

# **MULTI-PILLAR SYSTEMS OF SOCIAL SAFETY NET**

**KDI International Conference - Seoul, December 6, 2006**

## **AUSTRALIA'S SOCIAL SECURITY SYSTEM**

### **A SUSTAINABLE AND EFFECTIVE SAFETY NET**

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30 November 2006

## **HISTORICAL SYNOPSIS OF AUSTRALIA'S SOCIAL SECURITY SYSTEM**

Australia has a lengthy history of providing income support to its people. Pensions for the elderly were first provided by individual States, commencing with New South Wales in 1901 (followed by Victoria and subsequently Queensland in 1908) and then in 1909 the Commonwealth introduced the Age Pension. In 1910 the Commonwealth introduced an invalid pension and this was followed by a maternity allowance in 1912. At the end of the First World War, the Commonwealth introduced repatriation benefits for veterans.

Unemployment benefits were not introduced until 1945. Prior to this financial assistance for the unemployed was largely provided by charities although some State governments also provided ad-hoc assistance through, for example, food vouchers. Public works programs by governments were also regarded as another form of assistance. The great depression of the 1930s made evident that these existing arrangements were unsatisfactory. Assistance was described as parsimonious, destructive of dignity and poorly administered, particularly through being unable to cope with in-flows.

Social insurance schemes had developed in the UK in the 1920s and the USA after the great depression but Australia opted instead for a flat rate payment available to all of the unemployed. Implementation of this unemployment benefit scheme was delayed by the onset of the Second World War.

However, some additional income support payments were introduced during the Second World War. These were family allowances, introduced during in 1941, and widow pensions, introduced in 1942. Along with unemployment benefits, sickness benefits and special benefits were introduced in 1945.

The timing of the introduction of these additional forms of income support are related to changes that occurred in the taxation systems within Australia. Prior to the First World War, direct taxes were imposed by State governments only, but in 1915 the Commonwealth introduced an income tax and a company tax in order to fund the War effort. Both the States and the Commonwealth levied income taxes until 1942 when the States agreed the Commonwealth would have sole responsibility for income tax. As well as extending the scope of income tax, the Commonwealth also introduced a war tax in 1941. To address the unpopularity of the tax increases, the Commonwealth also

announced in 1941 the establishment of a National Welfare Fund to fund the new income support payments<sup>1</sup>.

In a sense, the shape of Australia's welfare system was formed from the impact of the Great Depression on employment opportunities. The existing assistance regime was seen as too piecemeal and access to assistance was not universal. Thus, in this period, a broad consensus formed for a national social security system which was largely in place by the late 1940s.

This consensus for a national social security system was different to that being established by other developed countries. Instead of a social insurance focus of income maintenance across an individual's working life, the focus was one of a safety net. That is, possibly reflecting Australia's culture, the social security system was one of recognising a societal obligation to help those in need, but at the same time also recognising that most of a person's working life should be spent in the private provision of goods and services.

During the 1950s and 1960s, Australia chose to shelter behind protectionist economic policies which, despite promoting a steady decline in relative living standards, also saw a period of full employment. As such, while there were a number of suggested reforms to the welfare system put forward there was very little structural change made to the system.

Because unemployment was low, there was a greater focus on benefits for the aged in this period. A major focus was that of creating a universal age pension. In 1969, the income test for the age pension was made significantly more generous (halved from 100 per cent to 50 per cent) and in 1972 the income test free area was doubled. In 1973, the means test was abolished for those aged over 75 years and in 1975 this was extended to those aged over 70 years. The assets test was also abolished in 1976.

Also in the first half of the 1970s, the welfare system was considerably expanded. A benefit for sole parents was introduced and welfare payments were increased significantly. As well, benefits for children in the tax system were abolished and offset by increases in family allowances. This had the impact of greatly extending benefits to those without taxable incomes.

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<sup>1</sup> In the early 1960s National Welfare Fund taxes was absorbed into general taxation rates and the National Welfare Fund effectively abolished.

This period also saw significant adverse economic change in both the global economy and the Australian economy. The unemployment rate increased from under 2 per cent in 1973-74 to around 10 per cent by 1983-84. A combination of poor economic management, greatly increased generosity of benefits and significant increases in unemployment saw, in the latter half of the 1970s, a shift in focus towards reducing government deficits. Among the expenditure reduction decisions were a freezing of the rate of the age pension in 1978 and, in 1983, the reimposition of the means test for those aged over 70 years. In 1985, the assets test was reintroduced.

The first major structural review of the social security system since the 1940s, was undertaken in 1986. The review focussed on three main areas: income support for families with children; social security and workforce issues; and income support for the aged. The review recommended an increased emphasis on encouraging work over long-term dependence on benefits. The work assistance measures were focussed on training and job placement assistance. The review also recommended indexing payments to cost of living increases and on-going evaluation of all payments.

The outcome of the review resulted in a significant restructuring of the social security system over the next several years. A major change in 1987 was the shift from passive to active assistance for the unemployed which included compulsory registration with the Commonwealth Employment Service and compulsory personal lodgement of fortnightly work search forms. In 1989, a program was introduced which had a greater focus on the long-term unemployed through intensive interviews and referral to training and labour market programs. Among other changes that arose from the review was, in 1991, the replacement of the invalid pension with the Disability Support Pension and, in 1995, a phased increase to the age pension age for women from age 60 to age 65.

Rent Assistance was made more generous in 1987 by extending assistance to other low-income families privately renting, rather than limiting access to those families in receipt of income support.

Family assistance was also changed in 1987 through the introduction of the Family Allowance Supplement which increased payments and had a more generous means test for lower income families. In 1988 an assets test for the Family Allowance Supplement was introduced and in 1994 a Home Child Care Allowance was introduced that largely replaced the tax rebate for a dependent spouse with children.

Australia's family assistance arrangements are of a hybrid nature. Reflecting a taxation system based on the individual, various forms of family payments have been in place since early last century to promote horizontal equity in the tax system. However, over time an income support element also was added to family assistance through the provision of additional assistance for low-income families. This additional assistance is means tested resulting in family assistance that have maximum payments (reflecting they are partly a safety net) tapering down to minimum rates (reflecting horizontal equity considerations). The family assistance system has been further complicated by means testing the minimum rates for high-income families.

In 1997 assistance for middle and low-income families was increased through a new, additional family payment, the Family Tax Initiative.

## **CURRENT ARRANGEMENTS AND REFORM POLICY DRIVERS**

Over the past decade Australia has undertaken a number of significant reforms to its tax transfer system. Nonetheless, the current organisation of Australia's income transfer arrangements continue to reflect the initial underlying philosophy of a targeted safety net while encouraging private provision. Indeed, along with increases in payment generosity there has also been a marked shift towards actively promoting self sufficiency for those of working age during this period.

The Commonwealth overwhelmingly provides funding of the Australian income support safety net. For example, in the financial year 1999–2000, 93 per cent of total outlays of all levels of government spending on 'social security and welfare' in Australia was provided by the Commonwealth. In contrast, Commonwealth spending on education and housing was less than half of that of state and local government at that time. Commonwealth spending on health was 63 per cent of total expenditures in 1999-2000.

While Australia does not provide income protection via social insurance deductions for those of working age, it does provide a contribution to retirement income through a similar mechanism. The Australian retirement income system is based upon three pillars, which have been broadly endorsed by the World Bank. The three pillars are a taxpayer funded means tested age pension; a minimum level (9 per cent) of compulsory employer superannuation contributions made in respect of those in the workforce; and voluntary private superannuation supported by tax concessions.

Apart from the social security system and the retirement incomes system, Australia's social protection system also includes the following elements:

- a health care system, based on the national health insurance scheme, Medicare, which is financed through a combination of a tax levy, Commonwealth general revenue, state governments and by contributions from individuals;
- other cash and in-kind welfare benefits and services, such as subsidised childcare, public housing and transport, domiciliary and residential care services for aged and disabled people, rebates on local government property taxes for pensioners and reductions in charges for utilities such as water, electricity and gas. These are provided at Commonwealth, state and

local levels, with the Commonwealth Government providing additional funds for them to other levels of government;

- minimum levels of paid leave (including recreation, sick and bereavement) which is provided and financed by employers;
- compensation schemes for work injuries and deaths that are administered by state governments and provide earnings-related benefits, financed by compulsory, risk-related premiums or levies paid by employers to commercial insurers or governmental state-wide compensation funds;
- compensation arrangements for road accident injuries and deaths, financed by compulsory flat-rate levies on motor-vehicle owners paid to commercial insurers; and
- voluntary insurance operating through commercial insurers.

### **Basic social security eligibility rules**

Social Security Payments are paid on a categorical basis. The main categories are the aged and war veterans, the unemployed, people with disabilities and sole and partnered parents. There is also a significant family assistance program composed of four major payments. These are *Family Tax Benefit Part A*, *Family Tax Benefit Part B*, *Child Care Benefit* and *Maternity Payment*. Benefits are paid by the Commonwealth Government, with the same rates and conditions apply across all states.

Most benefits are means tested (i.e. subject to income and assets tests) and are not time limited. Subject to some residency requirements, coverage of benefits is universal<sup>2</sup>. A number of benefits are also subject to mutual obligations (e.g. a requirement to active seek work in return for unemployment benefits).

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<sup>2</sup> Appendix 2 to this paper lists the different categories of payments. The Appendix also provides a comprehensive description of the rates of payment and the income and assets tests that apply.

## **Delivery of social security services**

In 1997 a national network of private and community organisations known as the Job Network<sup>3</sup> replaced the public employment service in Australia. To date Australia is the only country to do this but more recently some other OECD countries, most notably the Netherlands, have also contracted out some active labour market programmes. Initially, Job Network achieved slightly better outcomes than the public employment service it replaced but at around half the previous cost. This delivered significant savings to the taxpayer. Job Network has continued to deliver good outcomes but, more recently, its cost has increased significantly. This is due to a combination of factors, including higher spending on active labour market programs and increased difficulty of placing remaining jobseekers in an economy that has a high minimum wage and is operating around full-employment.

In 1997 Centrelink was established to provide Australian Government services on behalf of a number of government departments. Centrelink receives funding through business partnership arrangements with purchasing departments. As part of these arrangements, Centrelink is responsible for making payments under Australia's income support system. In 2004-05, Centrelink disbursed over \$A63 billion in payments. This involved over 5 billion online transactions to 6,480,000 customers. In October 2004, the Government placed new emphasis on the delivery of social and health-related services through the creation of the Department of Human Services. The Department oversees a number of public sector service deliver agencies, including Centrelink.

## **Recent expenditures on income support payments**

The main income support payments provided by Australian Government departments for the financial years 2001-02 to 2004-05 are listed in the table below.

	2001-02	2002-03	2003-04	2004-05
\$A billion	58.4	59.3	67.1	66.6
% GDP	7.9%	7.8%	8.5%	8.2%

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<sup>3</sup> Appendix 1 to this paper provides a summary of the labour market services provided by Job Network.

## **Recent reforms that have shaped Australia's current social security system**

### *Mutual Obligation*

Consistent with the philosophical underpinnings of the development of Australia's income support system is the concept of mutual obligation. That is, a person out of work is given income support by the community and is expected, in return, to support the community by doing useful projects, learning skills and keeping up work habits. In general this had meant that people in receipt of unemployment benefits were expected to actively seek employment as well as make attempts to improve their employability through such things as training. In 1998 the mutual obligation principle was extended further through the scheme known as "Work for the Dole". *Work for the Dole* required all young people, aged 18 to 24 years, who had been unemployed for six months or more to participate in an activity in addition to looking for work. The additional activities included education and training, literacy and numeracy programmes and community job projects. This latter option involves the unemployed picking up skills to assist their job searching through activities in their local communities that provide work experience and are tasks that are valued by those local communities. *Work for the Dole* community projects are designed to be non-market in nature so as not to take jobs away from existing workers.

Also in 1998, a new *Youth Allowance* replaced unemployment benefits for young people, aged 16 to 21 years. This new benefit was introduced to encourage young people to further their education and develop basic skills by removing the incentive to apply for a higher rate of payment in the form of unemployment benefits.

In 1999, the Government extended *Work for the Dole* to those aged between 25 and 34 years who have been in receipt of unemployment payments for twelve months or more and to Year 12 school-leavers in receipt of unemployment payments for more than three months. The scope of activities that satisfy the mutual obligations of unemployment beneficiary recipients was also increased

In 2000 the Commonwealth undertook a major reform of the tax system, which included substantially changing Australia's tax mix through the introduction of a goods and services tax. This comprehensive reform package also included a number of changes to income support payments and income tests as well as significant streamlining of family assistance payments by reducing the number of potential separate payments from twelve down to three.

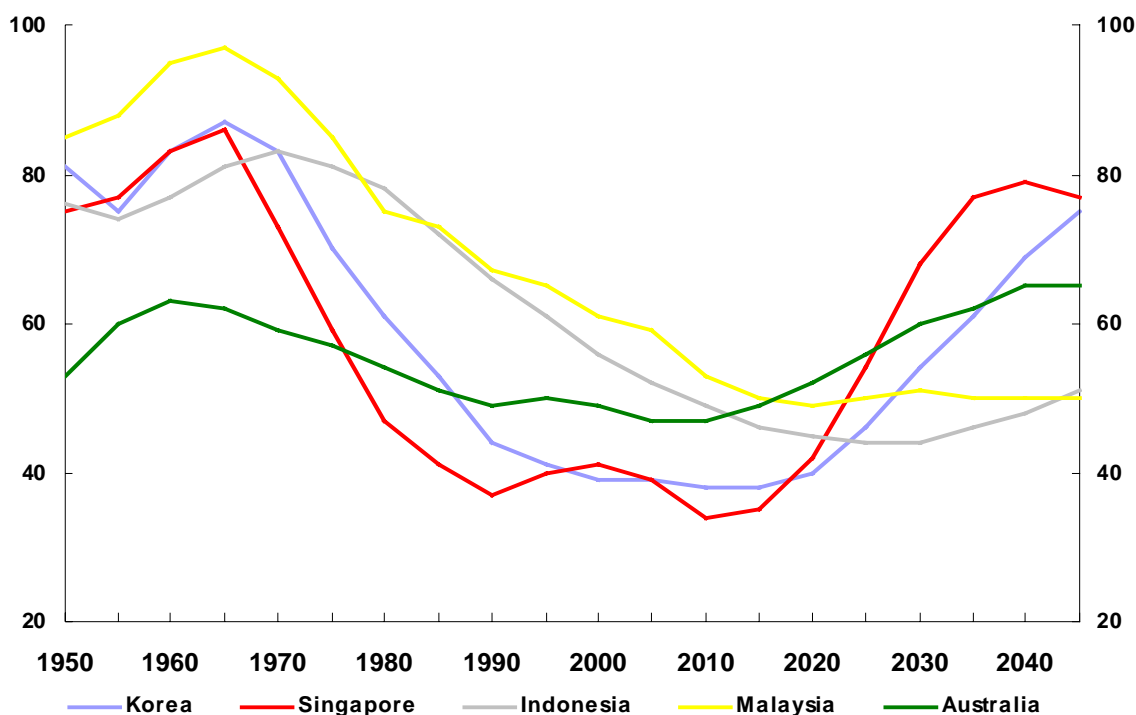
Welfare reform continued in 2001 through the *Australians Working Together* package, which provided significant funding to build a more active participation based social safety net to improve the operation of the welfare system. The additional funding was designed to provide more services to encourage training and increased labour force participation. The package also included a relatively light extension of mutual obligations for the mature aged and for parents.

### **The Intergenerational Report**

In 2002 the Government produced its first *Intergenerational Report (IGR)*, which it is required to be produce every 5 years under the *Charter of Budget Honesty Act (1998)*. The purpose of the IGR is to assess the long-term sustainability of current Government policies over a 40-year period including by taking account of the financial implications of demographic change. At the time of publication, Australia was one of the first countries in the world to do this. What the IGR projected was an increase in the ratio of Commonwealth government spending to GDP which would grow to a little more than 5 percentage points of GDP by 2042. To put this in context, the current tax to GDP ratio for the Commonwealth is around 25 percentage points – so the future funding requirement on the basis of current policies and trends was far from trivial.

The most significant factor driving this result is population ageing. The sharp fall in fertility rates that occurred at the beginning of the 1970s in Australia is now beginning to have an impact on the rate of economic growth. It is a story that has been evolving over a number of generations. This story can be illustrated by looking at changes in dependency ratios. The dependency ratio is the proportion of those not of working age relative to those of prime working age. Those not of working age consist of two groups, the young and the old. As fertility rates have fallen, so too has the youth dependency ratio. In contrast, the age dependency ratio has remained much the same over this period. The outcome to date has seen the total dependency ratio falling. This demographic effect also has been positive for GDP growth. However, from now on the age dependency ratio will start to increase rapidly but there will no longer be an offsetting decline in the youth dependency ratio, hence the overall dependency ratio will increase rapidly which will have an adverse impact on the rate of GDP growth.

This change in dependency ratios is by no means unique to Australia as the chart below illustrates.



Source: World Population Prospects: The 2002 Revision, UN

In itself, slower GDP growth is not necessarily a problem, but as demonstrated by Australia’s IGR there can be significant fiscal challenges arising from these demographic induced circumstances. While the challenges are substantial, the possible solution set is relatively straightforward. There are essentially four choices.

First, Australia could allow spending to increase, and public debt to build up.

For many countries facing the fiscal challenges of ageing, this is not really a viable option as they already have large public debt. This is not the case in Australia where net public debt is zero, however this option is not a sustainable solution as it is essentially defers addressing of the fiscal task. Ultimately this will result in higher future taxes or lower future public spending for the next generation.

A second option would to increase the tax to GDP ratio by some 5 per cent of GDP when it is needed to do so.

Arguments for this option are based around the proposition that because the economy will continue to grow (albeit at a slower rate), then real incomes will be higher and therefore taxes can be higher

for future generations. There are a number of flaws in this argument. First, taxes not only have deadweight losses associated with them but they also can change behaviours. For example, a tax increase with an incidence on labour could cause a decline in participation causing a funding gap to remain. Any further increase in taxes could perpetuate this behaviour and/or result in emigration of workers to lower tax countries. Moreover, previous generations have been resistant to increasing taxes so it is not clear why future generations also should not be, particularly given the size of the tax increases needed.

In effect, selecting either of these two choices is to pass the fiscal problem onto future generations.

A third choice would be to tackle the average cost of programmes. That is, reduce government expenditure. But the size of the expenditure cut required is large. In Australia's case it would be the equivalent of about two-thirds of the social security budget, for example. So, as with large tax increases, it is difficult to appreciate why current or future generations would see this as a feasible solution.

A fourth option and the most promising alternative would be to implement policies that would facilitate a faster rate of GDP growth. For example, if Australia was to implement policies that resulted in the economy being 20 per cent larger than it otherwise would be in 40 years – then the additional tax revenue collected would offset the increase in expenditure projected by the IGR<sup>4</sup>.

More importantly from a well being viewpoint is that faster GDP growth in these circumstances will also translate into higher GDP per capita, and faster GDP per capita growth is worth pursuing for its own sake as it is a primary source of higher living standards.

Not surprisingly, then, Australia has elected to go down the path of the fourth option.

### **The Policy framework for Faster GDP Growth**

In analysing possible policy responses to encourage faster GDP growth it can be useful to undertake a 'supply-side' decomposition of the contributors to GDP growth. This is often summarised as the

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<sup>4</sup> The Commonwealth's tax to GDP ratio is around 25 per cent, so if the economy was 20 per cent larger that it is projected to be by 2042 then additional tax revenue equivalent to 5 per cent of GDP would accrue.

‘3Ps’ of Population, Participation and Productivity. The components are percentage point contributions to average annual growth in the following identity for GDP per capita:

$$GDP/P = \alpha \rho (1-u) h \pi$$

where  $P$  is the number of people in the population;  $\alpha$  is the proportion of the population aged 15 plus;  $\rho$  is the labour force participation rate (i.e., the proportion of the population aged 15 plus who want to work);  $u$  is the unemployment rate;  $h$  is average hours worked; and  $\pi$  is labour productivity (GDP per average hour of work).

The ‘3-Ps’ are then given by: Population ( $\alpha$ ); Participation ( $\rho (1-u) h$ ); and Productivity ( $\pi$ ). A key variable is the proportion of the population aged 15 plus.

### *Population*

Population is driven by three factors, the mortality rate, net overseas migration and the fertility rate.

Declining mortality rates, which are a good thing, are lifting the age profile and there is no reason why this should not continue.

Net overseas migration also can be a significant factor. In Australia’s case net overseas migration makes a significant contribution to Australia’s population growth. However, even if the skill levels of immigrants are significant, the contribution to increasing GDP per capita is relatively marginal because the size of the existing population dampens the impact. Moreover, immigration is not a solution to ageing because migrants age as well – at best it can slow the ageing process at the margin.

Policies to promote increased fertility can be problematic as the sharp fall in Australia’s fertility rate over the 1970s was driven by greater choice for women in society. While there is some mixed evidence about the efficacy of family friendly policies it also needs to be borne in mind that while increases in fertility increase GDP per capita in the longer term, in the medium term they can detract from GDP per capita as they raise the dependency ratio further.

## *Productivity*

Labour productivity is increased by additional capital per worker (capital deepening) or an improved quality or allocation of capital and labour inputs (multifactor or total factor productivity). While Australia's recent productivity measures indicate a slowing of growth, Australia experienced an acceleration of its productivity growth over the last part of the 1990s and early into this century. Recent analyses indicate these productivity gains were due to product and labour market deregulation, floating the exchange rate, reducing tariffs and other structural reforms that resulted in strong competition.

In turn, these reforms drove new work practices that encouraged the rapid uptake of productivity-enhancing information and communications technologies. The medium-term macroeconomic policy framework that maintains low inflation facilitated this process, and helps to achieve steady economic growth.

Looking forward it is likely that future productivity growth will be driven by further competition and flexibility in domestic product and labour markets, as well as increasing the human capital of the workforce. This needs to occur within the framework of a stable macroeconomic environment.

## *Participation*

Australia's current labour force participation ranks towards the middle of OECD countries, suggesting there is still significant potential to improve. In particular, participation rates among the mature age, women, low skilled workers and those on income support remain lower than average.

However, Australia is ageing and therefore labour force participation will fall because older people work less than younger people. Labour force participation in Australia falls-off rapidly around the age of 50. By the time people reach their early 60s, only a little over a third are still in the workforce. People with low levels of education tend to disengage from the paid workforce at particularly early ages and, once they have left, they rarely return. Early exit from the workforce often follows job loss, and usually afflicts less educated, and hence poorer, people and it is rarely reversed. Poor health also often leads to early retirement. Thirty percent of retirees in the age group Australia 50-65 retire due to illness/disability.

Also, until recently in Australia, many of those who decided to leave the workforce prematurely did so because of existing welfare and tax arrangements. Obviously, government can influence these

outcomes. Government affect participation trends through incentives, or lack of incentives, in taxation, industrial relations, education and training, health and welfare policies. Where participation decisions are unnecessarily or inadvertently distorted, reform benefits can be significant.

The Australian Government has been implementing policies to improve incentives to work and thereby address the ageing challenge. It has increased incentives in the tax system; made education and training systems more effective; focussed on preventative health care; and made the labour market more flexible.

On the income support side it has made major changes to family assistance and undertaken comprehensive reforms of the welfare and retirement income systems. These are discussed below.

### **Family Assistance Reforms**

The Australian Government provides a range of payments to support families with their work and family responsibilities. In 2000 the Government commenced a strategy to reform the family assistance and tax systems so as to help families raise their children and improve the rewards from work. It reduced the number of forms of assistance from twelve to three (*Family Tax Benefit Part A; Family Tax Benefit Part B; and Child Care Benefit*) and increased their rates of assistance. The package also significantly lowered income test taper rates and established a new *Family Assistance Office* to streamline payment arrangements.

In 2004, the Government built upon those reforms. There were large increases in rates of assistance and further increased work incentives from relaxation of income tests. There was also a new *Maternity Payment* introduced. The result was the largest package of assistance for families ever put in place by an Australian Government. For example, the reforms delivered a real increase of more than 100 per cent to the base rate of family assistance compared to that of 1996.

## **Description of Family Assistance**

The main payments are:

### *Family Tax Benefit Part A*

*Family Tax Benefit Part A* is a payment designed to help with the cost of raising children and is paid per child. *Family Tax Benefit Part A* is calculated on actual annual family income and the ages and number of dependent children in the family. *Family Tax Benefit Part A* is income tested and reduces on a sliding scale between the maximum rate and the minimum rate. The minimum rate is also subject to a maximum family income test where it reduces to zero.

Subject to the maximum family income test, *Family Tax Benefit Part A* is paid to families who have a dependent child up to the age of 21, or a full-time student aged 21–24 in their care.

*Family Tax Benefit Part A* also includes a supplement for each child. The supplement is paid after the end of the financial year when Family Assistance payments have been balanced. This occurs after tax returns have been lodged with the Australian Tax Office.

### *Family Tax Benefit Part B*

*Family Tax Benefit Part B* provides assistance to single parent families and to two-parent families with one main income, where one parent chooses to stay at home or balance some paid work with caring for their children.

Single parent families always get the maximum rate of *Family Tax Benefit Part B*, according to the age of their child. For two-parent families, the income of the main earner is not taken into account. It is the income of the lower earner that affects how much Family Tax Benefit Part B received.

*Family Tax Benefit Part B* reduces on a sliding scale between the maximum rate and zero.

A higher rate of *Family Tax Benefit Part B* is paid if the youngest child in the family is aged under five. *Family Tax Benefit Part B* includes a supplement. The supplement is available after the end of the financial year when payments are balanced after lodgement of tax returns.

### *Child Care Benefit*

*Child Care Benefit* helps with the costs of childcare for approved and registered care.

Approved care includes long day care, family day care, in-home care, outside school hours care, vacation care and some occasional care services. Registered care is childcare provided by grandparents, relatives, friends or nannies for work-related childcare. It can also include some care provided by private pre-schools, kindergartens and outside school hours care. The carer must register with the Family Assistance Office.

Payments for approved childcare are based on a family's annual income. Families on low incomes receive the maximum rate of *Child Care Benefit* and all eligible families are entitled to at least the minimum rate.

*Child Care Benefit* is income tested and reduces on a sliding scale between the maximum rate and the minimum rate and these income tests vary depending on the number of children in care. The number of hours that can be claimed for vary by circumstances.

For Approved care up to 24 hours per child per week is available to all eligible families and up to 50 hours per child per week is available if in work, training or studying in an approved institution. To be eligible for up to 50 hours per child per week each member of a couple needs to be working, looking for work, training or studying for at least 15 hours per week. In certain circumstances families who need extra assistance may be eligible for more than 50 hours per week.

For Registered care up to 50 hours per week is available if in work, training or studying in an approved institution.

In addition to *Child Care Benefit* eligible families may claim a 30% childcare tax rebate. The rebate covers 30% of out-of-pocket child care expenses for approved childcare, with a rebate of up to \$4000 (indexed) per child per year. Out-of-pocket expenses are childcare fees not already covered by the *Child Care Benefit*.

### *Maternity Payment*

*Maternity Payment* helps with the costs of a new born baby or adopted child. *Maternity Payment* is a one-off payment per child.

Other family payments include:

*Maternity Immunisation Allowance*—which is a non-income tested payment to encourage parents to immunise their children. *Maternity Immunisation Allowance* is a one-off payment per child and is paid when the child is between 18 and 24 months of age and is fully immunised.

*Large Family Supplement*—provides additional assistance for large families. A family that receives Family Tax Benefit for three or more children automatically receives an extra amount for each child after the second.

*Multiple Birth Allowance*—is a payment for triplets, quadruplets, etc. Families who have triplets or more, also receive a Multiple Birth Allowance which is paid until the children are six years old.

*Double Orphan Pension*—provides assistance for guardians of orphans. A guardian of an orphan is eligible for the Double Orphan Pension. It is not income or asset tested and is paid in addition to Family Tax Benefit.

## **Welfare to Work Reforms**

The Welfare to Work initiatives have their origins from the Intergenerational Report (IGR) of 2002. In looking at international comparisons of labour force participation rates and measures to improve participation it became evident that there were a significant number of working age Australians who were in receipt of passive income support payments. In 2004 the Government noted that there were around 2.7 million working-age Australians on income support, which represented one in five adults of working age. Of this group on income support, very few were required to actively seek work. Indeed it was only around one in six who had such an obligation. For parents it was one in ten. The government recognised that not only did this have a significant economic impact but also at the individual level it prevented people from realising their potential.

## **Welfare to Work Initiatives**

In the 2005-06 Budget, the Australian Government announced a package of measures aimed at increasing workforce participation of persons on income support. This represented a fundamental

move away from a passive system to an active welfare system. Groups targeted by the measures were mature age people, parents, people with a disability and the very long term unemployed.

Most of the Welfare to Work initiatives were implemented from 1 July 2006. The measures seek to increase workforce participation through a balance of improved services, increased financial incentives, and appropriate obligations. The measures include changes to income support payments, increases in employment services, changes to participation requirements, and a new compliance system.

The Welfare to Work initiatives recognise job seekers aged over 50 as having the same ability to look for work as all other job seekers. The measures also introduce new services to improve employment opportunities for these mature age job seekers.

Other initiatives are aimed at reducing welfare dependency and increasing employment for single and partnered parents. The measures also provide a significant increase in employment services for parents. These increased services are accompanied by changes to income support payments and participation requirements for parents with school-aged children. Further support for parents is also provided through enhanced childcare arrangements to enable work participation.

The aim of the measures for people with a disability is to ensure these people are able to participate in the workforce as far as they are capable. The changes place a greater emphasis on what people can do, rather than what they cannot do. New assessment arrangements have been introduced to assist in determining the extent of a person's capacity to work, and employment assistance and vocational rehabilitation services have been expanded to help people with disabilities find and retain work.

Very Long Term Unemployed job seekers now have access to more help to find employment, including a new Wage Assist initiative. They also face increased obligations if they have a pattern of work avoidance. New Job Capacity Assessments, Employment Preparation and Wage Assist services have been introduced, and more places are available in other services.

New compliance arrangements for income support payments accompany the increased services introduced in the Budget measures. These arrangements see a clear link between a job seeker receiving an income support payment and actively participating in an employment related service. The compliance arrangements are to encourage job seekers to reengage in participation activities.

The Welfare to Work initiatives also increase the incentive for people to work by making employment more financially rewarding. Changes have been made to income tests for most allowances to allow people to keep more of their earnings.

The Government is also providing funding of \$50 million over four years for an Employer Demand and Workplace Flexibility Strategy to improve employer awareness of the benefits of hiring people with disabilities, parents, mature age job seekers and the very long term unemployed.

Welfare to Work measures apply to persons in rural and remote Australia. Operational arrangements will, however, have regard to local circumstances where appropriate. Implementation of Welfare to Work measures in rural and remote Australia is also closely linked to the Australian Government's reforms in the area of Indigenous employment and economic development.

### **Changes for mature age job seekers**

Job seekers aged 50 and over on Newstart Allowance are now required to look for the same number of jobs per fortnight as other job seekers (the Activity Test). However this age group does not have further Mutual Obligation requirements.

Job seekers aged 55 and older are able to fully meet their Activity Test requirements by engaging in part-time work or recognised volunteering activities, or a combination of these, for 30 hours or more per fortnight. Job seekers satisfying the Activity Test in this manner can still volunteer to participate in Job Network.

Job seekers aged 50-54 can no longer meet their Activity Test requirements by doing voluntary and/or part-time work. They can, however, still do voluntary work in combination with other approved activities if their employment service provider deems this appropriate.

Job seekers aged 40-49 now have *Work for the Dole* as their default Mutual Obligation activity.

Compliance arrangements for income support payments may be used to encourage job seekers to meet their participation requirements.

A new Employment Preparation service is now available. The service is individually tailored and immediately available to assist job seekers aged 50 and over with no recent workforce experience.

Mature age job seekers who have more recent workforce experience are able to access Employment Preparation after three months. Those who are assessed by the Job Seeker Classification Instrument as Highly Disadvantaged continue to receive Intensive Support customised assistance.

### **Changes for parents**

New applicant parents for income support may apply for Parenting Payment until their youngest child reaches six years of age (if partnered) or eight years of age (if single). New claimants (both partnered and single) will be subject to part-time participation requirements when their youngest child turns six. New Parenting Payment recipients will then be transferred to unemployment benefits (Newstart Allowance) once their youngest child turns six (if partnered) or eight (if single).

New claimants whose youngest child is already aged six years and over (if partnered) or aged eight years and over (if single) are now ineligible for Parenting Payment now receive the standard unemployment benefit (Newstart Allowance).

Existing recipients of Parenting Payment who have a youngest child aged 0- 15 years retain their eligibility and continue to receive Parenting Payment. These Parenting Payment recipients will be required to look for paid part-time work of at least 15 hours a week and participate in appropriate services from 1 July 2007 or when their youngest child turns seven years of age (whichever is the later). They will also have an annual part-time Mutual Obligation requirement of 150 hours over six months (around six hours per week) from this time, with *Work for the Dole* as the default activity.

After the transition arrangements for existing recipients of Parenting Payment, all recipients of Parenting Payment whose youngest child is aged six or over and recipients of Newstart Allowance who are the principal carer parent of their youngest child aged 6–15 years of age will have a part-time job search requirement. They are required to participate in appropriate services, look for suitable paid part-time work of at least 15 hours a week and complete an annual Mutual Obligation requirement of 150 hours over six months (around six hours per week), with *Work for the Dole* as the default activity.

Principal carer parents who are registered and active foster carers, recognised home schoolers, or who are facilitating distance education can claim an automatic exemption from participation

requirements (of up to 52 weeks at a time). In addition, principal carers with four or more school aged (6 – 15 years) dependent children can claim an automatic exemption from participation requirements (of up to 52 weeks at a time). Other special family circumstances may mean a parent is able to claim a temporary exemption from participation requirements.

The new Employment Preparation service provides an individually tailored service to help parents find work that suits their needs. Parents returning to the workforce with no recent workforce experience are able to access Employment Preparation immediately when they commence in Job Network. Parents with more recent workforce experience receive Employment Preparation if they remain unemployed after three months.

### **Changes for people with disabilities**

Job seekers with disabilities now have improved access to services to help them find work consistent with their capacity.

People with a disability applying for income support now undergo a Job Capacity Assessment (JCA). JCAs have been designed to provide a holistic assessment of an individual's work capacity, barriers to finding work, and referral to interventions and assistance needed to help to improve their work capacity, such as employment and related service providers.

Job seekers with a disability who have a partial capacity to work 15-29 hours per week as determined by a JCA, will be eligible for unemployment benefits (Newstart Allowance). These job seekers will have a participation requirement to look for suitable part-time work, consistent with their capacity, and/or to participate in appropriate services.

Job seekers with a disability are referred to the most suitable employment service or programme of assistance to meet their needs. Employment and related services include:

- Disability Employment Network for job seekers with disabilities requiring more than 6 months of assistance post employment placement and/or specialist disability services

- Job Network specialist or generalist services for those job seekers with a disability requiring less than 6 months of assistance post employment placement or do not require specialist disability services
- Vocational Rehabilitation Service for job seekers requiring specialist vocational rehabilitation services in order to gain or retain paid unsupported employment (i.e. where the job seeker does not require ongoing assistance to maintain their job).
- Personal Support Programme (PSP) is for job seekers requiring individualised attention because of their significant non-vocational barriers to participation such as homelessness, drug and alcohol problems, psychological issues/disorders, domestic violence etc. As a pre-employment programme, PSP acts as a bridge between short-term crisis assistance and employment-related assistance.
- Jobs, Placement, Employment and Training is for young people aged between 15 and 21 who face personal and social barriers that severely limit their capacity to participate socially in the life of their communities; participate in activities such as education, employment and vocational training and would benefit from employment assistance.

The objective of the measures for people with a disability is to ensure they are able to participate in the workforce as far as they are capable. People who are unable to work for at least 15 hours per week at or above the relevant minimum wage in the open labour market with up to two years of assistance are eligible for Disability Support Pension (DSP).

People who are able to work 15 hours or more per week where wages are at or above the relevant minimum wage in the open labour market with up to two years assistance are eligible for unemployment benefits (Newstart Allowance). People assessed as being able to work between 15 and 29 hours a week have an obligation to look for work of at least 15 hours per week.

People who were already receiving DSP prior to the announcement of these changes are not affected by the eligibility changes. However, these people are entitled, and encouraged, to volunteer for employment services.

## **Changes for Very Long Term Unemployed job seekers**

The Welfare to Work initiatives provide new opportunities and services for the Very Long Term Unemployed job seekers on who have completed their second round of Intensive Support customised assistance (ISca2).

The Welfare to Work measures increase the servicing options currently available to Very Long Term Unemployed job seekers. At the end of ISca2 Job Network members will review a job seeker's circumstances to determine the most appropriate future service for each job seeker. These services could include:

- Referral to a Job Capacity Assessor;
- Referral to Full Time Work for the Dole;
- Eligibility for a Wage Assist subsidy;
- Ongoing Job Network assistance in line with current arrangements.

Job Network members are able to refer job seekers who may have nonvocational barriers to employment for a Job Capacity Assessment to confirm whether Job Network services remain appropriate. If necessary, job seekers may be referred to a more appropriate payment or service (such as the Personal Support Programme) based on the assessment.

Job Network members now review the service history of all Very Long Term Unemployed job seekers in receipt of unemployment benefits. Job seekers assessed as having a pattern of work avoidance may be referred to full-time *Work for the Dole* for 50 hours a fortnight for a duration of 1,100 hours (normally expected to be 10 months). Failure to comply with the conditions of full-time *Work for the Dole* can result in an immediate non-payment penalty of 8 weeks. Job seekers participating in full-time *Work for the Dole* continue to look for work and to receive bi-monthly Intensive Support job search reviews, access to the Job Seeker Account and on-going job search support services from their Job Network member.

Job Network members may offer a Wage Assist subsidy to assist very long term unemployed job seekers in receipt of unemployment benefits into sustainable on-going work. Wage Assist provides

an employer with a wage subsidy for a maximum of 26 weeks. To be eligible employers must employ job seekers in real, ongoing, full-time jobs. .

Job Network members may assess that the most appropriate service option for very long term unemployed job seekers is to provide ongoing Job Network servicing. That is, bi-monthly Intensive Support job search reviews, on-going access to the job seeker account and Job Search Support services. Job seekers will also continue to participate in a Mutual Obligation activity (eg. *Work for the Dole*) for a 6 month period out of every 12.

### **Changes to Job seeker compliance arrangements**

The Welfare to Work initiatives include new compliance arrangements to ensure that job seekers who fail to meet their participation requirements are quickly reengaged.

There is now a clear link between a job seeker receiving an income support payment and actively participating in an employment related activity. Should a job seeker not comply with their requirements without good reason, their future payment will be contingent on re-engagement and further non-compliance may result in a penalty. Job seekers are able to avoid any penalty through immediate reconnection.

The new arrangements are more flexible and, for participation-related failures and replace the current system of fixed duration breach penalties. Job seekers who are quick to re-engage with their employment service provider will not incur ongoing penalties.

As part of these flexible arrangements, a clearer distinction will be made between different types of failure, with more serious failures attracting a stronger penalty:

*Future payment contingent on compliance.* Any job seeker who fails to meet a participation requirement will be contacted and given an opportunity to re-engage. If they have not done so by their form lodgement day they will be advised that, although they will be paid the next day, their next payment will be contingent upon their re-engagement. If, after this warning, they again fail to re-engage, their payment for the coming pay period will commence only from the day they do re-engage.

*Eight-week non-payment penalty.* To deter a job seeker from repeatedly failing to meet participation requirements the penalty for a third or subsequent failure within twelve months will be eight weeks without income support. An eight-week non-payment penalty will also be applied for more serious failures to participate.

### **New Income Test**

The Welfare to Work reforms also make changes to income tests for most allowances and payments which will allow people to keep more of their earnings.

### **Employer Demand and Workplace Flexibility Strategy**

The Welfare to Work initiatives include an Employer Demand and Workplace Flexibility Strategy to improve employer awareness of the benefits of hiring people from the Welfare to Work target groups which are people with a disability, parents, mature age job seekers and the very long term unemployed.

There are three key components of the strategy:

- Targeted and improved industry and workplace flexibility strategies.
- Training for employers to manage an ageing workforce.
- Strategies to increase employment for workers with a disability.

The range of measures being implemented under the Employer Demand and Workplace Flexibility Strategy include:

- In conjunction with industries and individual employers, the Department of Employment and Workplace Relations is developing innovative training, employment and retention strategies to increase participation of the key groups outlined above. The key industry sectors be targeted are health and community services, manufacturing, retail, accommodation, cafes and restaurants, property and business services, mining and building and construction. These industries offer entry-level employment opportunities and have projected employment growth

in the coming years and therefore provide employment opportunities for a broad range of job seekers.

- Working with selected industries to improve the employer awareness and adoption of flexible working arrangements by presenting the business case for their introduction and highlighting best practice examples. The current projects are focussed on the Restaurant and Catering industry and Retail industry. The outcome of the Restaurant and Catering Industry project will be a publication highlighting best practice examples of flexible working arrangements in the industry. The Retail Industry project will provide retailers with a website, containing guidelines and tools, to assist them in setting up and managing flexible work practices in their own workplaces.
- Developing and maintaining a Labour Market Information Portal and roll-out of a series of Better Connections Workshops to provide a range of information about labour market demand and supply to enable employment services providers and other stakeholders to address labour and skill shortage issues.
- Providing employers with skills and tools through training courses, instructor guides and materials to enable them to manage an ageing workforce.
- Developing a website and advice service to further assist employers with the employment and retention of people with disabilities. It is intended that the information and advice service be a one-stop-shop targeted toward potential and actual employers of people with disabilities, job seekers and workers with disabilities, and employment service providers.

The Employer Demand and Workplace Flexibility Strategy enables employment services providers to develop a good knowledge of their labour market and provides the opportunity for providers to work closely with industry and individual employers to meet their recruitment needs and provide job seekers from the target groups with sustainable jobs.

### **Australia's Retirement Income System**

The government has also made some significant reforms to Australia's retirement income system to encourage continuing workforce participation. In 2004 the Government abolished the requirement

on people who were below age 65 to retire before accessing their superannuation savings once they reached their superannuation preservation age (currently 55 years but increasing to 60 years). This measure was specifically designed to allow people to transition to retirement in a more gradual manner and in accordance with their own preferences.

In September this year, the Government confirmed that from 1 July 2007, superannuation benefits paid from a taxed source (that is, where tax has been paid on contributions and earnings) either as an income stream or as a lump sum will be tax free for people aged 60 and over. As well as improving retirement incomes, the removal of benefits tax will remove current complexities and result in a simpler system for retirees and for those about to retire.

Making superannuation benefits tax free to people aged 60 and over will provide an incentive to remain in the workforce until at least that age. As superannuation benefits will no longer be included in assessable income from age 60, people may also pay less tax on their work (or other) income. This will increase the incentive for people aged 60 and over to undertake some work while drawing on their superannuation.

To further benefit retirees and improve incentives to save, the Government will also halve the pension assets test taper rate from \$3 to \$1.50 per fortnight from 20 September 2007. This change will boost the retirement incomes of asset-tested pensioners and increase the number of people who are eligible for a part pension and the associated concessions.

## **CONCLUSION**

To a large extent, Australia's social security system has its origins in Australian cultural values. A culture that recognised that society has an obligation to help those in need by providing a safety net particularly for the aged. However for those of working age there was also an expectation that the safety net should be temporary in nature and that private provision should be the predominant income source.

The Australian social security system has changed significantly since the first form of income support (the age pension) was introduced over 100 years ago. Yet the underlying principles of

categorising assistance into permanent and temporary forms of assistance have been retained<sup>5</sup>. So too has the principle of providing a means-tested flat rate of benefit regardless of previous circumstances. Also, unlike most other countries' social security schemes, benefits are funded from general government revenue.

Australia's system does not appear overly generous when compared to other countries' social insurance schemes. Yet, because access for support in Australia is not contingent on previous contributions or earnings, it delivers a wider and more genuine safety net. Moreover, because payment is made from general revenue, affordability and integrity of the system is subject to more regular scrutiny by government. This funding arrangement also has resulted in a system that can relatively quickly adapt to societal changes and attitudes through both new forms of payments and changes to means testing arrangements.

The significant recent reforms in Australia provide a good illustration of the adaptability of the Australian income support system.

In 2004, the Government built on the reforms it made to family assistance in 2000. These measures are part of a strategy to reform the family assistance and tax systems so as to help families raise their children and improve the rewards from work. The result was the largest package of assistance for families ever put in place by an Australian Government. There were large increases in rates of assistance and increased work incentives from relaxation of income tests. The reforms delivered a real increase of over 100 per cent to the base rate of family assistance in 1996.

Another significant catalyst for change to the social security system was the Intergenerational Report (IGR) of 2002. In assessing the long-term sustainability of current Government policies the IGR projected that, taking into account the implications of demographic change, there would be a deficit of a little more than 5 percentage points in the ratio of Commonwealth government spending to GDP by 2042. The policy response to that projection has been to look at ways to grow the economy faster by decomposing growth into the '3Ps' – Population, Participation and Productivity.

As part of examining measures to improve participation, the government elected to reform parts of the income support system and change it from a relatively passive system to an active system that

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<sup>5</sup> In general, the current terminology for permanent benefits is pension (e.g. age pension, Disability Support Pension) and for temporary benefits is allowance (e.g. unemployment benefit is known as Newstart Allowance).

would encourage people to realise their potential through taking up opportunities to engage in the labour market.

These recent reforms to family assistance and income support demonstrate the strength of the Australian system in that it is sufficiently flexible to handle far-reaching changes without any impact on its fundamental role of a safety net.

That is not to say that the Australian system does not have some room for further improvement.

For example, from some quarters there is a call for government to increase the level of benefits, particularly for the unemployed. However, these criticisms generally fail to recognise that the Australian economy has returned to a position approaching full employment and that for most people unemployment is a temporary rather than permanent phenomenon. Nonetheless, there remains a diminishing pocket of long-term unemployed, but many of these can be hampered in finding employment because of the high level of Australia's minimum wage<sup>6</sup>. Increasing the value of benefits could have the perverse impact of further entrenching their period of unemployment. The solution seems to lie more firmly with increasing labour market flexibility.

There are many studies produced about the impact on work incentives of means testing benefits. These almost invariably focus on the size of effective marginal tax rates (EMTRs) created by the combination of income testing of benefits and statutory personal income tax rates. Over recent years, the government has made substantial reductions to EMTRs by easing means tests and reducing personal income tax rates. For example in 1999 some parents could face EMTRs of 85.5 per cent, while parents in similar circumstances today face an EMTR of no more than 51.5 per cent. It remains true, that those on unemployment benefits continue to face high EMTRs (although these have been reduced by at least 12 per cent over recent years), but what is missing from all these studies is the behavioural impact of mutual obligations. Unemployed persons on benefits cannot blithely sit still and claim that there is insufficient incentive to work because of high EMTRs. Persons on unemployment benefits are required to actively seek work and if they continue to remain unsuccessful, they are obliged to undertake additional requirements such as Work for the Dole.

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<sup>6</sup> The OECD's latest Employment Outlook notes that in 2004, Australia had the highest ratio of employers' labour costs for minimum wage workers relative to median wage workers in the OECD.

That is, the impact of EMTRs on work incentives is extremely muted, if not irrelevant, when active welfare programs are in place and have these important ‘help and hassle’ components.

The Australian system values a universally accessible safety net over restricted income maintenance schemes. For countries that choose similar values there are some lessons that can be learned from Australia’s arrangements.

Possibly the most important of these is the need to harmonise labour supply policies with those that impact on labour demand. An income system that actively encourages people to seek work if they are capable will ultimately fail if there is no available work in the economy. The preconditions for achieving that have been made clear by the OECD in this year’s Employment Outlook. The OECD revisited its original Jobs Strategy of 1994 to see if its recommendations remained relevant for labour markets coping with population ageing and globalisation. The OECD found that many of its original recommendations had stood the test of time and relevance. The OECD also highlighted a number of policy lessons that countries had learned. Not surprisingly, the need to set appropriate macroeconomic policy and facilitate the development of labour force skills and competencies were on that list. The importance of the need to tackle labour and product market obstacles to labour demand was also highlighted. But, so too was the need for activation and mutual obligation requirements in social security systems.

In summary, through its policy choices, Australia has developed a flexible social security system that respects the importance of the links with the labour market. As such, the Australian social security system is well placed to continue to deliver targeted assistance while remaining sustainable despite the major fiscal, economic and societal challenges arising from demographic change.

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**SOME FACTS ABOUT AUSTRALIA <sup>7</sup>**

Australia has a federal system of government within which there are four divisions - Commonwealth, state, territory and local. In practice, the two territories (Australian Capital Territory and the Northern Territory) operate virtually in the same manner as the six States (New South Wales, Victoria, Queensland, Western Australia, South Australia and Tasmania).

Population	20,700,000
Working Age population (aged 15 +)	16,024,000
Labour Force	10,287,000
Unemployment rate	4.7 per cent
Participation rate (aged 15 +)	65.0 per cent
GDP (current price)	\$A 963 billion

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<sup>7</sup> Sourced from various publications of the Australian Bureau of Statistics, [www.abs.gov.au](http://www.abs.gov.au)

## INCOME SUPPORT CUSTOMER NUMBERS – 2004<sup>8</sup>

### PAYMENT TYPE

Age Pension	1,876,250
Disability Support	696,742
Wife Pension	52,829
Widow B Pension	1,879
Newstart Allowance	483,093
Mature Age	32,912
Sickness Allowance	8,478
Partner Allowance	90,936
Widow Allowance	45,328
Carer Payment	84,082
Parenting Payment	449,312
Parenting Payment	177,157
Youth Allowance (student)	297,140
Youth Allowance (Other)	84,665
Austudy Payment	35,026
Special Benefit	11,216
ABSTUDY	46,555
Veterans service pension	341,020
<b>TOTAL</b>	<b>4,814,620</b>

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<sup>8</sup> Sourced from Department of Families, Community Services and Indigenous Affairs, Income support customers: a statistical overview 2004, Statistical Paper No 3, May 2006.

[http://www.facs.gov.au/research/stps3/statistical\\_paper\\_no\\_3.pdf](http://www.facs.gov.au/research/stps3/statistical_paper_no_3.pdf)

### **Job Network**

The objective of Job Network is to help job seekers into sustainable employment by providing personalised assistance that involves ongoing job search and employment focused activities. Job seekers will remain continuously engaged with a Job Network member, until they secure and retain a job.

On registration with Centrelink, each eligible job seeker is referred to a single Job Network member, who provides services to them while they remain eligible for assistance. Job seekers intending to claim unemployment benefits are required to attend an initial Job Network appointment. At that interview they are required to complete a vocational profile before their income support can be paid by Centrelink.

The level of assistance provided by the Job Network member is based on job seekers' employment needs and level of disadvantage in the labour market, as well as on the duration of their unemployment. The Job Network member continues to provide services and maintain regular contact with the job seeker throughout the unemployment period, ensuring ongoing employment-focused activity. Job Network services must be based on strategies to achieve sustainable employment outcomes for all job seekers in the labour market.

### **Job Network Services**

The services available to, or provided by, Job Network members to help job seekers are:

#### *Job Search Support services*

The aim of Job Search Support services is to help job seekers find work as quickly as possible. Job Search Support services are available to all eligible job seekers as soon as they are registered with Centrelink or a Job Network member and continue until the job seeker leaves employment services. As part of Job Search Support, Job Network members assist job seekers to:

- properly register for Job Network services (as either Job Search Support Only or Fully Job Network Eligible);

- lodge a vocational profile into Australian JobSearch to allow them to receive daily auto-matching opportunities against new job opportunities;
- access touch-screen kiosks to help look for work; and
- access an interpreter (where required).

### *Employment Preparation*

Employment Preparation provides a tailored service to parents, carers and mature age job seekers, with assistance such as assessment of current skill levels, updating of skills and/or qualifications, addressing self esteem or self confidence issues and improving job search skills. Practical advice is provided on the local labour market as well as assistance with job search skills and techniques. For job seekers with parental or caring responsibilities in particular, assistance includes encouraging and facilitating their engagement in the job market, including support to access suitable child care.

### *Intensive Support services*

Job seekers eligible for full Job Network services normally proceed into Intensive Support services if they have not found work after three months of Job Search assistance. Job seekers in Intensive Support receive a range of additional services such as job search training, Intensive Support customised assistance and access to the Job Seeker Account, depending on their circumstances and duration of assistance. Intensive Support services are available to job seekers based on their eligibility and circumstances. The objective of Intensive Support services is to maximise outcomes for eligible job seekers – particularly the long term unemployed and those identified as Highly Disadvantaged.

### *Intensive Support job search training activities*

Job search training assists job seekers to obtain employment through individually tailored assistance that improves their job search skills, motivates them for work and expands their job search networks. After participating in job search training activities, job seekers can possess appropriate interview skills and be able to favourably present themselves to potential employers. Job seekers who have not undertaken formal job search training activities in the previous year generally receive 100 hours of job search training activities.

### *Intensive Support customised assistance*

Intensive Support customised assistance provides six months of tailored and intensive Job Network support for job seekers to help them find employment. It is normally available to job seekers after 12 months of unemployment. Job seekers who are identified as Highly Disadvantaged due to their barriers to employment prior to 12 months of registration can get immediate access to Intensive Support customised assistance.

Before ceasing Intensive Support customised assistance, Job Network members refer all eligible job seekers with a Mutual Obligation to a Community Work Coordinator for participation in Work for the Dole.

Where, after six months of Intensive Support customised assistance, the job seeker is participating in a structured activity that does not satisfy Mutual Obligation requirements but which the Job Network member has identified as critical in addressing the job seeker's barriers to employment, the Job Network member may negotiate a delay in the commencement of a Mutual Obligation activity through the approved Activity Agreement. The commencement can be delayed for such purposes for a maximum of three months.

### *Job Seeker Account*

The Job Seeker Account is a quarantined pool of funds that can be drawn down flexibly by a Job Network member to help eligible job seekers obtain employment. The account is used to purchase appropriate services and products for individual job seekers.

### *Work for the Dole*

Work for the Dole is a programme administered by Community Work Coordinators. Work for the Dole activities have the capacity to develop a job seeker's:

- ability to work as part of a team;
- ability to take directions from a supervisor;
- ability to work independently and improve their communication skills; and
- motivation and dependability.

### *Disability Employment Network*

Disability Employment Network provides specialist services to assist job seekers with disabilities to find and keep a job. The Disability Employment Network assists job seekers with a disability to fully participate as members of the community and complement other services which are generally available to people in the community. The services aim to increase the independence and employment opportunities of eligible job seekers and are provided in a way that promotes a positive image of people with disabilities and enhances the self-esteem of the individual.

### *Personal Support Programme*

The Personal Support Programme (PSP) bridges the gap between crisis assistance and employment assistance programmes. It aims to help individuals participating in the programme tackle the non-vocational barriers (such as homelessness, mental health issues, drug or gambling problems, or social isolation) that are preventing them from getting a job or benefiting from employment assistance programmes such as Job Network – Intensive Support customised assistance or the Disability Employment Network. Once barriers are tackled, a key objective of PSP is to link participants to employment services.

### *New Enterprise Incentive Scheme*

The objective of the New Enterprise Incentive Scheme is to help eligible unemployed people to establish and run viable new small businesses.

### *Job Placement Employment and Training*

The Job Placement Employment and Training (JPET) programme provides support to young people aged 15-21 years – particularly those who are homeless or at risk of becoming homeless - to overcome personal and social barriers that severely limit their capacity to participate in employment, education or vocational training, benefit from employment assistance and to engage more fully in the life of their communities. JPET is delivered by a network of 96 community and nongovernment organisations.

### *Vocational Rehabilitation*

People with a disability or injury who need help to move back into paid work or gain employment can receive assistance from Vocational Rehabilitation Services. The services include an assessment which measures the impact of a disability or injury on their ability to work. The Vocational Rehabilitation Service then develops a programme to help people gain or retain paid, unsupported employment, while understanding and managing the limitations imposed by their disability.

## **APPENDIX 2**

The attached publication, *A Guide to Australian Government Payments*, provides a comprehensive coverage of rates of payment, eligibility rules, income tests and assets tests for social security payments made by the Australian Government.