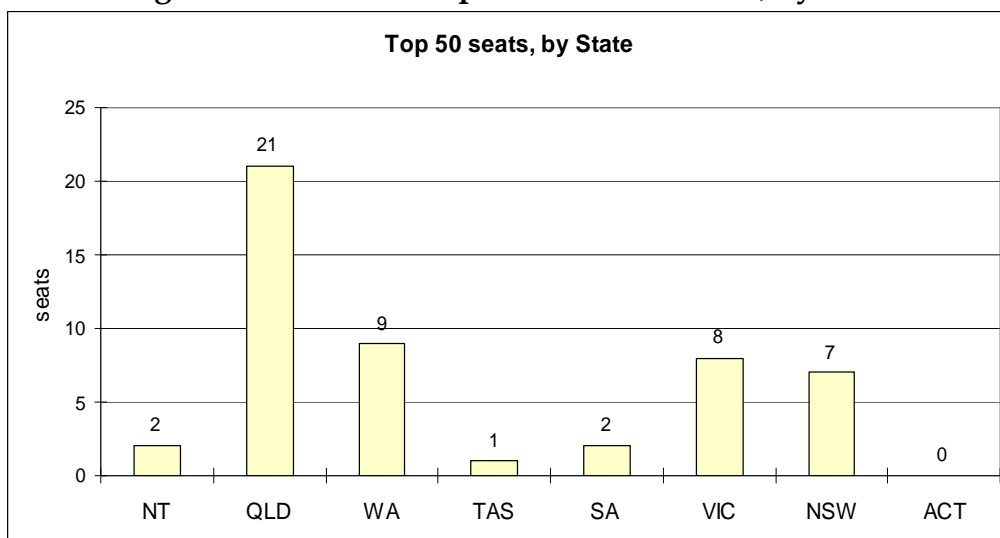
These electorates are more likely to be rural or provincial, and to be held by the Coalition Parties. As the figure below shows, they are also likely to have higher levels of income poverty than the average electorate (defined here as living on less than half the average family disposable income). Of the 50 seats, 27 had poverty rates over 10%.⁹

⁸ They used data from the Australian Bureau of Statistics on receipt of income support by Statistical Local Area. The 2004 electoral boundaries were used consistently throughout.

⁹ The average level of income poverty in the top 50 was 10.3% compared with 9.3% for all seats. See Parliamentary Library, *Poverty rates by electorate*, Research Note May 2005. The poverty line was half average disposable income, adjusted for family size. Based on ABS Household Income Data for 2001.

The figure below shows how many of the top 50 'worse off' seats are found in each State. It shows that northern and western Australia, with 32 seats, are over-represented among the top 50 electorates.

Figure 7: Number of top 50 'worse off' seats, by State



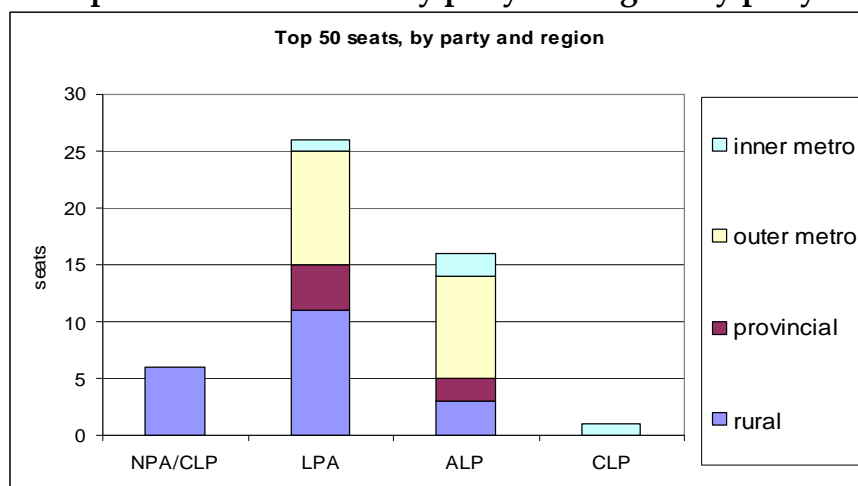
The figures above and below describe the top 50 'worse off' seats according to party and regional characteristics. They show that:

- 33 of the top 50 seats are held by the Coalition Parties, including 26 Liberal Party seats, 6 National Party seats (half of all NP seats) and 1 Country Liberal Party seat.
- The remaining 17 are Labor seats.
- 27 of the top 50 are rural or provincial electorates and 19 are in outer metropolitan areas, but only 4 are in inner metropolitan areas.

Figure 8: Top 50 'worse off' seats by party and region

	Rural	Provincial	outer metro	inner metro	All
NP/CLP	6	0	0	1	7
LP	12	4	10	1	27
ALP	3	2	9	2	16
All	21	6	19	4	50

Figure 9: Top 50 'worse off' seats by party and region by party electorate



The overrepresentation of Coalition electorates is linked to the greater adverse effects of the policy in regional Australia (though many city people are also affected).

Unemployment is generally higher in regional Australia. This means that many recipients affected by the policy will find it difficult to avoid income losses by securing a full time job.¹⁰

5. Overall number of *existing DSP and PPS recipients, by State and electorate*

We also analysed how the approximately 700,000 *existing recipients* of Disability Support Pension (DSP) and approximately 450,000 Parenting Payment Single (PPS) recipients were distributed across States and electorates in 2004 (see Attachment 2).

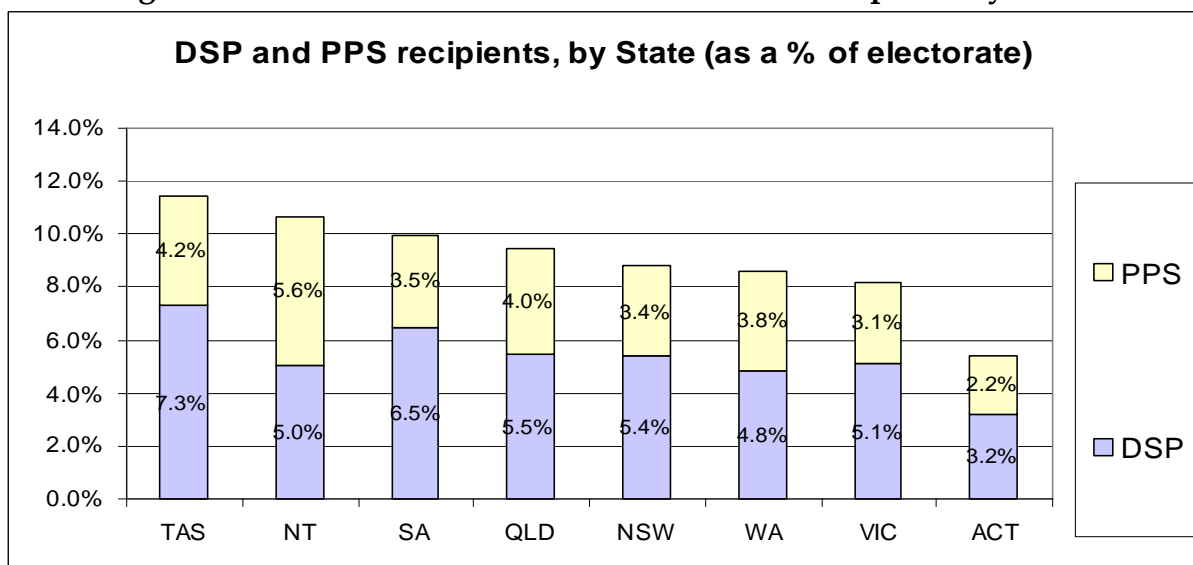
In contrast to our estimates of the number of people worse off, Tasmania and South Australia have a disproportionate number of *existing recipients*, though Queensland and Northern Territory do also (see Figure below). This shows that although claims for income support have been growing faster across the north and west of the country, some of the 'southern States' still have a disproportionately high proportion of existing recipients. This may reflect the higher rates of unemployment in many parts of Tasmania and South Australia.

Another difference between existing recipients and those new applicants for income support likely to be worse off is that a higher proportion of existing recipients live in ALP seats, and in metropolitan electorates. Many existing recipients can still afford to live in cities because they live in public housing or with relatives. However, living in the largest cities is no longer an option for a growing number of new recipients of income support, due to high private rents and long public housing waiting lists.

Figure 10 below shows the proportion of the electorate in each State that receives DSP and PPS. Overall in 2004, 5.4% of the national electorate received DSP and 3.5% received PPS, a total of 8.9% of the electorate on either one of these payments.

¹⁰ We estimate that a recipient would have to obtain and keep a full time job earning at least \$700 per week, to avoid being worse off under the policy. See Sections 6 and 7 below.

Figure 10 : % of electorate who are DSP and PPS recipients by State

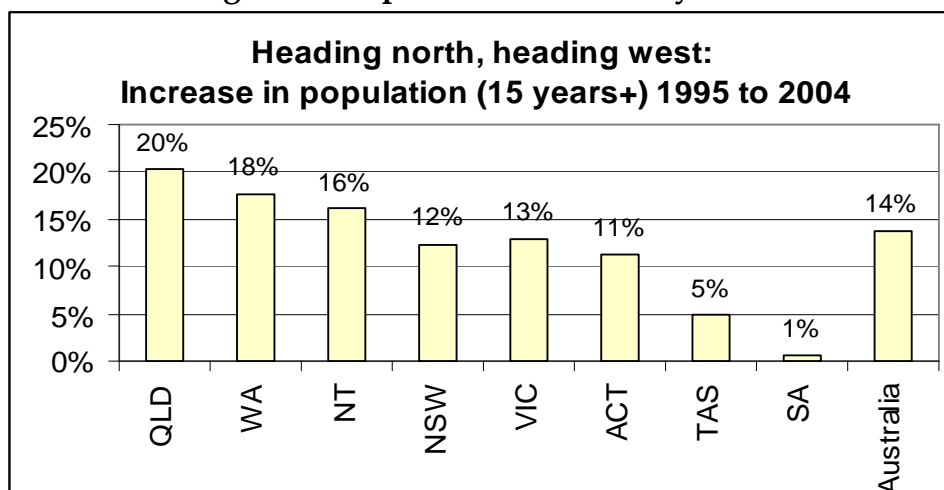


6. Demographic change: heading north, west and out of town

Underpinning the trends discussed above is the steady drift of social security recipients from metropolitan to non-metropolitan areas, and from the south of the country to the north and west.

The shift towards the northern and western States reflects long standing trends in the general population, including higher birth rates and migration rates as the figure below indicates.

Figure 11: Population increases by State



Source: ABS Labour Force and Labour Market Statistics.

At the same time, there has been a marked shift of low income households of workforce age from metropolitan to non metropolitan areas within each State. This appears to be mainly due to the high and increasing rents in capital cities, especially Sydney, Melbourne and Brisbane, and long waiting lists for public housing.

The following figure shows findings from a study of mobility among income support recipients published by the Australian Housing and Urban Research Institute (AHURI).¹¹ It shows that during a single year (2000), significant proportions of DSP and PPS recipients left the capital

¹¹ Marshall et al 2003, *Welfare outcomes of migration of low income earners from metropolitan to non metropolitan Australia*, AHURI, February 2003.

cities and moved into non metropolitan areas in most States. In Queensland, for example, 10% of DSP recipients living in Brisbane moved out of that city, along with 18% of Parenting Payment Single recipients.¹² The effect of these trends, if repeated across a number of years, is the mass migration of social security recipients away from capital cities towards regional centers.

Figure 12: % of DSP and PPS recipients who moved out of capital cities, and percentage who moved into non metropolitan areas, during 2000

State	% of capital city residents who moved <i>out of</i> the city in 2000		% of residents living outside capital cities who had moved <i>into</i> these areas during 2000	
	% of DSP recipients	% of PPS recipients	% of DSP recipients	% of PPS recipients
NSW	4%	7%	2%	4%
Victoria	4%	8%	4%	7%
Queensland	10%	18%	3%	4%
Western Australia	6%	12%	5%	7%
South Australia	3%	6%	6%	9%
Tasmania	7%	15%	2%	4%
N.T.	12%	19%	5%	6%
A.C.T.	1%	2%	7%	16%

Source: Marshall et al 2003, *Welfare outcomes of migration of low income earners from metropolitan to non metropolitan Australia*, AHURI, February 2003.

The following figure, based on data from the same research, shows the three main reasons that people gave for moving out of capital cities in separate surveys conducted in New South Wales and South Australia. Among DSP recipients housing costs, crime and living outside the city rated about equally. Among single parents, 'a place to raise a family', housing costs and crime were the top three reasons. 'A place to raise a family' probably reflects a combination of the need to find affordable new accommodation after separation and the view that non metropolitan areas are more desirable places to raise children.

Figure 13: The three main reasons for moving out of metropolitan areas

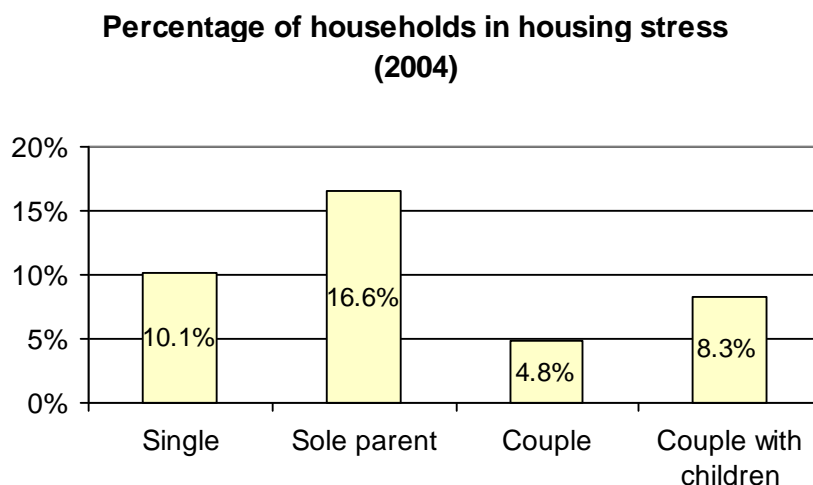
	DSP recipients	PPS recipients
Place to raise family		71%
Housing costs	51%	62%
Crime	50%	51%
To live outside city	51%	

Source: Marshall et al 2003, *Welfare outcomes of migration of low income earners from metropolitan to non metropolitan Australia*, AHURI, February 2003

¹²Note that those who moved to nearby urban areas such as Caboolture or the Sunshine Coast were counted in these figures.

It is not surprising that single parents on income support are especially sensitive to housing costs. Single parents face the highest housing costs, in proportion to their incomes, of any family type. The graph below is derived from NATSEM research on households under housing stress - that is, households on low or moderate incomes who spend over 30% of their income on housing.

Figure 14:



Source Harding, Phillips & Kelly, 2004, *Housing stress in Australia today*, NATSEM.

One major problem with the exodus of income support recipients away from capital cities is that jobs are often more scarce in non metropolitan areas. As detailed below, the research cited above estimated that by moving into non metropolitan areas, single parents reduce their job prospects in the short term by about half.

Between 1999 and 2000, around one in ten single parents on income support moved from a capital city to a non-metropolitan area. Of these recipients, one quarter were recently separated and one half indicated that the cost of housing in the city was a very important factor in their decision to move. But the move reduced their job prospects. Although 44% had a job when they lived in the city, only 18% had one in their new location. This could be due to a combination of the recent move, higher unemployment in non metropolitan areas, and a lack of affordable transport in those areas.¹³

7. How much worse off will people be?

New applicants for social security from July 2006 who are:

- people with disabilities assessed as able to work part time, or
- single parents with children aged 8-15 years,

will no longer be eligible for pension-level payments. Most will end up on lower payments like Newstart Allowance, Youth Allowance, and Austudy Payment. As well as being much lower than pensions, these payments have stricter income tests for those working part time, and they often lack the fringe benefits and supplements that pensioners get (see table below).

¹³ Marshall et al 2003, *Welfare outcomes of migration of low income earners from metropolitan to non metropolitan Australia*, AHURI, February 2003.

Figure 15: Differences in payments for people with disabilities and single parents affected by the Welfare to Work changes

Payment	Pension (Disability Support Pension, Parenting Payment Single)	Newstart Allowance	Austudy Payment	Youth Allowance
Who gets it?	People with disabilities and single parents applying <i>before</i> July 2006	Those applying <i>from</i> July 2006 assessed as able to work	Those applying <i>from</i> July 2006 who study fulltime	Young people applying <i>from</i> July ¹⁴
Maximum rate	HIGHER	LOWER	LOWER	LOWER
Income test	MORE LIBERAL	STRICTER	STRICTER ¹⁵	STRICTER
Pensioner concessions	YES	YES	NO	YES
Pensioner Education Supplement	YES	Not Applicable	NO	NO
Rent Assistance	YES	YES	NO ¹⁶	YES

Note: Those affected are people with disabilities assessed as able to work part time, and single parents whose youngest child is 8-15 years old.

As a result, people who apply for social security after July 2006 and are affected by the changes will have to live on lower payments, unless they can get a full time job. A jobless person with a disability will typically be \$46 per week worse off, while a jobless single parent will typically be \$29 per week worse off. This is the difference between what they will be paid under the new system and what they *would* have received if they applied before July 2006 and received a pension instead. The difference is greater if they obtain part time employment, due to the tougher income test for Newstart Allowance. In many cases it will be greater still if they study full time to improve their future job prospects.

Existing recipients (at 1 July 2006) will generally keep their pension payments, but may be affected by the changes if they go off income support and reapply later on (see below).

The figure below shows how much worse off recipients in different circumstances will be on Newstart Allowance or Austudy Payment, compared with Disability Support Pension or Parenting Payment Single, respectively.

¹⁴ Under 21 years if unemployed, or 25 years if a full time student.

¹⁵ The income test for Austudy, and that for students on Youth Allowance, is relatively generous for casual work, but stricter overall than that for pensioners.

¹⁶ Parents receiving Family Tax Benefit get Rent Assistance as part of that payment.

Figure 16: Reductions in social security payments for people with disability and single parents going onto Newstart Allowance or Austudy Payment (2006-07)

	Single adult with disability able to work part time (\$ per week)	Single parent with youngest child 8-15 years (\$ per week)
Jobless	-\$46	-\$29
Employed 15 hours per week at minimum wage (\$200pw)	-\$101	-\$96
Studying fulltime (not renting)	-\$113	-\$60
Studying fulltime (renting)	-\$164	-\$60

Source: ACOSS calculations; NATSEM 2005, *Distributional impact of welfare to work reforms upon single parents*; and NATSEM 2005 *Distributional impact of welfare to work reforms upon Australians with disability*. Based on projected average income support payment rates in 2006-07, when the changes commence.

Effects on jobless people

The main social security payments for unemployed people are Newstart Allowance and Youth Allowance. By 2007, Newstart Allowance will be around \$46 per week lower than the pension for a single person and \$29 less for a single parent. Due to the different indexation arrangements for pensions (indexed to average wages) and allowances (indexed to the CPI), this gap between payments will grow wider over time. By July 2009, we estimate that Newstart Allowance will be \$59 per week lower for a single person and \$41 per week less for a single parent.¹⁷

Effects on full time students

Full time students affected by the policy will generally go onto Austudy Payment on which they will receive \$164 per week less than the pension if they are a single student renting privately, and \$60 per week less if they are a single parent. These income losses are greater than for Newstart Allowance recipients (as cited above) due to the lower rate of Austudy Payment, the lack of Rent Assistance for adults without children and the lack of the \$32 per week Pensioner Education Supplement.

Effects on part time workers

The Government acknowledges that full time employment is not appropriate or achievable at present for many people with disability and single parents required to seek employment. Therefore, they are required to seek part time jobs of at least 15 hours a week rather than full time jobs.

¹⁷ This is based on NATSEM research on the effects of the policy (see below), and ACOSS calculations.

However, those who do get a part time job will be adversely affected by the tougher income test applied to Newstart Allowance, compared with the pension. Under the proposed new income test for Newstart Allowance, recipients will lose 60 cents of every dollar they earn over a wide range of part time earnings.¹⁸ Under the pension income test, they would generally lose 40 cents of every dollar earned from part time work. The income test 'free area' for Newstart Allowance is also lower than for the pension, and does not increase along with the number of children in the family.

As a result, a single adult or single parent earning \$200 per week – around 15 hours a week at the minimum wage - will be over \$90 per week worse off on Newstart Allowance than on the pension.

Modelling by NATSEM shows that recipients in paid employment who are affected by the income support changes would have to earn over \$700 per week to be financially better off, compared with pensioners with equivalent earnings.

This is the income level at which the pension cuts out completely and existing recipients are no longer entitled to income support. To earn this level of income usually requires a moderately well paid full time job – the kind of job that is out of the reach of the vast majority of jobless people with disability and single parents, at least over the short to medium term¹⁹

Effects on existing recipients

Existing recipients of Disability Support Pension or Parenting Payment are not directly affected by the changes to payments, except that parents with children aged 6 or over will be required to look for part time employment from July 2007. However, if they go off the pension and reapply under the new rules, they could also be worse off. This depends on the detail of the so-called 'grandfathering' arrangements to protect the payments of existing recipients. For example:

- A disability pensioner who gets a full time job for more than two years then loses the job, will have to reapply under the new rules and could end up on lower payments.²⁰
- A parent on Parenting Payment with children 8 years or over, who re-partners then separates from the new partner, or who finds a temporary full time job then returns to social security payments, could end up on lower payments if the relationship or job lasts for more than 12 weeks but then ends.

Response to the Government's argument that recipients will be better off

The Government argues that those who go onto Newstart Allowance instead of pensions as a result of the Welfare to Work policy will be financially better off because they are likely to get at least a part time job, compared to being jobless on the pension. It bases this argument on a comparison of the disposable incomes of *jobless* recipients of pension payments with those of *part time workers* on Newstart Allowance.

There are three problems with this argument (for a full explanation see Attachment 3). First, it does not compare like with like – such as a part time worker on Newstart Allowance with a person in the same job on a pension. Second, it assumes that most will get jobs, which is very unlikely. Third, it also ignores the low financial returns from part time work under the relatively strict income Newstart Allowance income test.

¹⁸ This is a significant improvement on the existing NSA income test, in which most part time earnings reduce this payment at the rate of 70 cents in the dollar.

¹⁹ See NATSEM 2005, *Distributional impact of welfare to work reforms upon single parents*; and NATSEM 2005 *Distributional impact of welfare to work reforms upon Australians with disability*.

²⁰ This rule has been liberalised so that people with disability can return to that payment within 2 years of commencing full time employment if they lose the job for any reason.

Attachment 1:

All federal electorates, by estimated number and % of electorate worse off

State	Electorate	Region type	Party	Member		All worse off	% of electorate	People with disability	Single parents
NT						3,074	2.75%	764	2,310
	Lingiari	Rural	ALP	Snowdon	Warren	2,088	3.61%	360	1,728
	Solomon	innermet	CLP	Tollner	David	986	1.83%	404	582
QLD						45,975	1.87%	19,025	26,950
	Forde	Rural	LP	Elson	Kay	2,546	2.97%	1,078	1,468
	Fadden	outermet	LP	Jull	David	2,355	2.89%	895	1,461
	Oxley	outermet	ALP	Ripoll	Bernard	2,442	2.71%	1,181	1,261
	Leichhardt	Rural	LP	Entsch	Warren	2,240	2.50%	861	1,379
	Blair	Rural	LP	Thompson	Cameron	2,369	2.60%	1,453	916
	Longman	Rural	LP	Brough	Malcolm	2,165	2.49%	982	1,183
	Fairfax	Rural	LP	Somlyay	Alexander	2,055	2.45%	1,025	1,030
	Fisher	Rural	LP	Slipper	Peter	2,043	2.39%	831	1,212
	Rankin	outermet	ALP	Emerson	Craig	2,093	2.31%	944	1,149
	Wide Bay	Rural	Nats	Truss	Warren	2,121	2.35%	1,449	672
	Hinkler	Rural	Nats	Neville	Paul	2,135	2.29%	1,259	876
	Petrie	outermet	LP	Gambaro	Teresa	1,867	2.14%	749	1,119
	Mcperson	Prov	LP	May	Margaret	1,724	2.09%	661	1,063
	Moncrieff	Prov	LP	Ciobo	Steven	1,470	1.75%	536	934
	Bowman	outermet	LP	Laming	Andrew	1,471	1.71%	580	891
	Moreton	innermet	LP	Hardgrave	Gary	1,450	1.65%	398	1,052
	Dickson	outermet	LP	Dutton	Peter	1,389	1.65%	469	920
	Herbert	Prov	LP	Lindsay	Peter	1,410	1.61%	411	998
	Bonner	outermet	LP	Vasta	Ross	1,389	1.60%	458	931
	Dawson	Rural	Nats	Kelly	De-Anne	1,411	1.55%	492	919
	Groom	Prov	LP	Macfarlane	Ian	1,161	1.30%	345	816
	Maranoa	Rural	Nats	Scott	Bruce	1,122	1.28%	440	682
	Lilley	innermet	ALP	Swan	Wayne	1,114	1.21%	166	948
	Brisbane	innermet	ALP	Bevis	Archibald	1,011	1.13%	255	756
	Ryan	outermet	LP	Johnson	Michael	955	1.10%	184	771
	Griffith	outermet	ALP	Rudd	Kevin	965	1.07%	279	686
	Capricornia	Prov	ALP	Livermore	Kirsten	848	0.94%	328	521
	Kennedy	Rural	Ind.	Katter	Robert	653	0.71%	315	337
WA						18,224	1.47%	7,444	10,780
	Forrest	Rural	LP	Prosser	Geoffrey	2,092	2.43%	812	1,279
	Pearce	outermet	LP	Moylan	Judith	1,839	2.19%	707	1,132
	Kalgoorlie	Rural	LP	Haase	Barry	1,657	2.04%	661	996
	Brand	Prov	ALP	Beazley	Kim	1,635	1.97%	768	867
	Hasluck	outermet	LP	Henry	Stuart	1,562	1.95%	608	954
	Canning	outermet	LP	Randall	Don	1,456	1.74%	676	780
	Cowan	outermet	ALP	Edwards	Graham	1,452	1.71%	570	882
	Perth	innermet	ALP	Smith	Stephen	1,196	1.43%	532	665
	O'Connor	rural	LP	Tuckey	Charles	1,086	1.33%	503	582
	Fremantle	innermet	ALP	Lawrence	Carmen	1,044	1.26%	451	593
	Moore	outermet	LP	Washer	Malcolm	827	1.10%	199	628
	Swan	innermet	ALP	Wilkie	Kim	851	1.08%	270	581
	Tangney	innermet	LP	Jensen	Dennis	644	0.78%	264	381
	Curtin	innermet	LP	Bishop	Julie	497	0.59%	144	353
	Stirling	innermet	LP	Keenan	Michael	385	0.45%	279	106

All federal electorates, by estimated number and % of electorate worse off (cont.)

State	Electorate	Region type	Party	Member		All worse off	% of electorate	People with disability	Single parents
TAS						4,092	1.21%	2,552	1,540
	Denison	innermet	ALP	Kerr	Duncan	1,111	1.62%	485	626
	Braddon	rural	LP	Baker	Mark	804	1.16%	580	224
	Lyons	rural	ALP	Adams	Dick	752	1.15%	534	218
	Bass	prov	LP	Ferguson	Michael	739	1.10%	547	192
	Franklin	outermet	ALP	Quick	Harry	687	0.99%	407	280
SA						10,171	0.97%	7,861	2,310
	Kingston	outermet	LP	Richardson	Kym	1,687	1.80%	1,207	480
	Wakefield	rural	LP	Fawcett	David	1,319	1.46%	1,112	206
	Grey	rural	LP	Wakelin	Barry	1,121	1.15%	1,020	101
	Port Adelaide	innermet	ALP	Sawford	Rodney	1,015	1.04%	991	25
	Mayo	rural	LP	Downer	Alexander	920	1.01%	633	287
	Makin	outermet	LP	Draper	Patricia	909	0.97%	601	308
	Barker	rural	LP	Secker	Patrick	697	0.69%	695	2
	Hindmarsh	innermet	ALP	Georganas	Steven	669	0.68%	412	257
	Adelaide	innermet	ALP	Ellis	Katherine	648	0.68%	448	200
	Boothby	outermet	LP	Southcott	Andrew	618	0.65%	376	242
	Sturt	innermet	LP	Pyne	Christopher	567	0.59%	365	202
VIC		outermet				30,518	0.93%	18,968	11,550
	Calwell	outermet	ALP	Vamvakinou	Maria	2,012	2.31%	1,105	906
	Gorton	outermet	ALP	O'Connor	Brendan	1,740	1.90%	889	851
	Holt	outermet	ALP	Byrne	Anthony	1,623	1.82%	915	709
	Lalor	outermet	ALP	Gillard	Julia	1,384	1.54%	874	510
	Dunkley	outermet	LP	Billson	Bruce	1,297	1.44%	867	430
	Corio	prov	ALP	O'Connor	Gavan	1,248	1.42%	855	392
	Gippsland	rural	LP	McGauran	Peter	1,270	1.37%	1,004	266
	Scullin	outermet	ALP	Jenkins	Harry	1,160	1.36%	732	428
	Mcmillan	rural	LP	Broadbent	Russell	1,044	1.28%	738	305
	Bendigo	prov	ALP	Gibbons	Stephen	1,001	1.07%	766	235
	La Trobe	outermet	LP	Wood	Jason	890	1.05%	475	415
	McEwen	rural	LP	Bailey	Frances	981	1.03%	628	354
	Isaacs	outermet	ALP	Corcoran	Ann	943	1.02%	576	367
	Ballarat	prov	ALP	King	Catherine	910	1.01%	708	203
	Wannon	rural	LP	Hawker	David	892	0.99%	558	334
	Flinders	rural	LP	Hunt	Gregory	886	0.98%	594	291
	Maribyrnong	outermet	ALP	Sercombe	Robert	805	0.93%	407	398
	Corangamite	prov	LP	McArthur	Fergus	830	0.92%	508	322
	Aston	outermet	LP	Pearce	Christopher	767	0.87%	404	363
	Indi	rural	LP	Panopoulos	Sophie	783	0.88%	534	248
	Mallee	rural	Nats	Forrest	John	792	0.88%	555	238
	Casey	outermet	LP	Smith	Anthony	691	0.80%	447	244
	Bruce	outermet	ALP	Griffin	Alan	627	0.72%	416	211
	Hotham	outermet	ALP	Crean	Simon	616	0.70%	396	220
	Chisholm	innermet	ALP	Burke	Anna	529	0.63%	333	196
	Menzies	outermet	LP	Andrews	Kevin	528	0.60%	203	325
	Deakin	outermet	LP	Barresi	Phillip	525	0.60%	324	200
	Murray	rural	LP	Stone	Sharman	522	0.60%	434	88
	Goldstein	innermet	LP	Robb	Andrew	446	0.50%	170	276

All federal electorates, by estimated number and % of electorate worse off (cont.)

State	Electorate	Region type	Party	Member		All worse off	% of electorate	People with disability	Single parents
VIC	Jagajaga	outermet	ALP	Macklin	Jennifer	432	0.46%	195	238
(cont.)	Batman	innermet	ALP	Ferguson	Martin	384	0.45%	368	16
	Gellibrand	innermet	ALP	Roxon	Nicola	384	0.42%	294	90
	Melbourne Ports	innermet	ALP	Danby	Michael	382	0.41%	217	165
	Higgins	innermet	LP	Costello	Peter	349	0.40%	145	204
	Kooyong	innermet	LP	Georgiou	Petro	316	0.36%	29	287
	Melbourne	innermet	ALP	Tanner	Lindsay	281	0.31%	177	104
	Wills	innermet	ALP	Thomson	Kelvin	260	0.28%	142	119
NSW						43,938	1.02%	23,148	20,790
	Chifley	outermet	ALP	Price	Leo	1,809	2.16%	902	907
	Page	rural	Nats	Causley	Ian	1,236	1.47%	864	372
	Richmond	rural	ALP	Elliot	Maria	1,223	1.43%	811	411
	Hunter	rural	ALP	Fitzgibbon	Joel	1,230	1.39%	755	475
	Paterson	rural	LP	Baldwin	Robert	1,169	1.33%	701	468
	Lyne	rural	Nats	Vaile	Mark	1,219	1.33%	768	451
	Cowper	rural	Nats	Hartsuyker	Luke	1,097	1.30%	708	389
	Charlton	prov	ALP	Hoare	Kelly	1,070	1.26%	602	468
	Werriwa	outermet	ALP	Hayes	Christopher	1,099	1.23%	581	518
	Newcastle	prov	ALP	Grierson	Sharon	1,107	1.23%	644	463
	Throsby	prov	ALP	George	Jennie	1,052	1.21%	638	414
	Shortland	prov	ALP	Hall	Jill	1,048	1.20%	557	491
	Blaxland	innermet	ALP	Hatton	Michael	959	1.17%	424	535
	Gilmore	rural	LP	Gash	Joanna	1,017	1.17%	639	378
	Fowler	outermet	ALP	Irwin	Julia	966	1.17%	481	485
	Eden-Monaro	rural	LP	Nairn	Gary	1,060	1.15%	688	372
	Parkes	rural	Nats	Cobb	John	938	1.15%	571	367
	Reid	innermet	ALP	Ferguson	Laurie	889	1.14%	408	481
	Macarthur	rural	LP	Farmer	Patrick	955	1.14%	481	473
	Dobell	prov	LP	Ticehurst	Kenneth	952	1.12%	460	492
	Calare	rural	Ind.	Andren	Peter	978	1.12%	598	380
	Gwydir	rural	Nats	Anderson	John	908	1.11%	533	375
	Cunningham	prov	ALP	Bird	Sharon	891	1.09%	511	380
	New England	rural	Ind.	Windsor	Antony	929	1.08%	516	413
	Banks	innermet	ALP	Melham	Daryl	882	1.06%	380	503
	Hume	rural	LP	Schultz	Albert	898	1.01%	511	387
	Prospect	outermet	ALP	Bowen	Chris	873	1.00%	441	432
	Lindsay	outermet	LP	Kelly	Jacqueline	802	0.97%	411	391
	Cook	innermet	LP	Baird	Bruce	787	0.96%	350	437
	Parramatta	innermet	ALP	Owens	Julie	830	0.96%	404	426
	Farrer	rural	LP	Ley	Sussan	815	0.96%	474	342
	Robertson	prov	LP	Lloyd	James	804	0.95%	399	405
	Riverina	rural	Nats	Hull	Kay	830	0.95%	442	388
	Hughes	outermet	LP	Vale	Danna	797	0.92%	315	482
	Watson	innermet	ALP	Burke	Anthony	746	0.92%	370	377
	Macquarie	outermet	LP	Bartlett	Kerry	788	0.90%	414	374
	Barton	innermet	ALP	McClelland	Robert	745	0.89%	337	407
	Mitchell	outermet	LP	Cadman	Alan	834	0.88%	352	483
	Berowra	outermet	LP	Ruddock	Philip	732	0.84%	299	433

All federal electorates, by estimated number and % of electorate worse off (cont.)

State	Electorate	Region type	Party	Member		All worse off	% of electorate	People with disability	Single parents
NSW	Bennelong	innermet	LP	Howard	John	718	0.84%	361	357
(cont.)	North Sydney	innermet	LP	Hockey	Joseph	676	0.77%	287	389
	Kingsford Smith	innermet	ALP	Garrett	Peter	649	0.76%	335	314
	Mackellar	outermet	LP	Bishop	Bronwyn	631	0.73%	244	388
	Bradfield	innermet	LP	Nelson	Brendan	648	0.72%	259	389
	Warringah	innermet	LP	Abbott	Anthony	607	0.71%	222	385
	Lowe	innermet	ALP	Murphy	John	608	0.71%	235	373
	Wentworth	innermet	LP	Turnbull	Malcolm	501	0.60%	186	315
	Sydney	innermet	ALP	Plibersek	Tanya	536	0.57%	201	336
	Grayndler	innermet	ALP	Albanese	Anthony	470	0.55%	171	298
	Greenway	outermet	LP	Markus	Louise	28	0.03%	6	21
ACT						2,008	0.89%	1,238	770
	Fraser	innermet	ALP	McMullan	Robert	1,309	1.12%	731	578
	Canberra	innermet	ALP	Ellis	Annette	699	0.65%	507	192

Attachment 2: Methodology

National estimates of number of recipients worse off

To estimate how many people would be worse off nationally, we used official estimates of the number of future income support recipients over the three years from July 2006 who, as a result of the Welfare to Work changes will go onto lower income support payments (such as Newstart Allowance), or no payment at all, instead of Disability Support Pension (DSP) or Parenting Payment Single (PPS).

We assume that these recipients would be worse off for all or part of this three year period. Even though some people who would miss out on DSP or PPS will obtain employment, research by NATSEM indicates that they would have to get a job paying over about \$700 per week in order to avoid being worse off than they would have been on DSP or PPS. The reason for this is that up to that level of earnings, the pension currently supplements their earnings, and does so to a greater extent than Newstart Allowance due to the more stringent income test applied to the latter payment.²¹

The number of people missing out on DSP or PPS due to the policy, who would progress immediately to a full time job of this kind (paying over \$700 per week) and then keep it for at least three years, would be negligible. The Government acknowledges that these recipients are generally only able to undertake part time work, and will therefore not require them to look for a full time job.

These estimates have been revised to take account of changes to the policy that reduce the number of single parents affected. The main changes are that single parents can continue to receive Parenting Payment until their youngest child reaches 8 years (instead of 6), and that certain groups of single parents (foster carers, home educators, distance educators and large families) will continue to receive pension rates of payment while on Newstart Allowance and other 'Allowance' type payments.

1. People with disability

Official estimates indicate that 81,000 people with disability will be financially worse off over the first three years of implementation of the Welfare to Work changes, from July 2006. This is the difference between the 86,000 people estimated to be diverted from DSP to other payments, and the 5,000 who will receive alternative 'pension' payments (Parenting Payment Single or Carer Payment).²²

2. Single Parents

Official estimates indicate that 77,000 single parent families will be financially worse off over the first three years of implementation of the Welfare to Work changes, from July 2006. We estimate that these parents would have a total of 130,000 dependent children between them.²³

²¹ NATSEM 2005, *Distributional impact of welfare to work reforms upon single parents*; and NATSEM 2005 *Distributional impact of welfare to work reforms upon Australians with disabilities*.

²² Response to question W136-06, Senate Employment Workplace Relations and Education Committee, August 2005 at <aph.gov.au> (go to 'committees'). See also ACOSS 2005, *Effects of Federal Budget changes for people with disability and single parents*, August 2005. This includes 24,000 people granted DSP between July 2005-June 2006 who lose it following review under new rules, and 1,500 who will receive no income support payment.

²³ Response to questions in Senate Community Affairs Committee Inquiry into the Welfare to Work bill, December 2005.

Given that many existing Parenting Payment Single (PPS) recipients will go off that payment over the next three years, we believe that this is a conservative estimate of the number of single parent families adversely affected. Those who leave PPS for more than 12 weeks, and then reapply for this payment, will no longer be eligible if their youngest child is 8 years or over.

Many single parents leave PPS because:

1. they re-partner (even if they stay on income support they go off PPS onto Parenting Payment Partnered),
2. they earn over \$700 per week from a full time job,
3. they lose custody of their child temporarily.²⁴

Distributing those worse off among States and electorates

The *National Centre for Social Applications for Geographic Information Systems* at the University of Adelaide was commissioned by ACOSS to estimate the number of recipients of Disability Support Pension and Parenting Payment Single in each federal electorate and State in 2002 and 1998. They used data from the Australian Bureau of Statistics on receipt of income support by Statistical Local Area for this purpose.

This gives us reasonably up to date information on how the existing 700,000 Disability Support Pensioners and the 450,000 single parents on Parenting Payment are distributed across States and electorates.²⁵

However, this 'point in time' data does not necessarily give us an accurate picture of where the 81,000 people with a disability and 77,000 single parents who go onto lower income support payments as a result of the policy live. The reason for this is that existing recipients will not, generally speaking, go onto lower income support payments unless they leave income support and reapply after July 2006. For the most part, the reductions in future income support payments affect *new applicants* rather than existing recipients.

In order to estimate where future applicants for these two payments live, we calculated the increase in the number of recipients of these two payments over time in each State and electorate. Growth in the number of recipients in a State over time is likely to have two major causes: higher rates of new claims and/or migration of recipients to that State. Whichever is the main cause, it will not greatly affect the regional distribution of people worse off. Even if most of the growth in recipients is due to migration of existing recipients to new areas, over time more of those recipients will have claimed income support after July 2006, and could therefore be adversely affected by the changes.

In the absence of direct estimates of new claims for these payments by electorate, this approach should provide reasonably accurate estimates of where those affected by the policy live. Broadly speaking, those electorates where the number of recipients has been growing most strongly are likely to be disproportionately affected by the changes.

Accordingly, we apportioned the 81,000 people with disability and 77,000 single parents affected by the policy across all States and electorates on this basis.

²⁴ It is well known that many parents cycle on and off Parenting Payment Single due to casual employment or unstable relationships. See Gregory & Klug 2003, *A picture book primer: welfare dependency and the dynamics of female lone parent spells*.

²⁵ The overall number of recipients in 2004 was apportioned to States and electorates using the above data.

Attachment 3:

Distribution of existing DSP and PPS recipients by State and electorate

It is interesting to compare our data on people *worse off* with statistics on the number of *existing recipients* of DSP and Parenting Payment Single by State and electorate. Given the methodology we adopted to calculate where those worse off live, this represents the difference between *growth* in the number of recipients in each electorate and the number of recipients in each electorate at a point in time.

The data below are our estimates of how the approximately 700,000 DSP recipients and 450,000 PPS recipients were distributed across States and electorates in 2004.

In contrast to our estimates of the number of people worse off, Tasmania and South Australia have a disproportionate number of *existing recipients*, though Queensland and Northern Territory do also. This shows that although claims for income support have been growing faster across the north and west of the country, some of the 'southern States' still have a disproportionately high number of existing recipients. This may reflect the higher rates of unemployment in many parts of Tasmania and South Australia.

The figure below shows the *proportion* of the electorate in each State that receives DSP and PPS. Overall, 5.4% of the national electorate receives DSP and 3.5% receive PPS, a total of 8.9% of the electorate on either one of these payments.

The next figure shows the *number* of DSP and PPS recipients in each State. As might be expected, the highest numbers of recipients are found in the three largest States: New South Wales, Victoria and Queensland.

Figure 1: % of electorate who are DSP and PPS recipients by State

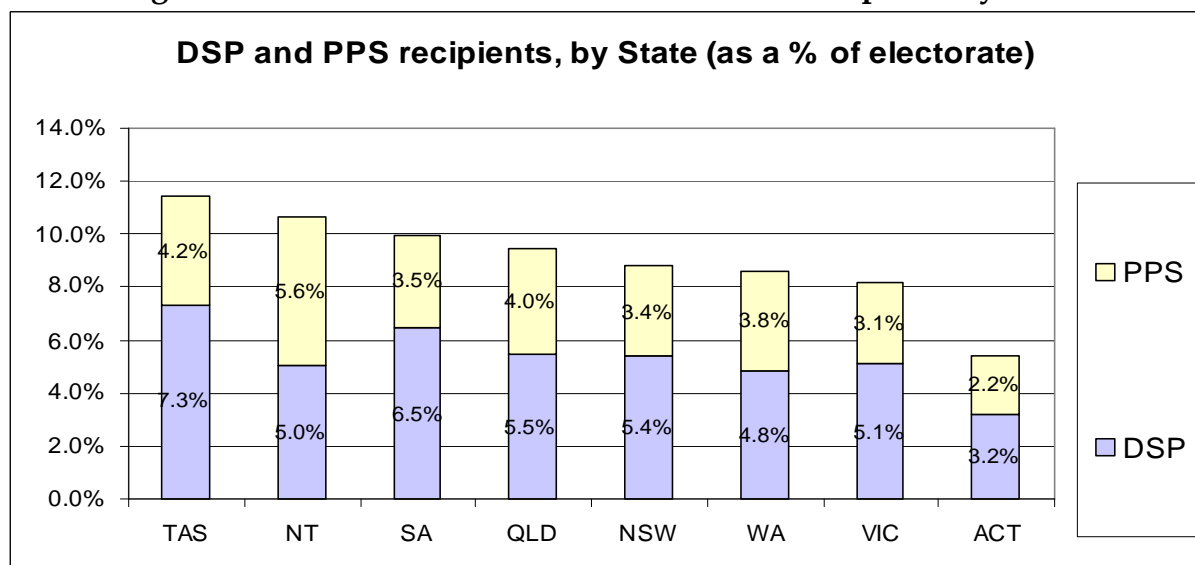
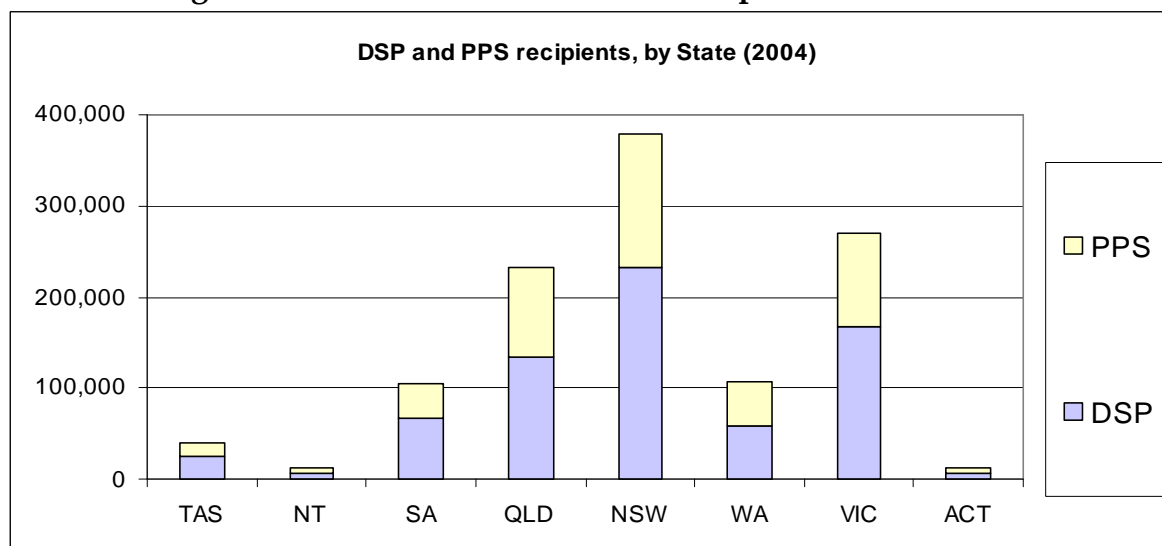


Figure 2: Numbers of DSP and PPS recipients in each State



We also ranked all electorates according to the *proportion of existing DSP and PPS recipients* in the electorate. The top 50 seats from this standpoint are listed in the figure below. Just over half of these seats are also found in the top 50 electorates ranked according to the proportion of the electorate worse off (see figure 4 in the main paper above). These 27 seats are marked with an asterisk in the figure below.

Figure 3: Top 50 electorates, by % of electorate receiving DSP or PPS in 2004

Rank by State	Electorate	Party	Region type	Member		DSP & PPS	% of electorate	DSP	PPS
NT 1 seat									
*1	Lingiari	ALP	rural	Snowdon	Warren	6,788	11.7%	2,863	3,925
QLD 9 seats									
*1	Wide Bay	Nats	rural	Truss	Warren	12,092	13.4%	7,812	4,281
*2	Oxley	ALP	outer-met	Ripoll	Bernard	12,022	13.3%	7,039	4,983
*3	Blair	LP	rural	Thompson	Cameron	11,944	13.1%	7,928	4,016
*4	Rankin	ALP	outer-met	Emerson	Craig	11,749	13.0%	5,970	5,779
*5	Longman	LP	rural	Brough	Malcolm	10,533	12.1%	5,833	4,700
*6	Hinkler	Nats	rural	Neville	Paul	11,008	11.8%	6,528	4,481
*7	Forde	LP	rural	Elson	Kay	9,806	11.4%	5,288	4,518
*8	Leichhardt	LP	rural	Entsch	Warren	10,151	11.3%	5,126	5,024
*9	Fairfax	LP	rural	Somlyay	Alexander	9,381	11.2%	4,944	4,438
WA 2 seats									
*1	Brand	ALP	prov	Beazley	Kim	9,487	11.4%	5,326	4,161
*2	Kalgoorlie	LP	rural	Haase	Barry	8,790	10.8%	4,391	4,399
TAS 5 seats									
1	Lyons	ALP	rural	Adams	Dick	8,428	12.9%	5,290	3,139
2	Braddon	LP	rural	Baker	Mark	8,765	12.7%	5,682	3,083
3	Bass	LP	prov	Ferguson	Michael	7,238	10.8%	4,480	2,757
4	Franklin	ALP	outer-met	Quick	Harry	7,268	10.5%	4,442	2,826
*5	Denison	ALP	inner-met	Kerr	Duncan	7,182	10.5%	4,856	2,326

**Figure 3: Top 50 electorates, by % of electorate receiving DSP or PPS in 2004
(continued)**

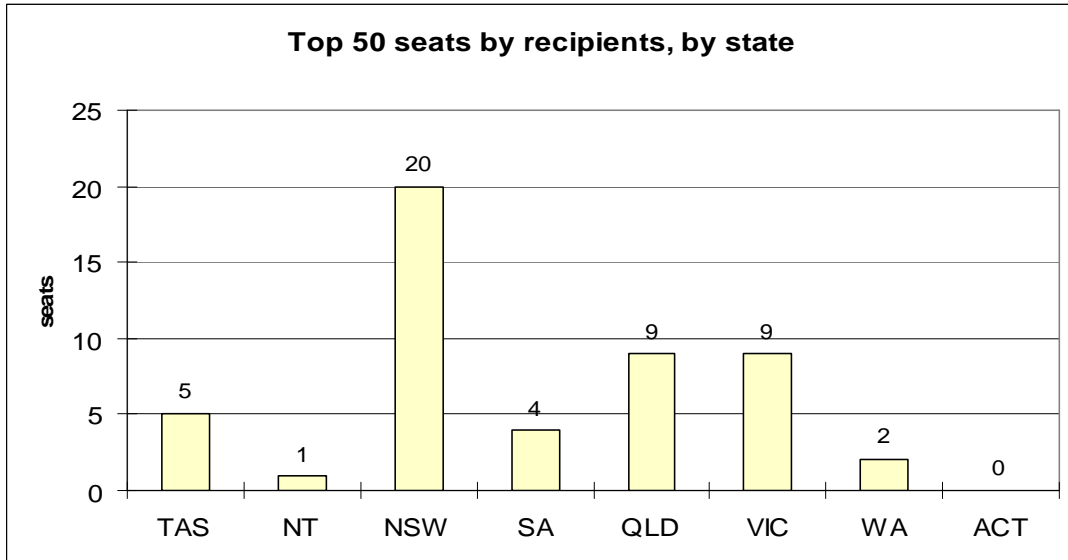
Rank by State	Electorate	Party	Region type	Member		DSP & PPS	% of electorate	DSP	PPS
NSW	20 seats								
*1	Chifley	ALP	outer-met	Price	Leo	12,160	14.5%	6,905	5,255
2	Cowper	Nats	rural	Hartsuyker	Luke	11,514	13.7%	6,858	4,657
*3	Page	Nats	rural	Causley	Ian	11,387	13.5%	7,075	4,312
*4	Richmond	ALP	rural	Elliot	Maria	11,507	13.4%	7,114	4,393
5	Gwydir	Nats	rural	Anderson	John	10,229	12.5%	6,420	3,809
*6	Lyne	Nats	rural	Vaile	Mark	11,366	12.4%	7,049	4,317
7	Fowler	ALP	outer-met	Irwin	Julia	10,027	12.2%	5,201	4,826
8	Parkes	Nats	rural	Cobb	John	9,877	12.1%	6,368	3,509
9	Newcastle	ALP	prov	Grierson	Sharon	10,458	11.6%	7,486	2,973
10	Reid	ALP	inner-met	Ferguson	Laurie	9,052	11.6%	5,270	3,782
11	Prospect	ALP	outer-met	Bowen	Chris	9,906	11.4%	5,327	4,578
*12	Hunter	ALP	rural	Fitzgibbon	Joel	10,047	11.3%	6,515	3,532
*13	Paterson	LP	rural	Baldwin	Robert	9,623	11.0%	6,309	3,315
14	New England	Ind.	rural	Windsor	Antony	9,392	10.9%	5,824	3,568
15	Charlton	ALP	prov	Hoare	Kelly	9,278	10.9%	6,221	3,057
16	Shortland	ALP	prov	Hall	Jill	9,513	10.9%	6,054	3,459
17	Werriwa	ALP	outer-met	Hayes	Christopher	9,679	10.8%	5,033	4,646
18	Dobell	LP	prov	Ticehurst	Kenneth	9,171	10.8%	5,426	3,745
19	Blaxland	ALP	inner-met	Hatton	Michael	8,474	10.3%	4,709	3,765
20	Gilmore	LP	rural	Gash	Joanna	8,954	10.3%	5,651	3,303
SA	4 seats								
1	Port Adelaide	ALP	inner-met	Sawford	Rodney	14,004	14.4%	9,212	4,792
*2	Wakefield	LP	rural	Fawcett	David	12,646	14.0%	7,622	5,024
3	Grey	LP	rural	Wakelin	Barry	12,011	12.4%	7,810	4,201
*4	Kingston	LP	outer-met	Richardson	Kym	10,641	11.3%	6,289	4,352
VIC	9 seats								
*1	Calwell	ALP	outer-met	Vamvakinou	Maria	10,577	12.1%	5,971	4,606
2	Batman	ALP	inner-met	Ferguson	Martin	9,706	11.4%	6,900	2,806
3	Gippsland	Nats	rural	McGauran	Peter	10,065	10.9%	6,355	3,710
*4	Gorton	ALP	outer-met	O'Connor	Brendan	9,914	10.8%	5,791	4,123
*5	Corio	ALP	prov	O'Connor	Gavan	9,214	10.5%	5,842	3,372
6	Gellibrand	ALP	inner-met	Roxon	Nicola	9,509	10.5%	6,123	3,386
*7	Scullin	ALP	outer-met	Jenkins	Harry	8,963	10.5%	5,719	3,243
8	Bendigo	ALP	prov	Gibbons	Stephen	9,697	10.4%	6,085	3,612
9	Wills	ALP	inner-met	Thomson	Kelvin	9,507	10.2%	6,518	2,989
ACT	0 seats								

* indicates this seat is also in the top 50 by proportion of electorate worse off (see figure 4 above)

The main differences between the two 'top 50' rankings are that New South Wales is more strongly represented, and Queensland and Western Australia are less prominent, among the top 50 by existing recipients. As the graph below shows:

- There are 20 New South Wales seats in the top 50 by number of recipients (this compares with just 6 in the top 50 by proportion worse off).
- There are just 9 Queensland seats (this compares with 23 in the top 50 by proportion worse off).
- There are just 2 in Western Australia (this compares with 9 in the top 50 by proportion worse off).

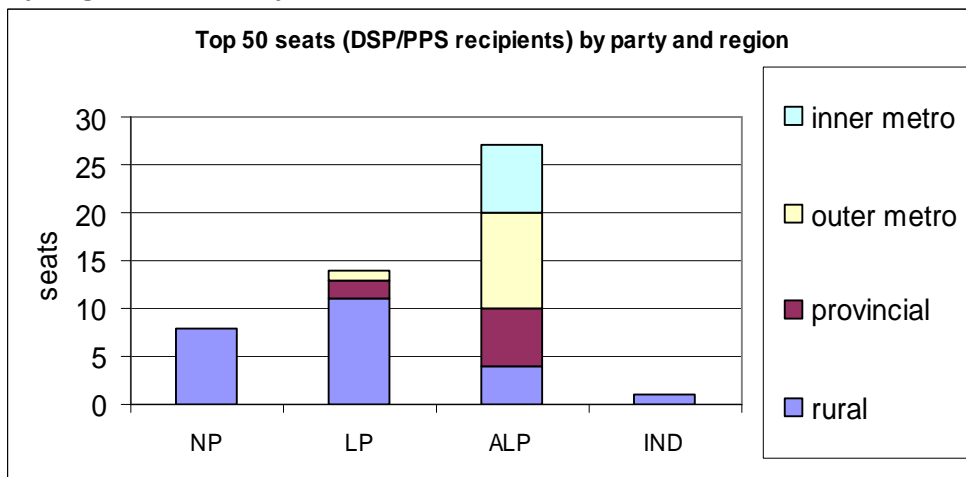
Figure 4: Top 50 seats ranked by number of DSP/PPS recipients, by State



There are also significant variations between the top 50 rankings in regard to the party affiliation of seats and their regional location. There are relatively more ALP seats and more metropolitan seats among the top 50 by number of *current recipients*. The graph below shows that:

- ALP seats outnumber Coalition seats in the top 50 by existing recipients;
- The majority of these ALP seats are in metropolitan areas.

Figure 5: Top 50 seats ranked by number of DSP/PPS recipients, by region and party



These variations reflect the difference between the location of recipients at a point in time, and the locations where more new claims are being lodged. Many existing recipients can still afford to live in cities because they live in public housing or with relatives. However, living in the largest capital cities is no longer an option for a growing number of new recipients of income support, due to high private rents and long public housing waiting lists.

Attachment 4:

Response to the Government's argument that recipients will be better off.

The Government's argument

The Government argues that those who go onto Newstart Allowance instead of pensions as a result of the Welfare to Work policy will be financially better off because they are likely to get at least a part time job, compared to being jobless on the pension.

It therefore compares the disposable incomes of *jobless* recipients of pension payments with those of part time workers on Newstart Allowance.

On this basis, the Government argues that a *single adult with disability* is typically \$92.20 per week better off under the Welfare to Work policy (see figure below). This figure is derived by comparing the disposable income of a person with a disability on Newstart Allowance who undertakes 15 hours per week work with that of a person on DSP who earns no private income.²⁶

Figure 1: Difference between weekly disposable income for a person (no children) in receipt of DSP with no job, versus a person (no children) in receipt of Newstart Allowance (NSA) with a job.

	DSP no paid work	NSA with 15 hrs paid work
Private income @ \$12.75 per hour	0	191.25
Income support - includes rent assistance	290.05	164.80
Tax	0	-23.80
Mobility Allowance	0	50
Total	290.05	382.25

Source: Media statement by Minister Hon Kevin Andrews, 13/9/05

Similarly, the Government argues that a *single parent with one school age child* is typically \$58.18 a week better off under the Welfare to Work policy (see figure below). This figure is derived by comparing the disposable income of a single parent on Newstart Allowance who undertakes 15 hours per week work with that of a parent on Parenting Payment Single who earns no private income.

Figure 2: Parenting Payment Single (PPS) recipient versus Single Parent on Newstart Allowance (NSA) with a job (Both recipients have 1 child)

Weekly hours of work	PPS no paid work	NSA with 15* hrs paid work
Private income @ \$12.75 per hour#	0	191.25
Income support	241.05	132.15
Family Tax Benefit A	138.11	138.11
Family Tax Benefit B	46.90	46.90
Tax	0	-24.17
Total	\$426.06	\$484.24

Source: Media statement by Minister Hon Kevin Andrews, 25/8/05

*Minimum number of hours a single parent on Newstart Allowance will be required to work. There will of course be many parents who choose to work more than 15 hours per week and many that will receive a rate of pay which is higher than the minimum wage.

#Federal Minimum wage hourly rate (June 2005).

²⁶ Media statement by Minister Hon Kevin Andrews, 13/9/05.

ACOSS response

In principle, we agree that most income support recipients would be better off if they can obtain employment instead of relying on income support. However, there are three problems with the Government's argument that people are not financially worse off under the Welfare to Work policy.

1) It does not compare the circumstances of people on pensions and people on unemployment payments.

In order to compare 'apples with apples', we should separately compare the circumstances of *jobless people* on Pensions and Allowances, and *those with jobs* on Pensions and Allowances.

This is what we have done in our calculations above, and it is also the methodology used by NATSEM in its research on the effects of the Welfare to Work policy. This shows that people are worse off on Newstart Allowance or Austudy Payment whether they are jobless or have a part time job.²⁷

By comparing jobless people on the current payments (pensions) with part time workers on the proposed payments (Newstart Allowance), the Government assumes that the first step towards moving people from welfare to work must be to place them on Newstart Allowance. It assumes that this cannot be achieved as long as they receive a pension.

However, it is not necessary to place people on Newstart Allowance to help them into jobs. The Government acknowledges this in its Welfare to Work policy by requiring *existing* Parenting Payment Single recipients with school age children to seek part time employment and linking them with employment services, even though they remain on the pension. It should also be noted that 45% of PPS recipients with school age children already have a job.

This demonstrates that the Government could extend the benefits of employment assistance, and even compel people to look for a job, without placing them on lower payments.

If we compare like with like, we would find that a single person with disability or single parent would generally have to earn at least \$700 per week (gross) to avoid being worse off under the policy. This is the income level at which the DSP and PPS cut out completely and people are no longer entitled to income support.

2) It assumes that all or at least the vast majority of those affected by the policy will actually find employment.

The Government's figures cited above imply that single parents and people with disability affected by the policy (those who go onto Newstart Allowance) will typically obtain regular part time employment for 15 hours a week.

Official data for the outcomes of Job Network and other employment programs suggests that at best, half the single parents affected by the policy and only a minority of people with disability, will get a job after being transferred to Newstart Allowance and receiving employment assistance.

For example, three months after participating in Customised Assistance - the highest level of Job Network help for disadvantaged jobseekers:

²⁷ NATSEM 2005, *Distributional impact of welfare to work reforms upon single parents*; and NATSEM 2005 *Distributional impact of welfare to work reforms upon Australians with disability*

- Just 12% of people with disability obtained a full time job and 25% obtained a part time job (including short term casual positions and subsidised jobs).
- Just 11% of single parents obtained a full time job and 39% obtained a part time job.²⁸

Figure 3: Success rate for Job Network 'Customised Assistance' services (2004)

Job outcomes 3 months after assistance	People with disability on Newstart Allowance	Single parents
Full time job	12%	11%
Part time job	25%	39%

Source: DEWR 2005, *Labour market assistance outcomes*.

These figures are likely to greatly overstate job outcomes for those people with disability and single parents affected by the Welfare to Work policy, for two reasons:

- Many of these job outcomes are casual jobs that will not last. Many of those who are recorded as achieving job outcomes in the figure above could be back on the maximum rate of income support within another month or two, and then spend the rest of the year jobless.
- These outcomes were mainly achieved by *voluntary* participants in the Job Network (job search is not a compulsory requirement yet for the majority of these recipients). It is widely acknowledged that voluntary participants are usually drawn from job seekers with relatively good employment prospects. Compulsory participants in the Job Network – including those single parents and people with disability affected by the Welfare to Work policy – are likely to have much lower employment outcomes than those presented in the figure above.

Very few of the people with disability and single parents affected by the Welfare to Work policy will quickly obtain permanent full time jobs paying over \$700 per week - the 'break even point' above which they are no longer worse off. This 'break even point' is \$150 per week above the minimum wage. Even those who do get such a job are very likely to spend a substantial period on the lower Newstart Allowance payment before doing so.

Previously published ACOSS papers provide detailed information on the main reasons that most jobless people with disability and single parents are likely to find it very difficult to obtain employment, even with expanded employment assistance services such as the Job Network.²⁹

These difficulties include:

- employer resistance to engaging people with disability
- limited skills - around 60% of people with disability and jobless single parents have completed 10 years of schooling or less
- a range of health problems (for example, 20% of PPS recipients suffer from depression)
- recent marital separation or domestic violence (for example, over 20% of PPS recipients are likely to have experienced violence within the last 12 months)
- the need for many recipients to live in regional areas with relatively high unemployment so that they can afford to pay rent.

²⁸ DEWR 2005, *Labour market assistance outcomes*.

²⁹ ACOSS has addressed the likely future job prospects of people with disability affected by the policy in more depth in ACOSS (2005), *Effects of possible changes to Disability Support Pension*.

These barriers to employment are reflected in the much higher than average unemployment rates among people with disability and single parents – which are generally twice those of the overall labour force.

3) It ignores the very high effective tax rates that would be imposed on those who get a job.

NATSEM research demonstrates that effective marginal tax rates facing part time workers on Newstart Allowance generally exceed 60 cents in the dollar (see figure below). These effective marginal tax rates include the effect of social security income tests and taxation. In particular:

- A single parent affected by the policy would lose over 65 cents for every dollar earned between \$50 and \$150 per week, compared with a loss of 40 cents or less on the pension.
- A single adult with disability affected by the policy would lose over 65 cents for every dollar earned between \$50 and \$150 per week, compared with a loss of up to 55 cents on the pension.

Figure 4: Effective marginal tax rates facing single parents and people with disability on DSP and PPS, compared with Newstart Allowance (2006)

Private Income (\$ per week)	Single parent, 2 children		Single adult with disability	
	Parenting Payment Single	Newstart Allowance	Disability Support Pension	Newstart Allowance
	%	%	%	%
\$0	0	0	0	0
\$50	0	65	0	65
\$100	40	65	40	65
\$150	40	75	55	75
\$200	57	75	55	73
\$300	68	66	55	67
\$400	66	66	57	17
\$500	66	34	76	36
\$600	78	30	72	32

Source: NATSEM, *Distributional impact of proposed welfare to work reforms upon single parents*, August 2005; and NATSEM *Distributional impact of proposed welfare to work reforms upon Australians with disability*, September 2005. Note that the proposed easing of the Newstart Allowance income test is taken into account.

These effective marginal tax rates will decline somewhat from July 2006, due to reductions in income tax announced in the 2006 Federal Budget. But these tax changes will not substantially change the picture presented in the figure above. They may also be alleviated to some extent by the Government’s recent decision to allow parents on income support not to accept a job if it doesn’t leave them at least \$50 per fortnight better off (see below).

We use the figures cited in the Government’s estimates in Figures 1 and 2 above to calculate how much income the single parents and people with disability on Newstart Allowance gain *for each hour of employment* compared with jobless people on the pension.³⁰:

- A single parent with one child on Newstart Allowance working 15 hours a week on the minimum wage receives \$58 per week more income than a jobless single parent on Parenting Payment Single. This is equivalent to \$3.90 per hour worked.

³⁰ We do not include Mobility Allowance in this calculation because the majority of people with disability affected by the policy will not receive it.

- A person with a disability on Newstart Allowance working 15 hours a week on the minimum wage receives \$42 per week more (excluding Mobility Allowance), than a jobless DSP recipient. This is equivalent to \$2.80 *per hour worked*.

Few Australians would regard a person as 'better off' if they are required to work for as little as \$3 to \$4 per hour. It is important to note that these calculations do not take account of the costs of working, including transport, clothing, and crucially for single parents, child care.

The Government recently acknowledged the poor financial returns many single parents will get from part time jobs while they are on Newstart Allowance by announcing that they will not be required to accept a part time job that leaves them less than \$50 per fortnight better off, taking account of income tests, tax, and the costs of working (e.g. child care). To date, no similar announcement has been made in regard to people with disabilities on Newstart Allowance.