



## Chapter

# 11

## Welfare expenditure

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# 11 Welfare expenditure

## Key points

- In 2008–09, total welfare spending was \$136.6 billion, of which \$94.4 billion (69%) was cash payments and \$42.2 billion (31%) was for welfare services.
- Growth in welfare spending was higher in 2008–09 than in any of the previous 9 years. This was largely due to governments' response to the global financial crisis and disasters such as bushfires and floods. There was also increased spending in other areas such as child care assistance and pensions.
- Of the estimated \$94.4 billion spent on cash payments in 2008–09, the highest amounts were for older people (\$34.4 billion) and for families and children (\$33.5 billion). People with disability received \$16.5 billion.
- While governments funded 73% of welfare services spending in 2008–09, non-government community services organisations (NGCSOs) provided 59% of these services. In addition to funding from governments, NGCSOs also contributed their own funds and households provided some funding in the form of client fees.
- After adjusting for inflation, the Australian Government and state and territory governments' recurrent funding of welfare services grew by an average of 5% per year between 1998–99 and 2008–09.
- In 2008–09, the value of unpaid care was estimated as \$68.4 billion. This includes care that families or neighbours provide to older people and people with disability as well as the work that volunteers do through NGCSOs.
- Tax expenditures, or revenue forgone, for welfare by the Australian Government in 2008–09 were estimated at \$41.3 billion (not included in the estimates of total welfare spending). Of this, \$32.1 billion was for superannuation concessions. This was a considerable drop from \$39.0 billion the previous year due to the impact of the global financial crisis on superannuation contributions and earnings.

## 11.1 Policy context

Australia's system of cash payments and welfare services aims to assist people to participate fully in society and support those in need, thereby improving 'the lives of Australians by creating opportunities for economic and social participation by individuals, families and communities' (FaHCSIA 2009).

Support is provided to 'reduce social exclusion and, through a range of programs, provide opportunities for people to contribute to economic growth and the community' (ABS 2010b). In terms of welfare expenditure this includes income support for retired people, people with disability, carers, families with children, and war veterans and their families. Assistance is also provided through pensioner concession and health cards, and programs which provide assistance with employment for people with disability. In addition, support is provided in the form of services such as child care, or home and community care for older people or people with disability.

### Recent initiatives

With the adoption of the Council of Australian Governments (COAG) reform agenda in 2008–09, all governments committed to collaborate on policy development and service delivery and facilitate the implementation of economic and social reforms.

The objective of the COAG reform agenda is to improve the wellbeing of Australians and some of the key challenges include raising productivity and improving workforce participation. The focus on increased workforce participation was also a major driver of the Australian Government Welfare to Work policies introduced in 2006. Recent reforms also aim to deliver payments to those who are most disadvantaged, while encouraging those who can work to do so (ABS 2010b).

Other policy initiatives which will influence welfare spending in the future include outcomes of the *Caring for Older Australians* and *Better Support for Carers* inquiries, the implementation of a National Disability Insurance Scheme, decisions in the Fair Work Australia Equal Remuneration Case, and reforms in the areas of child care and homelessness.

Governments provide the main source of funding for welfare services, with both the government and non-government sectors, including the not-for-profit sector, delivering these services. In a recent report on the contribution of the not-for-profit sector, the Productivity Commission recommended actions to reduce compliance costs, improve the governance and productivity of the sector, as well the development of an information plan to support the analysis of the sector's activities (PC 2010). Government decisions in relation to these issues are likely to affect the delivery of welfare services.

## 11.2 Welfare expenditure

### What is considered as welfare expenditure?

Welfare expenditure broadly comprises spending on welfare services and cash payments. Welfare-related aims are also supported by tax expenditures or foregone revenue such as tax exemptions, offsets and deductions that can be claimed for certain activities or by particular classes of taxpayer. Tax expenditures are not traditionally included in the estimates of welfare expenditure addressed here; however, it is presented separately in Chapter 11.7.

Where possible in this chapter, expenditure on both welfare services and cash payments has been based on who the payments or services are targeted at, using the ABS Government Purpose Classification (GPC) for financial transactions for welfare services:

- Family and child welfare services (GPC 0621)
- Welfare services for the aged (GPC 0622)—referred to as ‘older people’ in this chapter
- Welfare services for people with a disability (GPC 0623)
- Welfare services not elsewhere classified (GPC 0629)—here referred to as ‘other’ welfare.

These categories specifically exclude employment services, which are in ‘Other labour and employment affairs’ (GPC 1339), except for those that support specific welfare groups such as people with disability. See Box 11.3 for more details about expenditure in relation to unemployment benefits.

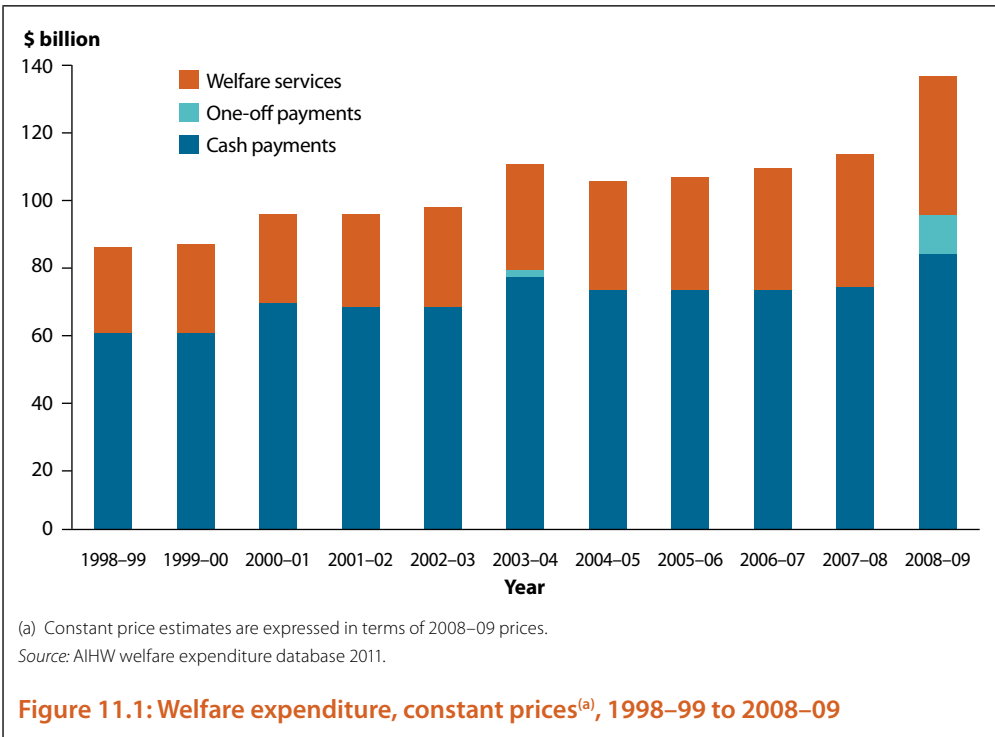
Support and services provided to people who are homeless are included in welfare expenditure estimates: those specifically aimed at youth homelessness are included in family and child welfare services, while services such as the Supported Accommodation Assistance Program (SAAP; see Chapter 8) are included under ‘other’ welfare. Although many services and payments related to housing, including social housing, can be considered to have a welfare focus, these are classified as a separate category and are not traditionally included in the ABS GPC estimates of welfare expenditure.

See Appendix C (available on the AIHW website at: <[www.aihw.gov.au](http://www.aihw.gov.au)>) for the data sources used to compile the AIHW welfare expenditure database, from which the tables and figures were drawn, and for the technical notes describing the methodologies used.

## Total welfare expenditure in Australia

In 2008–09, welfare expenditure was estimated to be \$136.6 billion (Table A11.1). After adjusting for inflation (Box 11.1), growth in total welfare expenditure was higher in 2008–09 than in any of the previous 9 years (Figure 11.1). This is in large part due to the Economic Security Strategy in response to the global financial crisis, as well as payments to assist in disaster recovery (see ‘Impact of global financial crisis’ and ‘Natural disasters’ below).

Of the estimated \$136.6 billion for welfare expenditure, \$94.4 billion was for cash payments while \$42.2 billion was for welfare services. Of the \$94.4 billion for cash payments, approximately \$11.5 billion was one-off payments as part of the Economic Security Strategy and for recovery from disasters (AIHW welfare expenditure database 2011).



Over the decade 1998-99 to 2008-09, the highest share of welfare expenditure for cash payments was in 2000-01 (71%) and for welfare services it was in 2007-08 (35%) (Table A11.1). The introduction of the goods and services tax on 1 July 2000 and the corresponding compensation arrangements affected the share of cash payments in 2000-01. This was partly due to an increase in the rates of payment of government pensions and benefits (ABS 2003). There was also an increase in 2003-04 due to one-off payments of around \$2.2 billion for families and children which was part of 'More Help for Families' (FaHCSIA 2005b).

### Box 11.1: Current and constant prices

'Current prices' refers to expenditures reported for a particular year, unadjusted for inflation. Changes in current price expenditures reflect changes in both price and volume of the goods or services.

'Constant price' estimates in this chapter indicate what expenditure would have been had 2008-09 prices applied in all years, that is, it removes the inflation effect. Changes in expenditure in constant prices reflect changes in volume only.

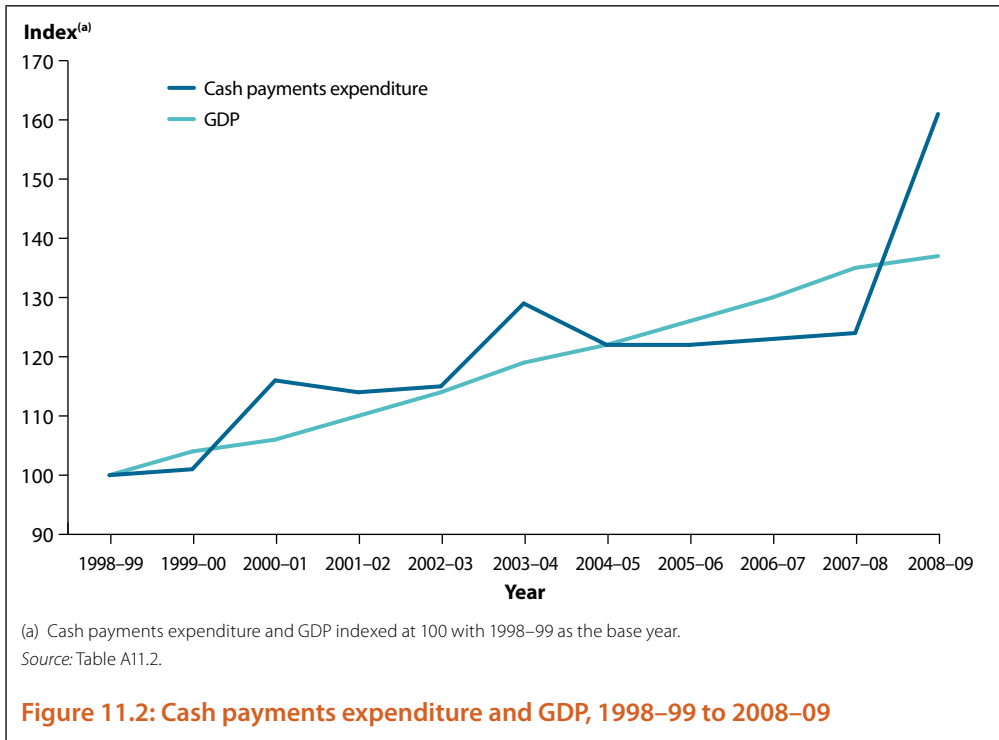
Constant price estimates for expenditure have been derived using deflators produced by the ABS (see Appendix C).

## 11.3 Expenditure on cash payments

Cash payments or benefits include pensions, carer allowances and parenting payments which provide income support for older people, people with disability, people who provide care for others, families with children, and war veterans and their families. One-off payments such as those made as part of the Economic Security Strategy are also included.

In 2008–09, the total amount spent on cash payments was estimated at \$94.4 billion, up \$21.6 billion from the previous year (Table A11.1). Spending on cash payments in 2008–09 was 7.5% of gross domestic product (GDP), an increase from 5.9% in the previous year (Table A11.2).

The amount spent on cash payments between 1998–99 and 2008–09 increased on average each year by 4.9%, higher than GDP growth of 3.2%. However, this was driven by very high growth in cash payments expenditure (30%) in 2008–09 coinciding with unusually low growth in GDP (1.4%) (Figure 11.2). When data for 2008–09 are excluded, the average annual growth in cash payments over the period 1998–99 to 2007–08 was 2.4%—lower than the average growth in GDP over the same period (3.2%).



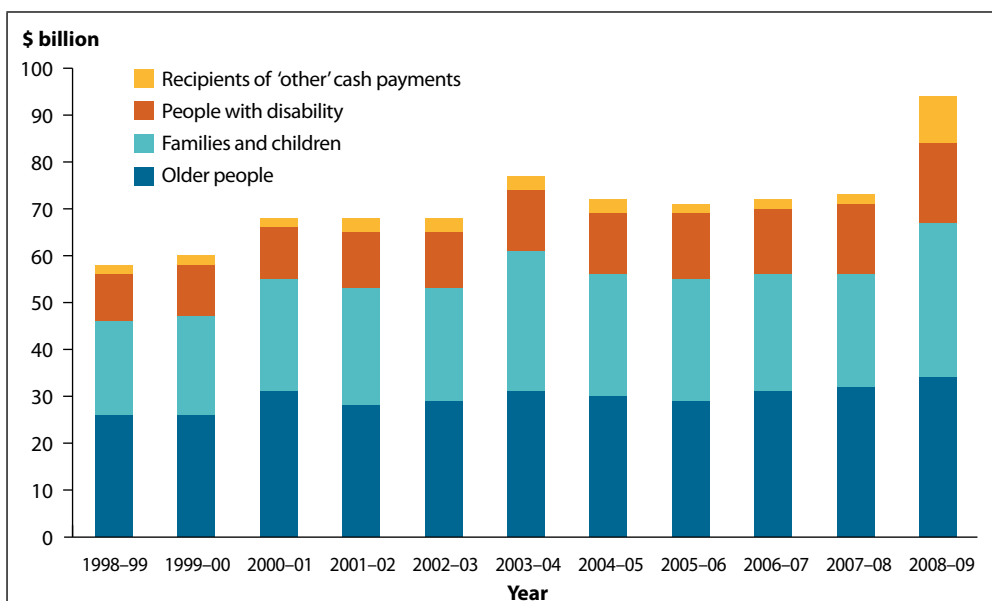
In 2008–09, spending on cash payments represented 69% of total welfare spending, in line with the average proportion over the decade (Table A11.1). Of the estimated \$94.4 billion, the greatest amount was for older people (\$34.4 billion) followed by spending on families and children (\$33.5 billion). People with disability received \$16.5 billion and \$9.9 billion was provided for 'other' welfare payments (See Appendix C; Table A11.3).

In 2008–09, the amount spent on welfare, both services and cash payments, was affected by governments' response to the global financial crisis, as well as to the Victorian bushfires and storms and floods in Queensland and northern New South Wales.

Over the decade to 2008–09, the most rapid growth was for recipients of 'other' welfare payments, averaging 15.8% per year. However, this was driven by the \$7.4 billion provided in one-off payments in 2008–09 as part of the Economic Security Strategy. Excluding 2008–09, cash payments in the category 'other' welfare grew by an average 0.8% per year.

Government funding of cash payments for families and children increased from \$20.3 billion in 1998–99 to \$33.5 billion in 2008–09, or an annual average growth rate of 5.1%. This was also affected by particularly large expenditure in 2008–09 (Figure 11.3). Between 1998–99 and 2007–08 expenditure on cash payments for families and children grew by an average 1.7% per year.

Cash payments for older people increased from \$25.6 billion in 1998–99 to \$34.4 in 2008–09, an average annual growth rate of 3.0% (or 2.5% when 2008–09 data are excluded). See Box 11.2 for a discussion of the measurement of living cost for pensioners. For people with disability the rise was from \$10.5 billion to \$16.5 billion (4.7% per year). Excluding 2008–09, cash payments for people with disability rose by an average 3.8% per year—more than any other category.



(a) Constant price estimates are expressed in terms of 2008–09 prices.

Note: 'Other' refers to welfare payments not elsewhere classified. See ABS GPC in Appendix C (available online).

Source: Table A11.3.

**Figure 11.3: Cash payments expenditure, by major area of expenditure, constant prices<sup>(a)</sup>, 1998–99 to 2008–09**

## Impact of global financial crisis

To assist communities to cope with the domestic impact of the global financial crisis, one-off payments were made to individuals as part of the Australian Government's Economic Security Strategy. This measure cost approximately \$7.4 billion (ATO 2009). Over 4 million pensioners and carers also received lump sum payments at a cost of \$4.9 billion (FaHCSIA 2009). Another contributor to the higher cash payment outlays in 2008–09 was the increased expenditure on pensions such as the Age Pension and the Disability Support Pension (DSP), driven by the ageing of the population, as well as the impact of the indexation of these payments.

The impact of the global financial crisis is also reflected in GDP for 2008–09, which grew by 1.4% over the year—a lower annual growth rate than at any time over the previous decade (Table A11.2). This contrasts with the growth rate for total welfare spending in 2008–09 of 21.5% (calculated from Table A11.1).

## Natural disasters

In certain cases, Australians also receive cash payments to help them cope with natural disasters. In 2008–09, payments were made through disaster recovery and assistance schemes to affected people to assist with recovery from bushfires and floods. The Australian Government Disaster Recovery Payment scheme provided approximately \$130.8 million to individuals in 2008–09 (FaHCSIA 2009). State and territory governments also provided grants to assist people whose homes had been destroyed or damaged by natural disasters.

In 2008–09, bushfires in Victoria as well as storms and floods in Queensland and the mid-north coast of New South Wales, had a significant impact on many Australians. In addition to the Australian Government Disaster Recovery Payments, other immediate assistance included income subsidies and cash payments for funerals (FaHCSIA 2009).

The Australian Government administers the Natural Disaster Relief and Recovery Arrangements (NDRRA) which provide partial reimbursement to states and territories for the costs of relief and recovery (AG 2009). In 2008–09, this system provided almost \$300 million to states and territories. For example, an unprecedented level of assistance was required following the Victorian bushfires. NDRRA funds provided \$220 million to the Victorian Government to deliver assistance to individuals and communities (AG 2009).

### Box 11.2: Living costs

In August 2009, the ABS published the Pensioner and Beneficiary Living Cost Index (PBLCI) for the first time. It is a by-product of the Consumer Price Index (CPI) and measures the impact of changes in prices on the disposable incomes of households whose main income is government pensions or benefits. It is useful for assessing whether pensioners and benefit recipients, on average, face price pressures that are different from that reflected in the CPI. For the June quarter 2009, the PBLCI showed a 0.1% increase in prices compared with the 0.5% increase reported in the CPI, while for the March quarter it showed a 0.9% increase, compared with a 0.1% increase for the CPI (ABS 2009).

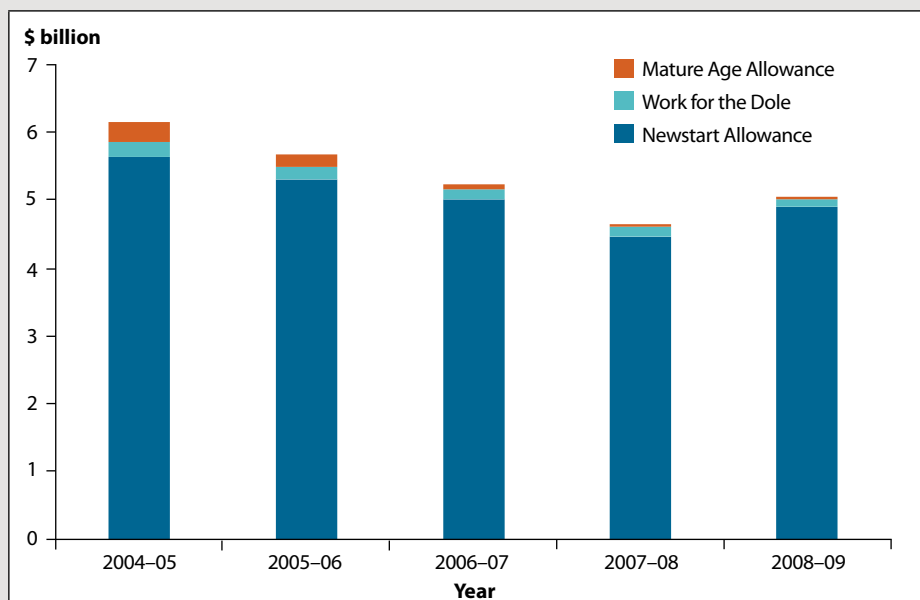


### Box 11.3: Unemployment benefits

Estimates of expenditure on unemployment benefits are not included in the welfare expenditure estimates in this chapter in order to maintain a consistent time series with previously published estimates. In the past, the principal purpose of unemployment benefits was considered to be labour market support, rather than income support, so unemployment benefits were not included in welfare expenditure estimates. In the future, inclusion in overall estimates will be considered after clarifying the scope of future data collection and reporting (see Chapter 11.9).

In 2008–09, the following programs provided cash payments primarily to people who were unemployed: Newstart Allowance, Work for the Dole, and Mature Age Allowance (discontinued on 19 September 2008). Youth Allowance is excluded as, although it is provided to young people to encourage them in undertaking further education or to look for paid employment, the majority of recipients are full-time students. Payments through the Community Development Employment Projects (CDEP) program provided in some remote Aboriginal and Torres Strait Islander communities have also been excluded due to data unavailability.

Figure 11.4 shows expenditure on cash payments to unemployed people from 2004–05 to 2008–09. In 2008–09, \$5.0 billion was spent on these payments. The bulk of this money was spent on Newstart Allowance (\$4.9 billion in 2008–09).



(a) Constant price estimates are expressed in terms of 2008–09 prices.

Note: Excludes CDEP and Youth Allowance.

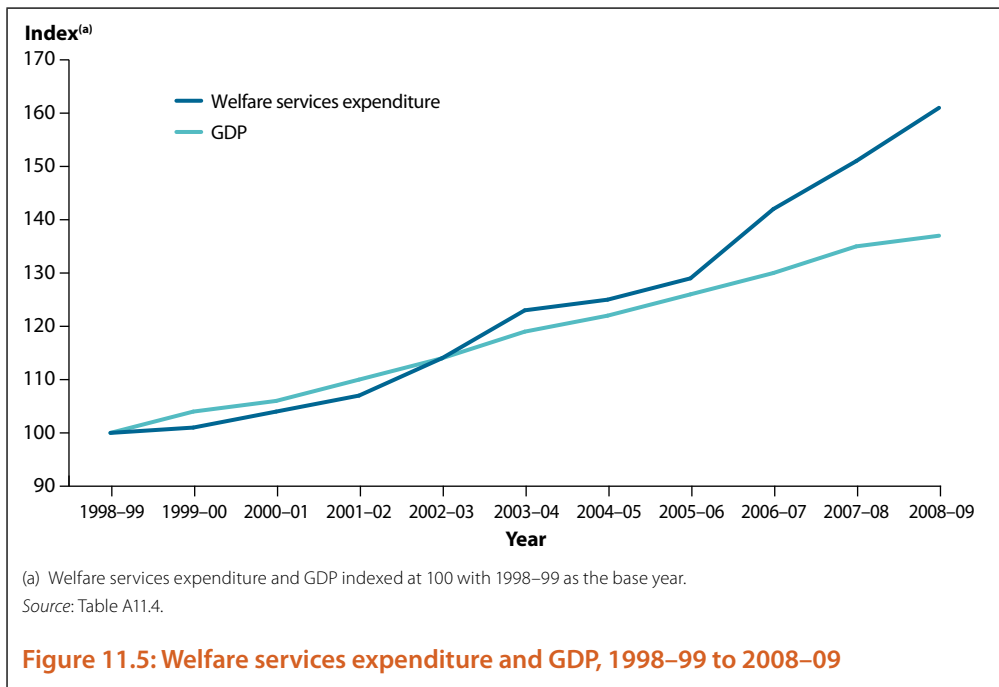
Sources: DEEWR 2005, 2006, 2007, 2008, 2009; FaHCSIA 2005a.

**Figure 11.4: Expenditure on unemployment benefits, constant prices<sup>(a)</sup>, 2004–05 to 2008–09**

## 11.4 Expenditure on welfare services

Welfare services comprise services for which payments are made, for example child care services, or home and community care services for older people or people with disability. Spending on welfare services includes employee expenses, program costs, concessions and fees that clients paid. Assistance provided to meet child care costs, such as the Child Care Benefit (CCB) and Child Care Tax Rebate (CCTR) is included in welfare services. Welfare spending, defined according to the four GPC welfare services categories, does not include all government spending on welfare services programs. For example, some programs relevant to people with disability are in GPC categories of education, health or housing.

In 2008–09, the total amount spent on welfare services was estimated at \$42.2 billion, up \$2.6 billion from the previous year (Table A11.4). Spending on welfare services in 2008–09 was 3.4% of GDP, an increase from 3.2% in the previous year. The amount spent on welfare services between 1998–99 and 2008–09 increased on average each year by 4.9%, much higher than GDP growth of 3.2%. The highest growth in welfare spending over the decade was in 2006–07 (11%). The growth in spending in 2008–09 (6.6%) coincided with the lowest GDP growth rate (1.4%) for the decade. As a result, welfare spending relative to GDP increased during this year (Figure 11.5).

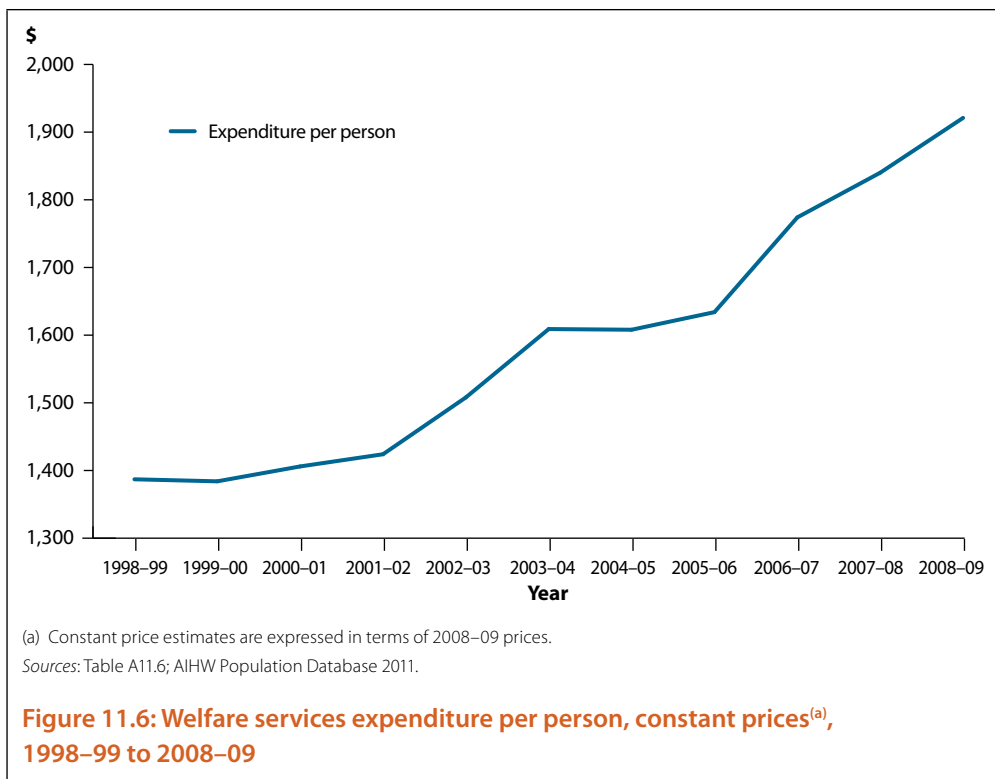


A number of factors, including population growth, the cost of providing services and rates of service use, drive increases in welfare services spending. Government policy also has an effect on spending. For example, in 2008–09 the Australian Government instigated a number of measures to assist Australians in coping with the global financial crisis and the projected increase in unemployment (see Chapter 11.3). This included the Economic Security Strategy, and measures such as increased financial counselling.

During this period the Australian Government implemented the COAG reform agenda by working with states and territories towards a range of improvements such as the provision of integrated early childhood education. This included the establishment of new centres providing both learning and care in a long day care setting. In July 2008 the CCTR, which assists parents with child care costs, increased from 30% of out-of-pocket costs to 50% after the CCB is deducted from the fees (DEEWR 2009). During 2008–09, expenditure on the CCB for people most in need of additional financial assistance also increased with the removal of the minimum rate for the CCB. Prior to 2006 the CCTR was provided as a tax rebate. Both the CCTR and CCB are exempt from income tax. See Chapter 11.7 for discussion of tax expenditures.

Most spending on welfare services is 'recurrent expenditure'. This comprises payments for wages, salaries, operating expenses and running costs in providing welfare services and managing welfare programs. In 2008–09, recurrent expenditure was estimated at \$41.6 billion, while capital expenditure (expenditure on building and equipment) by governments was estimated at \$0.6 billion (Table A11.5). Government capital expenditure has been less than 2% of total welfare services expenditure over the decade 1998–99 to 2008–09 (calculated from Table A11.5). Information on capital spending for non-government community services organisations (NGCSOs) is not available.

The average amount spent on welfare services per Australian resident in 2008–09 was \$1,921, up from \$1,840 in 2007–08, an increase of 4.4% (Table A11.6). Over the period 1998–99 to 2008–09, per person spending on welfare services grew by 3.3% on average per year (Figure 11.6).



## 11.5 Funding for welfare services

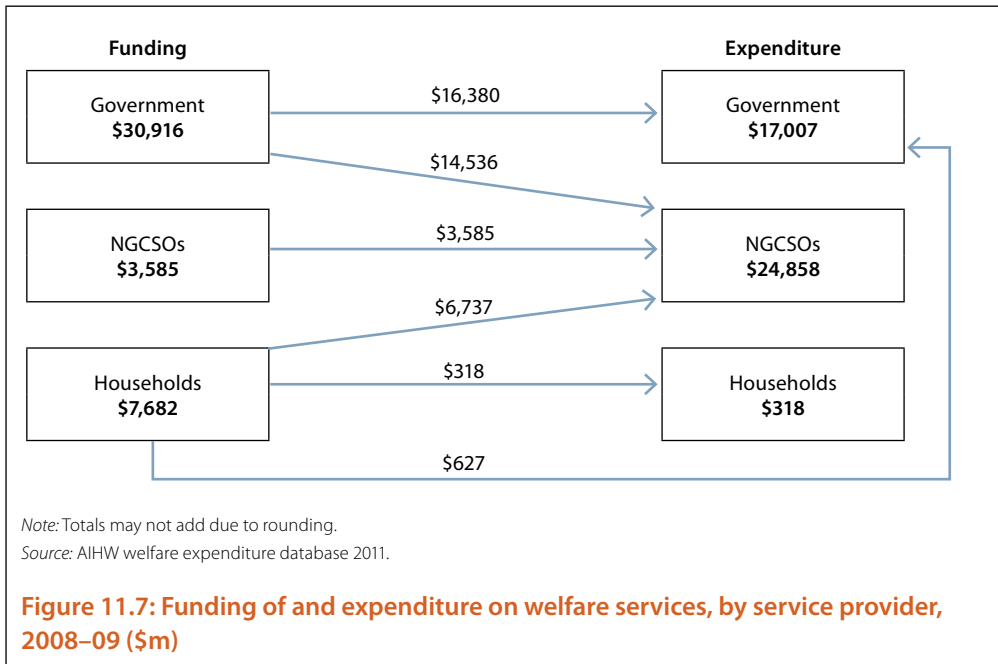
While NGCSOs incurred 59% of spending on welfare services in 2008–09 (Table A11.7), the majority of funding came from governments—mostly the Australian Government and state and territory governments (Table A11.8). See Box 11.4 for definitions of expenditure (spending) and funding.

### Box 11.4: Expenditure and funding

Expenditure, or spending as it is mostly referred to in this chapter, is reported in terms of who incurs the expense, rather than who provides the funding for that expense. Spending on welfare services in Australia involves all three levels of government (Australian Government, state, territory, and local), NGCSOs and individual households. In the case of disability services, for example, the expense is incurred by the state, territory and local governments; NGCSOs that provide services; and the Australian Government which provides the DSP.

Funding is reported in terms of who provides the funds that are used to pay for welfare spending. Some welfare services are funded by voluntary carers and others who give freely of their time and effort to support friends, neighbours or the community. The remainder is funded by the Australian Government; state, territory and local governments; NGCSOs from their own resources; and households through client fees or copayments. Total spending equals total funding as all spending is funded from one source or another.

In 2008–09, governments funded almost three quarters (73% or \$30.9 billion) of welfare services spending, with the non-government sector funding the remainder (\$11.3 billion) (Figure 11.7). Households funded (through fees and copayments) twice as much welfare services spending as NGCSOs (18% and 8.5% respectively) (Table A11.8).



Between 1998–99 and 2008–09, the share of welfare services spending that NGCSOs funded was highest in 2003–04 (12%) and lowest in 2008–09 (8.5%). The low proportion in 2008–09 was largely due to the particularly high additional government spending in that year. For households, the average share was 19% over the decade (Table A11.8).

### Funding by governments

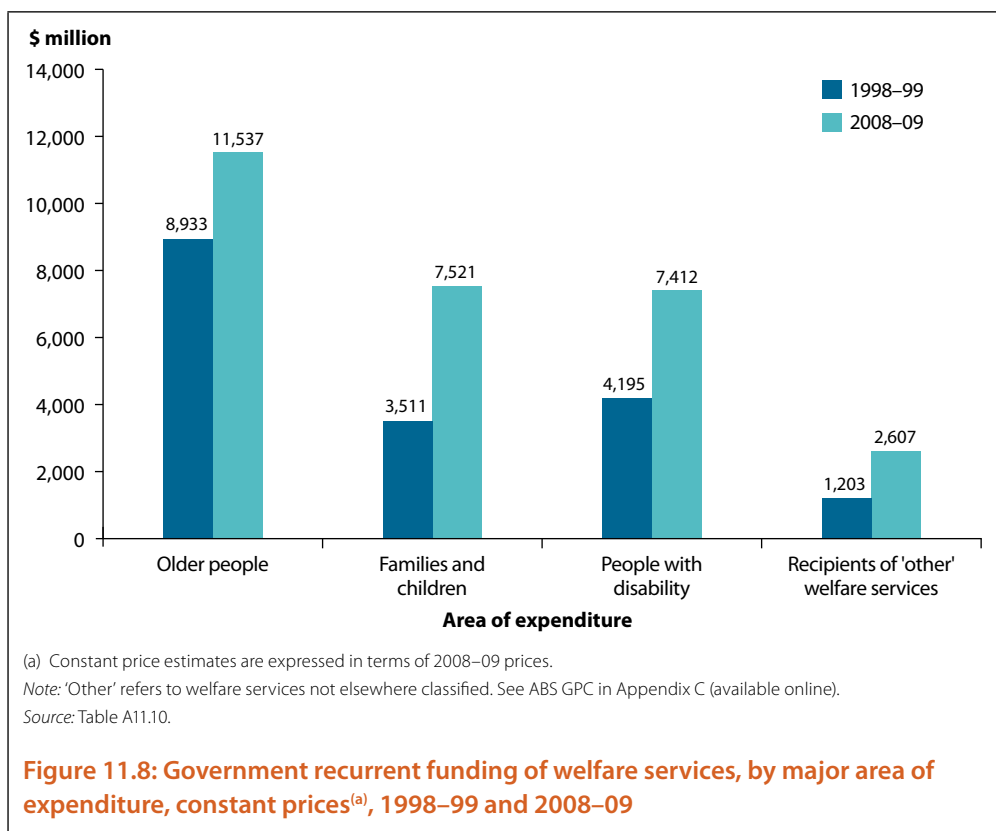
The Australian Government provided over half (52%) of government funding for welfare services in 2008–09 (Table A11.9). The shares of funding by the three levels of government fluctuated during the period 1998–99 to 2008–09. When the share of the Australian Government funding was high, the share of the state and territory government funding was low (by definition), and vice versa. The local government share also fluctuated over the period and was 4.2% in 2008–09.

With the implementation of the COAG reform agenda in 2008–09, there was a major change in the way payments were made to state and territory governments. The new financial framework which commenced in January 2009 involved the rationalisation of over 90 specific purpose payments (SPPs) into five national agreement SPPs and a number of national partnership payments. In the area of welfare this included the National Disability Agreement, the National Partnership Agreement on Homelessness and the National Healthcare and National Health Reform Agreements (which cover aged care as well as health services).

Only funding by the Australian Government and the state and territory governments is included in the remainder of the discussion of government funding. This is because data are not available to reliably allow more detailed examination of funding by local government. This is also the case for state and territory governments for the years 2006–07 and 2007–08.

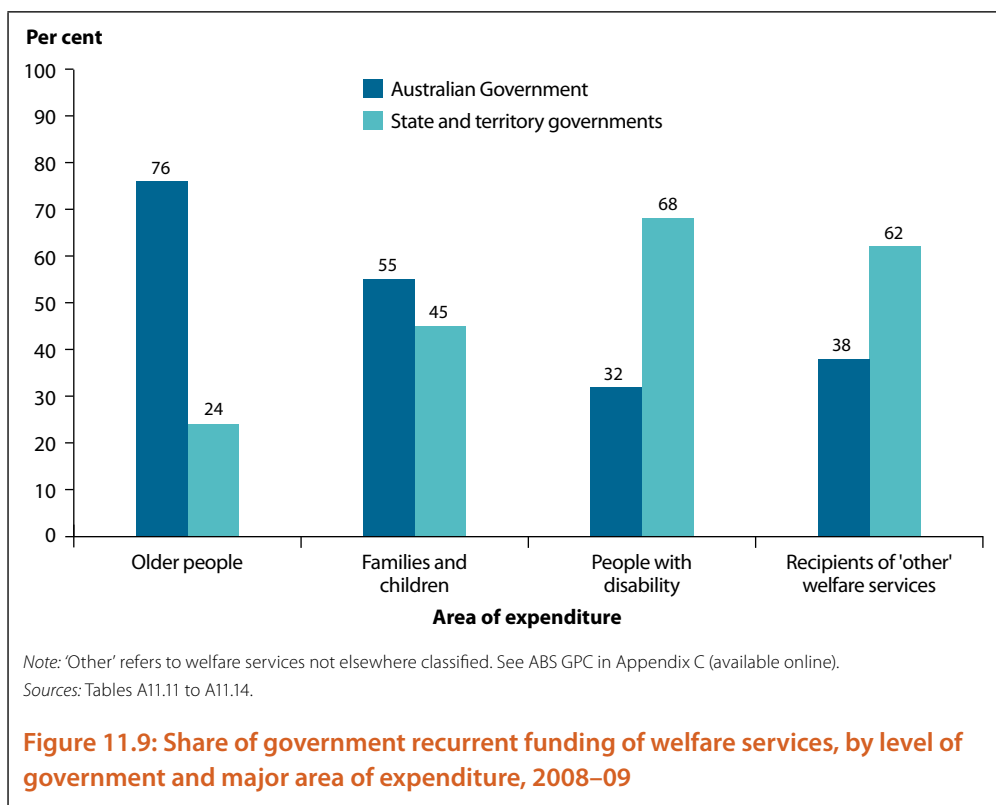
Government funding for welfare services grew at 5.0% per year between 1998–99 and 2008–09 (Table A11.10). The most rapid growth was for recipients of 'other' welfare services, averaging 8.0% per year over the period, and the second highest growth area was in welfare services for families and children (7.9%). The average annual growth rates of funding for people with disability and older people were 5.9% and 2.6% respectively. Government funding of welfare services for families and children more than doubled over the decade from \$3.5 billion in 1998–99 to \$7.5 billion in 2008–09 (Figure 11.8). For older people the increase was from \$8.9 billion to \$11.5 billion (Table A11.10).

The increased welfare funding for families and children is associated with a number of initiatives in this area, such as the increase in child care assistance. The particular focus on families and children reflects the COAG reform agenda. The reform agenda, implemented in 2008–09, recognises the productivity benefits of giving children a good start in life as well as giving parents opportunities to participate in work and community life.



### Funding shares of governments

In 2008-09, the share of funding between the Australian Government and state and territory governments varied for the four welfare services categories (Figure 11.9). The Australian Government's share was higher for welfare services for older people (76%) and for families and children (55%). The state and territory governments' share was higher for welfare services for people with disability (68%) and for 'other' welfare services (62%). The funding shares between the Australian Government and state and territory governments reflect the historic division of responsibilities for service provision (tables A11.11 to A11.14).



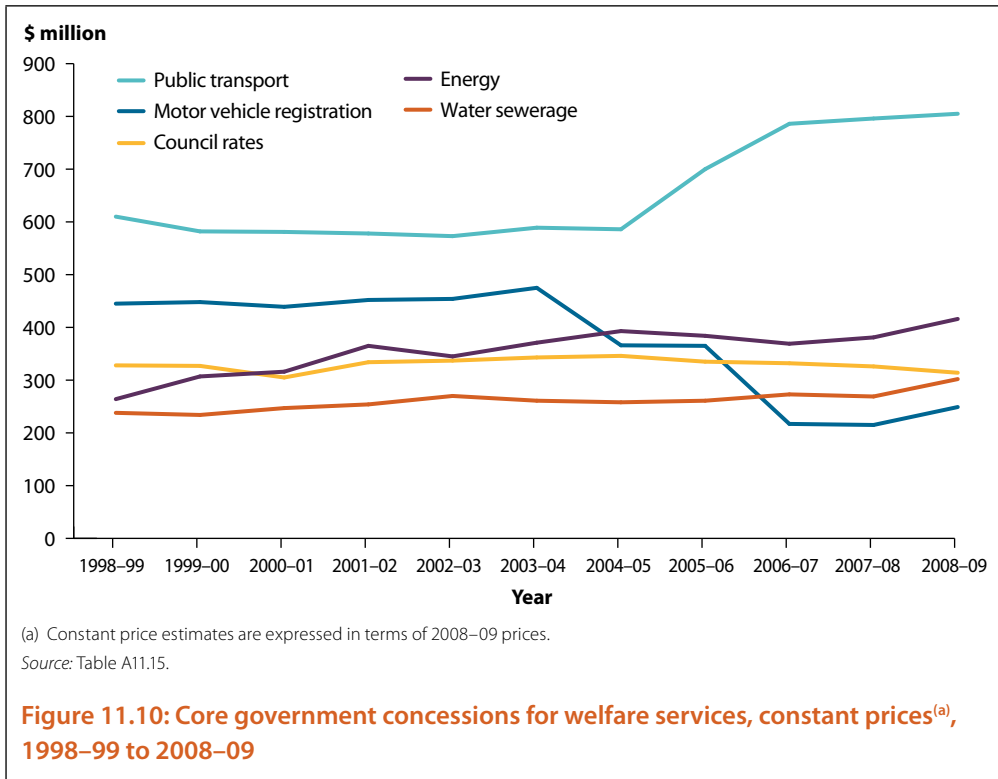
## Concessions

Concessions represent revenue forgone by governments and lower costs to welfare recipients, as they occur when governments do not receive full fees for services provided. Concessions are granted to eligible households on charges for energy (electricity and gas), public transport, water and sewerage services, local government rates, and motor vehicle registration. These are called core concessions and are included in the spending estimates for welfare services.

Recipients of certain social security payments receive core concessions through holding a Pensioner Concession Card. In some circumstances, Health Care Card and Commonwealth Seniors Health Card holders receive core concessions. Veterans and their dependants receive similar concessions through pensioner concession cards that the Department of Veterans' Affairs issues.

The total value of core concessions in 2008–09 was estimated at \$2.1 billion (Table A11.15). The states and territories provided the majority of this (an estimated \$1.9 billion), while the Australian Government funded the rest (\$220 million).

Over the decade from 1998–99 to 2008–09, government funding of core concessions varied according to the type of concession provided. Funding for motor vehicle registration concessions declined sharply between 2003–04 and 2007–08 while public transport concession funding rose rapidly from 2004–05 (Figure 11.10).



## 11

## Funding by households

Families and individuals (households) pay client fees for services that governments and NGCSOs provide. In addition, they also pay fees to people who provide services on a private basis. However, only client fee data for informal child care services are available for this chapter. It is possible that informal care provided to older people and people with disability may also attract client fees, but this information is not readily available.

Households pay fees for services such as domestic and personal assistance and child care. Client fees for all welfare services were estimated at \$7.7 billion (or \$350 per person) in 2008-09 (Table A11.16). Of this, client fees for informal child care services totalled \$318 million. The majority of client fees in 2008-09 (88% of the total) were paid to NGCSOs, 8% to government service providers and 4% to households for providing informal child care services (calculated from Table A11.16), reflecting the averages for the past decade.

## Funding by non-government community services organisations

Spending by NGCSOs on welfare services was estimated at \$24.9 billion in 2008-09 (Table A11.17), an increase of 62% since 1998-99. In 2008-09, NGCSOs funded 14% of this amount, governments funded 58% and client fees funded just over a quarter (27%). Government funding to NGCSOs almost doubled from \$8.2 billion in 1998-99 to \$14.5 billion in 2008-09. During the same period, NGCSOs' own source funding increased from \$2.5 billion to \$3.6 billion, and funding from client fees increased from \$4.6 billion in 1998-99 to \$6.7 billion.



In terms of relative shares, the government proportion of funding to NGCSOs has increased in the past decade from 54% in 1998–99 to 58% in 2008–09. The share of funding from NGCSOs' own funds fluctuated, reaching its peak of 18% in 2003–04 (calculated from Table A11.17). The share of funding from client fees also fluctuated over the same period.

It should be noted that estimations of funding by the non-government sector for 2006–07 to 2008–09 were calculated using a different methodology to that used for 1998–99 to 2005–06, however the results are considered comparable (see Box 11.5 and Appendix C available online).

### Box 11.5: Estimating spending by the non-government sector

Estimations of funding by the non-government sector for 2006–07 to 2008–09 were calculated using a different methodology to that used for 1998–99 to 2005–06, however the results are considered comparable.

NGCSOs' own source funding and client fees for 2006–07 to 2008–09 were both calculated using proportions from the 2008–09 ABS Community Services Survey (ABS 2010a).

Government-funded NGCSO expenditure between 1998–99 and 2008–09 was estimated using information about grants to NGCSOs from the Australian Government, state and territory governments, and local governments. This information was compiled from Australian Government annual reports and ABS Government Finance Statistics reporting of state, territory and local governments' grants to NGCSOs.

The estimates of NGCSOs' own source funding and client fees for years up to and including 2005–06 used a combination of information obtained from the following sources: the 1999 ABS Community Services Survey, surveys conducted by the Australian Council of Social Services, the Department of Health and Ageing's Aged and Community Care Management Information System, and a sample of NGCSO financial reports. Estimates from 2006–07 to 2008–09 were based on the 2008–09 ABS Community Services Survey as this was considered the most appropriate option.

See Appendix C, available online, for further details.

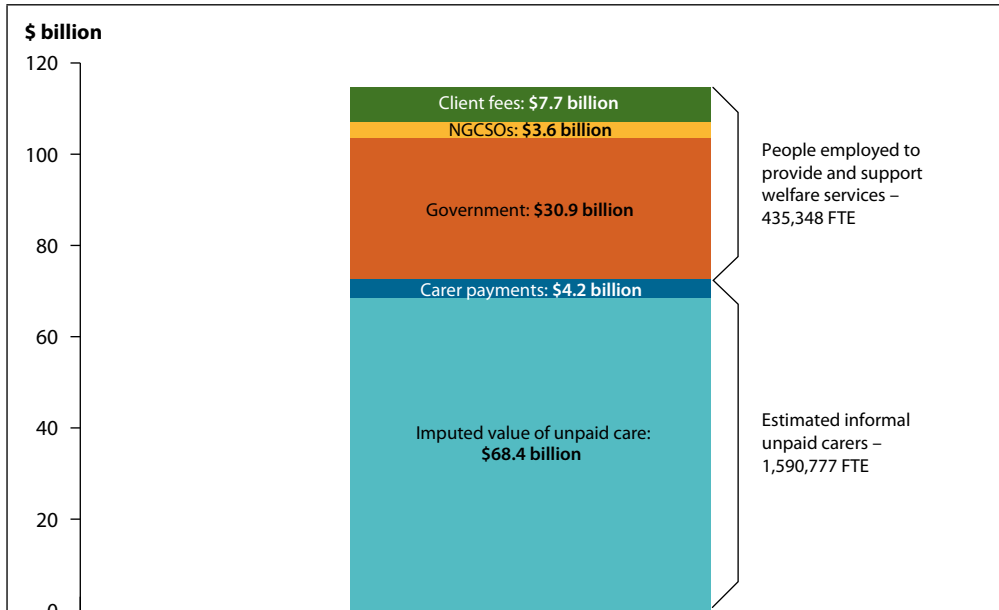
## 11.6 Financial and human resources for welfare services

The size of the effective workforce—paid and unpaid—devoted to providing welfare services was estimated to be more than 2 million full-time equivalent (FTE) workers in 2008–09. The paid workforce comprised fewer than a quarter (435,348 FTE) of these human resources, with almost 1.6 million FTE consisting of informal carers and other unpaid people, such as volunteers (Figure 11.11).

The value of unpaid welfare services has been estimated in order to help provide a more comprehensive picture of the total value of welfare services provided to Australians. In 2008–09, \$68.4 billion was 'imputed' (estimated) as the value of services where no payments or expenses were actually incurred. This does not include the \$4.2 billion expended on the Carer Allowance and/or Carer Payment, which is paid to eligible members of the unpaid workforce who provide informal care to older people and people with disability (FaHCSIA 2009). Therefore the value of the services provided by the unpaid workforce in 2008–09 was estimated to be approximately \$72.5 billion.

Revised constant price estimates indicated the equivalent figure for 2005–06 was \$71.0 billion. Considering population increases over the period, the 2008–09 figure does not appear to represent a large increase from 2005–06 and may indicate the effects of increased workforce participation as well as the early effects of the ageing of the carer population.

With \$42.2 billion spent on welfare services (discussed above), the imputed value of services provided by the unpaid workforce plus expenditure on carer payments takes the total estimated value of welfare services in Australia in 2008–09 to \$114.7 billion (Figure 11.11).



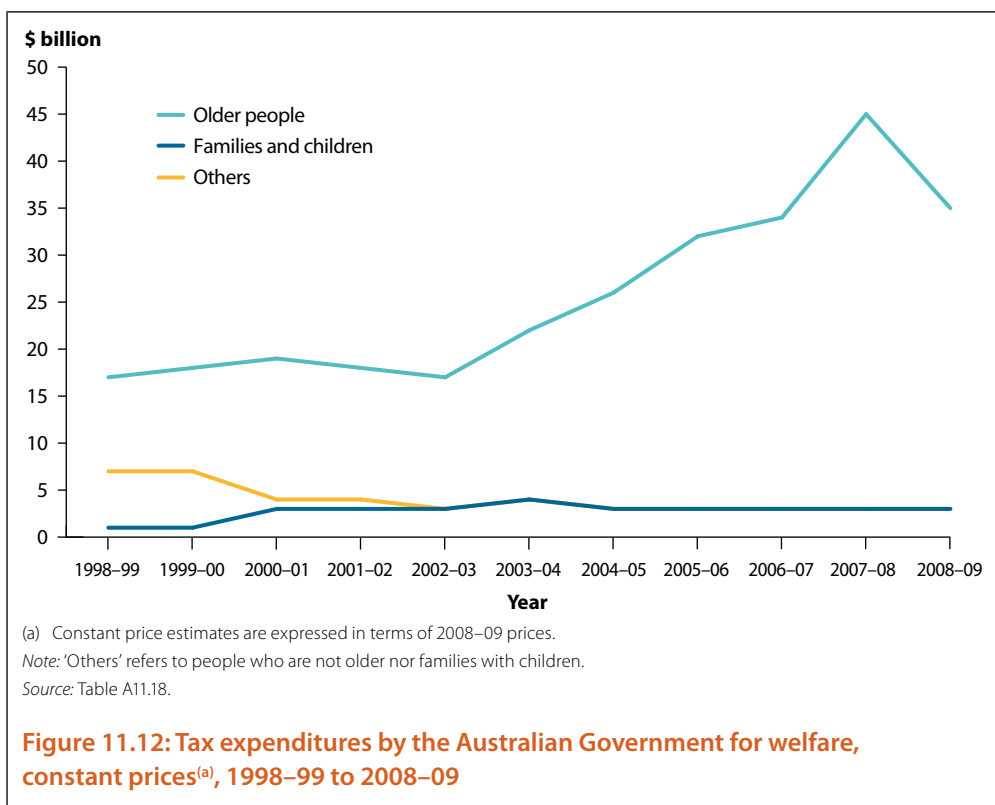
Sources: Tables A11.8, A11.16, A11.17; FaHCSIA 2009.

**Figure 11.11: Financial and human resources for welfare services, 2008–09**

## 11.7 Tax expenditures

Tax expenditures are concessions that provide a benefit to a specified activity or class of taxpayer. Various forms of tax expenditures include tax exemptions, tax deductions, tax offsets, concessional tax rates and deferral of tax liability. Australia measures tax expenditures using an approach that treats the expenditure as revenue forgone or not received by the government, consistent with the Organisation for Economic Cooperation and Development's (OECD's) reporting methods.

Tax expenditures or concessions for welfare by the Australian Government in 2008–09 were estimated at \$41.3 billion (Table A11.18). This amount is not included in the estimates of total welfare spending. The majority (\$35.4 billion or 86%) was for older people while \$3.1 billion (7.6%) was for families and children (Figure 11.12). Concessions for older people have increased markedly since 2002–03. Most of the amount for older people was concessions for superannuation (\$32.1 billion in 2008–09). This was a considerable drop from \$39.0 billion (Table A11.19) for superannuation concessions in the previous year due to the impact of the global financial crisis on superannuation contributions and earnings (Treasury 2010).



## 11.8 International comparisons

Compared with other OECD countries (Box 11.6), Australia's welfare expenditure as a proportion of GDP, using OECD definitions, was estimated at 12.4% in 2007 (Table 11.1). This was close to the OECD average of 13.9%, and Australia ranked 24 out of 34 countries (Table A11.21). Australia's per person expenditure was higher than the OECD average in the area of families and incapacity and slightly below the OECD average for old age. It should be noted that estimates in tables 11.1 and A11.21 include superannuation payments (both lump sum and pension).

### Box 11.6: OECD's Social Expenditure Classification (SOCX)

Australia's welfare expenditure can be compared internationally through use of the OECD's Social Expenditure Classification (SOCX). There are nine social or welfare expenditure (SOCX) categories that the OECD uses, and Australia's welfare expenditure corresponds to those for the old age, survivor (spouse or dependent of a deceased person), incapacity-related and family categories. Other SOCX categories are not included (Table A11.20). The OECD categories used include welfare services and cash payments for the four welfare services groups described elsewhere in this chapter—families and children, older people, people with disability, and 'other' welfare.

**Table 11.1: International comparison (selected countries) of welfare expenditure<sup>(a)</sup> by OECD SOCX category<sup>(b)</sup>, current prices, 2007 (A\$ million)**

Country	Per person expenditure					Total expenditure <sup>(c)</sup>		
	Old age	Survivors	Incapacity-related	Family	Other	Total <sup>(c)</sup>	A\$ million	% of GDP
Sweden	5,915	288	2,841	1,788	347	11,179	<b>102,265</b>	<b>21.4</b>
France	5,379	887	1,154	1,436	430	9,286	<b>573,016</b>	<b>19.4</b>
Italy	5,748	1,071	912	640	146	8,517	<b>505,483</b>	<b>19.3</b>
United Kingdom	5,194	70	1,445	1,642	398	8,749	<b>526,029</b>	<b>17.5</b>
Germany	4,642	1,019	933	904	123	7,620	<b>626,892</b>	<b>15.5</b>
Japan	5,727	616	457	376	125	7,301	<b>932,825</b>	<b>15.3</b>
United States	6,281	456	1,063	428	365	8,593	<b>2,591,718</b>	<b>13.0</b>
Canada	4,325	212	496	527	1,410	6,970	<b>229,844</b>	<b>12.8</b>
<b>Australia</b>	<b>4,154</b>	<b>102</b>	<b>1,259</b>	<b>1,373</b>	<b>55</b>	<b>6,943</b>	<b>146,299</b>	<b>12.4</b>
New Zealand	1,652	53	975	1,205	57	3,942	<b>16,668</b>	<b>10.2</b>
<b>OECD<sup>(d)</sup></b>	<b>4,229</b>	<b>476</b>	<b>827</b>	<b>607</b>	<b>312</b>	<b>6,452</b>	<b>..</b>	<b>13.9</b>

(a) Australia's welfare expenditure estimates presented in this table use the OECD System of Health Accounts to enable international comparisons to be made. Therefore, these estimates are not directly comparable to expenditure estimates presented elsewhere in this chapter.

(b) Includes public, mandatory private and voluntary private social expenditures.

(c) Excludes health, active labour market programs, unemployment and housing.

(d) The OECD per person averages are weighted by population. Total expenditure as a per cent of GDP is weighted by GDP.

Note: Expenditure converted to Australian dollar values using GDP purchasing power parities.

Source: OECD SOCX database 2010.

It can be observed that 13 of the top 15 countries with the highest welfare expenditure as a proportion of GDP are members of the European Union. This includes the top three countries—Sweden, France and Italy. In 2007, these three countries' welfare expenditure as a proportion of GDP was estimated at 19% or higher (Table A11.21). Social payments in many European Union countries include contributions that individuals make over their working lives.

## 11.9 Data development

The AIHW has published national welfare expenditure data from 1995 to 2007 covering data from 1987–88 to 2005–06, in *Welfare expenditure Australia* (WEA). The WEA series provided a comprehensive picture of welfare services expenditure and included estimates of:

- government expenditure
- NGCSO contribution to welfare services provision
- client fees paid for services that NGCSOs and governments provided
- core concession expenditure by governments
- tax expenditures.

Existing data collections and surveys were used to minimise the reporting burden on data providers. Data on welfare services by the Australian Government were obtained from various departments administering or providing services, often via annual reports. Data on state and territory expenditure and certain household expenditure were obtained from the ABS and the Productivity Commission; a range of other data sources were also used to supplement these.

In 2007, the WEA series was put on hold, along with other projects, due to budget constraints. A review of the collection and report was undertaken to consider changes needed to make the report more useful to policy and program areas of government, as well as to resolve issues of data availability. The review found there was stakeholder support to resume the collection and ensure that comprehensive national estimates are available. The review also noted that the collection should be undertaken in the context of the COAG Reform Council reporting and aligned, where possible, with the Productivity Commission's Indigenous Expenditure Report (IER). It was recommended that welfare expenditure be published biennially in *Australia's welfare*, and in alternating years via the web, as well as provided to the OECD. This chapter in *Australia's welfare 2011* now provides an update of the WEA series to 30 June 2009. Progressing welfare expenditure reporting beyond this will require a commitment of funding from stakeholders, as AIHW cannot fund this from its existing appropriation.

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