

# Income support over the past 20 years



3

Australia's social security system aims to support people who cannot, or cannot fully, support themselves. It is an important part of the larger network of services and assistance provided by governments and non-government organisations to improve the wellbeing of Australians. Due to the considerable number of people who receive a social security payment at some point in their lives, it is considered a critical social institution of contemporary Australian society (The Treasury 2010; Whiteford 2018b).

Over the past 2 decades, there have been notable demographic, social and economic shifts and changes within the social security system on how payments have been administered that have influenced trends and patterns in the receipt of income support. It is important to understand these patterns and this article aims to do that by providing insights on trends in income support receipt in Australia for people aged 18–64 over the past 20 years (June 1999 to June 2018), in the context of changes in demographic structure, economic conditions and social security policies.

This article does not include trends in government spending on welfare services and cash payments—see snapshot *Welfare expenditure* [www.aihw.gov.au/reports/australias-welfare/welfare-expenditure](http://www.aihw.gov.au/reports/australias-welfare/welfare-expenditure).

The article is structured into the following sections:

- an overview of Australia's social security system, including a description of the different types of income support payments
- key factors influencing trends in income support receipt
- quantifying the size and characteristics of the income support populations over the past 2 decades
- pathways through the income support system.

This article focuses on the subset of Australians receiving government welfare assistance to assist with the everyday costs of living, specifically Australians aged 18–64 who received 1 of the main income support payments—unemployment payments, parenting payments, Disability Support Pension (DSP) and Carer Payment. These payments have been shown to be associated with long-term income support receipt (Cobb-Clark et al. 2017).

The 18–64 age group has been chosen as it represents the primary section of Australia's productive workforce. As there is no universal definition of the 'working-age population', the age range chosen for this article may differ from the definition of working age used in other contexts. From a policy perspective, for example, the definition can be informed by eligibility for Age Pension; as a result, the upper age limit has varied over time. Working age can also include adolescent years when work becomes legal. This younger age group has been intentionally excluded from the analysis in this article, due to considerable policy changes around teenagers accessing income support payments over the period of interest.

To present a complete picture of shifts in the types of income support payments accessed over the past 2 decades, information is also presented on student payments, Age Pension and closed payments (such as Wife Pension and Widow Allowance), where applicable. While student payments are generally viewed as having a positive effect on being engaged in the labour market and, accordingly, are often considered differently to other income support payments, they have been included to provide a comprehensive description of changes in how Australians aged 18–64 are accessing income support payments.

Australian social security payment policy is administered by the Department of Social Services (DSS) and income support payments are delivered by the Department of Human Services (DHS), through its network of Centrelink offices. There are 2 main data sources for analysing trends in income support receipt in Australia—survey data from the Australian Bureau of Statistics (ABS) and administrative data collected by the DHS and managed by the DSS. This article mainly uses the latter, sourced from the Research and Evaluation Database (RED)—a researchable longitudinal database constructed from DHS administrative income support data. RED captures data on anyone who has received a social security payment since 1 July 1998. Data from RED may differ from official statistics on income support payments and recipients, including income support data presented in the Australia’s welfare snapshots [www.aihw.gov.au/australias-welfare/snapshots](http://www.aihw.gov.au/australias-welfare/snapshots). Further, data in this article may also differ from ‘Chapter 4 Income support among working-age Indigenous Australians’ which uses Data Over Multiple Individual Occurrences (DOMINO), a newly developed longitudinal data source also constructed from DHS administrative income support data—see Chapter 4 for more information.

## Overview of Australia’s social security system

The social security system aims to encourage self-reliance and provide for a minimum acceptable standard of living, with payments targeted to people who do not have the means to support themselves (Klapdor 2013a, 2013b). It provides payments to those unable to work or unable to find work, with additional payments for those who pay private rent and those with dependent children (Whiteford & Angenent 2002). Nearly all social security payments in Australia are means-tested; a formal process used to determine eligibility for payments. This ensures that payments are provided to support Australians with low or no income and/or few assets; that is, those who most need it. As income and/or assets increase, payment decreases. Some payments are also subject to activity tests; for example, to remain qualified for payment, recipients of unemployment payments are required to actively look and prepare for work in the future. As discussed later, the enhancement of these activity tests for particular payments have had a noticeable impact on trends in income support.

The Australian social security system is considered the most highly targeted to low-income earners compared with other high-income countries (Whiteford 2018a, 2018b). Australian households with the lowest fifth of income receive around 7 times as much in social security benefits as Australian households with the highest fifth of income (ABS 2018a; Whiteford 2018b). This differs considerably to the average for countries in the Organisation for Economic Co-operation and Development (OECD), where the lowest and highest income-earner households receive around the same amount (ABS 2018; Whiteford 2018b). Social security expenditure in Australia is low compared with other high-income countries in the OECD, reflecting differences in entitlement to social security in Australia, including the extent of income-testing (Whiteford 2017). As a proportion of gross domestic product (GDP) in 2015 (or the nearest year available), Australia was the sixth lowest spender on cash benefits of 35 OECD countries (9.0% compared with OECD average of 11.1%). English-speaking countries tend to be relatively low spenders on social security benefits (9.0%–10.3%) compared with many European countries (16% in Spain, increasing to 19%–20% in France, Greece and Italy—OECD 2018b; Whiteford 2017).

## What are income support payments?

Not all financial support provided through the social security system is considered an income support payment. Benefits classified as income support payments are those that generally serve as a recipient's primary source of income and are regular payments that assist with the day-to-day cost of living. Individuals can receive only 1 income support payment at a time.

There are currently 18 specific income support and related payments (4 of which are closed to new entrants), with the 6 main categories and associated payments being:

- student payments—Youth Allowance (Student), Austudy and ABSTUDY
- unemployment payments—Newstart Allowance, Youth Allowance (Other) and Special Benefit (Newstart conditions)
- parenting payments—Parenting Payment Single and Parenting Payment Partnered
- DSP
- Carer Payment
- Age Pension.

Two additional categories have been used for analysis in this article:

- closed payments—payments that are largely closed to new recipients but still paid to existing recipients (including Widow Allowance and Wife Pension) and closed payments that have been phased out and are not currently paid to any recipients (including Newstart Mature Age Allowance and Mature Age Allowance)
- other payments—income support payments that do not otherwise fit in the categories above, including Special Benefit (Other), Bereavement Allowance and Sickness Allowance.

Further information on these main income support payments is included in the following Australia's welfare snapshots [www.aihw.gov.au/australias-welfare/snapshots](http://www.aihw.gov.au/australias-welfare/snapshots):

- *Unemployment and parenting income support payments*
- *Disability Support Pension and Carer Payment*
- *Income support payments for older people.*

Other payments available through the social security system include: payments that are designed to assist families with the cost of raising children, such as Family Tax Benefit—see snapshot *Family assistance payments* [www.aihw.gov.au/reports/australias-welfare/family-assistance-payments](http://www.aihw.gov.au/reports/australias-welfare/family-assistance-payments); supplementary payments for carers, such as Carer Allowance and Carer Supplement; and Rent Assistance. These payments can provide additional financial assistance to both income support recipients as well as others in need of support. In addition, a separate set of income support payments is available to older veterans and veterans with disability, administered by the Department of Veterans' Affairs. These payments are not included in this analysis.

All income support payments listed above, other than Age Pension, are available to people below Age Pension age who meet eligibility requirements, and are the focus of this article. It should also be noted that as at June 2018, there were around 141,000 recipients aged 65 and over who were receiving an income support payment other than Age Pension. Of these, the vast majority (85%) were receiving DSP or Carer Payment. These recipients are excluded from this analysis.

The social security system supports a substantial proportion of the Australian population. In any 1 fortnight in 2018, an income support payment (the specific subset of social security payments outlined above) was paid to about 5 million Australians, and around a further 855,000 families received family tax benefits (Whiteford 2018c).

## Factors influencing trends in income support

Over the past 2 decades, there have been notable demographic, social and economic changes that have influenced (and will continue to influence) the social security system, and in particular the characteristics of income support recipients over that period.

Some key examples include:

- **Australia's population is growing and ageing.** The Australian population has grown by 33% from 18.8 million in 1999 to an estimated 25 million in 2018, with the 65 and over age group experiencing the fastest growth (ABS 2018a). This age group accounted for 12% of the population in 1999, 17% in 2018 and is projected to account for 20% of Australians by 2066. On the other hand, the 18–64 population as a proportion of the total population has remained relatively stable at around 62%–64% (ABS 2000, 2018a).
- **Australians are living longer and working longer.** Australians are living longer, with average life expectancy continuing to increase. A male born in 2014–2016 will live, on average, an extra 3.4 years than a male born in 1999–2001 (from 77.0 to 80.4 years), and females an extra 2.2 years (from 82.4 to 84.6 years) (ABS 2004; AIHW 2018). Australians are also working longer. Between 2000 and 2017, the average effective age of retirement increased by 3.6 years for men (from 62.0 to 65.6 years) and by 4.6 years for women (from 59.6 to 64.2 years) (OECD 2018a).
- **There are more Australians with disability and more informal carers.** The number of people with disability has risen over the past 15 years from 4.0 million in 2003 to 4.3 million in 2015; however, the proportion of the population with disability has declined slightly over this period, from 20% to 18%. The growth in informal carers (those caring for a person with disability or an older person) has almost doubled over this period, from 474,600 to 855,900 between 2003 and 2015, or from 2.4% to 3.7% of the population, according to data from the ABS Survey of Disability, Ageing and Carers (ABS 2016).
- **Australian households are changing.** Australian household structure has changed over recent decades. For example, over the 20 years to 2016, the proportion of single or lone person households increased slightly (from 22% to 24% between 1996 and 2016) (ABS 1998, 2018b).
- **More Australians have a job.** Over the past 2 decades, there has been an overall increase in the proportion of the Australian population aged 15–64 that have a job (referred to as the employment to population ratio), although the ratio has fluctuated somewhat over this period. Ratios increased from 68% in June 1999, reaching a peak of 73% in June 2008, and have remained around 72%–74% since that time (ABS 2018c).

- **More Australians are working part-time.** More employed people aged 20–64 are working part-time (employed persons who usually work less than 35 hours a week). The proportion of employed women who work part-time has risen from about 40% in 1999 to 43% in 2018. Employed men have much lower rates of part-time work; however, the rates have grown more dramatically, from 9% to 15% over this period (ABS 2018c). With the part-time share of the employment market continuing to rise, it is more likely that an unemployed person will find part-time employment than previously (Cassidy & Parsons 2017).

## Policy drivers

Over the past 20 years, there have been significant reforms to the social security system that have influenced trends in income support payments and recipients. The demographic, social and economic environmental factors outlined above can also lead to policy changes, as can other policy changes in the broader Australian context, such as taxation and education policies and targeted population policies, such as the National Disability Insurance Scheme (NDIS).

Some major reforms in the social security system have resulted in a reduction in the types of payments available. The broader policy context has also changed with the introduction of an investment approach to Australia's social security system. The investment approach looks to prevent long-term income support dependence through early intervention and targeted investment (Reference Group on Welfare Reform 2015). States and territories are also developing investment approaches to welfare reform and service delivery—such as the New South Wales Government's *Their Future Matters* (Taylor Fry 2018)—which have the potential to influence future income support receipt and dependence. Other policy changes that have had an impact include the Welfare to Work reforms, which increased the number and range of recipients who were required to look for work and accept suitable employment offers (Thomas & Daniels 2010). Further, the enhancement of mutual obligations (see Box 3.1) also had a noticeable impact on trends in income support payments. Key policy changes are summarised in Box 3.1.

### **Box 3.1: Key changes to income support eligibility**

#### **A simpler social security system**

One of the key changes in the social policy context includes working towards a simpler social security system (Reference Group on Welfare Reform 2015). This, together with a move to require participants to have an active engagement with work or study, and social changes regarding participation of women in the workforce, has resulted in a reduction in the types of income support payments available to recipients, such as Age Pension to women under 65, and payments to partners, the mature aged and some widows.

#### **Age Pension**

As Australians are living longer and healthier lives, older Australians will place an increased demand on government assistance and Age Pension in particular. Policy changes have been made to achieve sustainability of the Age Pension system, including the incremental increase in eligibility age.

The qualifying age for the Australian Age Pension for women increased from 60 in 1995 at the rate of 6 months every 2 years and reached 65 in 2014—the same qualifying age as for men. From 1 July 2017, the pension qualifying age for men and women started rising again by 6 months every 2 years from 65 until it reaches 67 in 2023.

This policy change increases revenue through taxpayers contributing for longer and reduces expenditure by delaying entry to Age Pension (Klapdor 2014a). However, those who are unable to work prior to reaching Age Pension age might still be eligible for alternative income support payments, such as DSP, Carer Payment or Newstart Allowance.

#### **Disability Support Pension**

The eligibility criteria for DSP have been tightened over recent years (DSS 2018). For example, the criterion of being unable to work 30 hours per week decreased to 15 hours per week from 2006. A new category for the unemployment payment Newstart Allowance was created for those with a work capacity of less than 30 hours per week; Newstart Partial Capacity to Work. Another change occurred in 2012 with the introduction of significantly revised impairment tables.

*continued*



### **Box 3.1 (continued): Key changes to income support eligibility**

#### **Parenting payments**

Changes to the eligibility criteria for parenting payments were influenced by the Welfare to Work reforms, with a new requirement to look for, or be engaged in, work once the youngest child reached 6 years old if partnered or 8 if single.

From 2006, all new parenting payment recipients with school-age children over these ages were only eligible for Newstart Allowance, an unemployment payment, rather than for a parenting payment. Further changes were made in 2013 where, regardless of when payment commenced, recipients could only receive parenting payments until their youngest child turned 8 for single recipients and 6 for partnered recipients.

#### **Closure of partner and mature age payments**

A number of policy changes have been directed towards encouraging mature age adults (those aged 50–64) to participate in employment, such as the Australians Working Together reforms announced in the 2001–02 Budget.

This package of reforms was designed to address issues faced by mature age workers and encourage involvement in the job market and community among income support recipients aged 50 and over (Australian Government 2001).

From 2003, entry to payments that did not require recipients to look for work or take part in the community, such as Partner Allowance and Mature Age Allowance, were closed to new recipients. From 1 July 1995, Wife Pension (for women whose partner received Age Pension or DSP) was closed to new recipients.

#### **Mutual obligations**

Activity testing—that is, a requirement that recipients engage in activity of some kind to remain eligible for certain income support payments—has been in place since unemployment payments began many decades ago. The enhancement of these activity tests in recent decades, including mutual obligation requirements, has influenced trends in income support receipt.

Mutual obligations are designed to ensure unemployed people receiving activity-tested income support payments are actively looking for work and participating in activities that will assist them into employment (Australian Government 2019). Mutual obligation requirements differ depending on the recipient's age, assessed work capacity and whether they are the primary carer of a dependent child. Examples of mutual obligation requirements include accepting offers of suitable paid work, job search, attending appointments with employment services providers, and participating in approved education or training courses or programs.

## How has income support as the main source of income changed over time?

Over the past 2 decades, there has been a notable decline in income support receipt among people aged 18–64 in Australia.

According to AIHW analysis of the 2014 ABS General Social Survey, an estimated 1 in 6 (17%) people aged 18–64 had government pensions and allowances as their main source of income, down from 18% in 2010, 19% in 2006 and 22% in 2002. Women were more likely than men to receive government pensions and allowances as their main source of income (22% compared with 12%, respectively) in 2014.

Another way to track trends in government pensions and allowances is to use income support administrative data, which provides estimates on income support receipt that are comparable to the General Social Survey. The decline in income support receipt over the past 2 decades among the population aged 18–64 is consistent in both data sources. The remainder of this article is based on DHS administrative income support data from the RED.

## How many people aged 18–64 have received income support over time?

This section presents data on income support recipient characteristics as a percentage of the broader population aged 18–64.

The number of Australians aged 18–64 receiving income support at a point in time decreased from 2.6 million in 1999 to 2.3 million in 2018. This 11% decline in the number of income support recipients has been despite increases in the growth of the population aged 18–64 over this period (32% increase). As a result, there has been a general downward trend in the proportion of the population aged 18–64 receiving income support payments, from 22% in 1999 to 15% in 2018.

### Types of payments

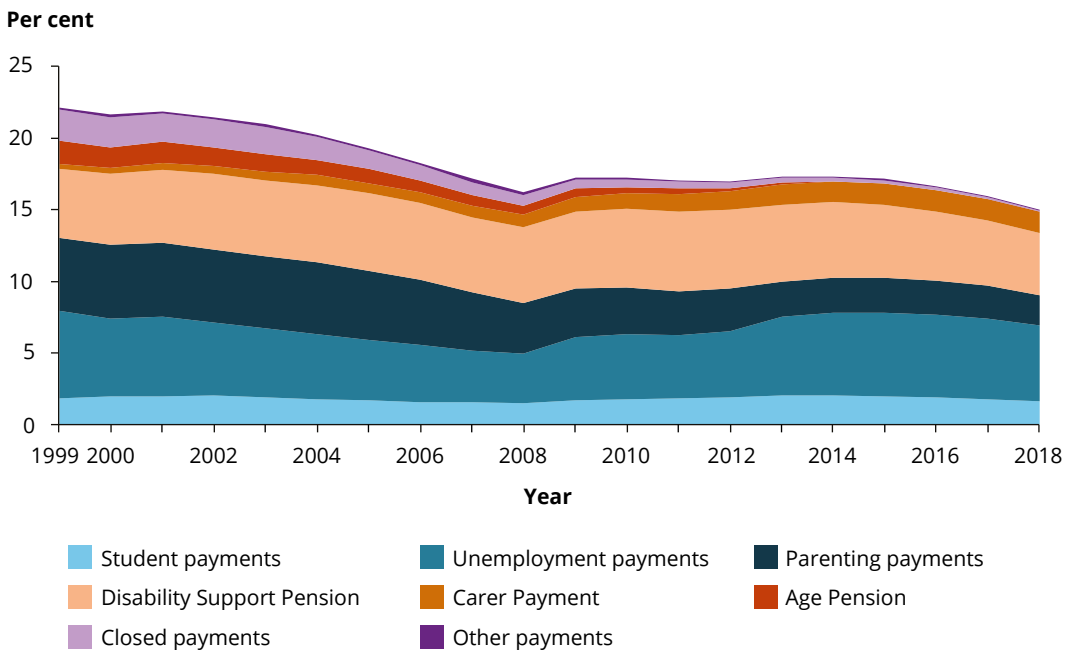
The overall decline in income support receipt for the population aged 18–64 was also observed for unemployment payments—falling from 6.1% of the population aged 18–64 in 1999 to a low of 3.4% in 2008, rising to 5.9% in 2015 and falling since then to 5.3% in 2018—and for parenting payments, declining from 5.1% to 2.1% of the population aged 18–64 (Figure 3.1). These declines may in part reflect labour market conditions as well as reforms to the social security system over this period, as discussed previously.

The proportion of the population aged 18–64 receiving DSP remained relatively stable between 1999 and 2018; however, there were some fluctuations during this period, with proportions increasing gradually between 1999 and 2011 (from 4.8% to 5.6%) and declining thereafter to 4.4% in 2018. This decline may be influenced by changes in eligibility criteria for DSP, as well as declines in the proportion of the population with disability.

In contrast to other payment categories, there was a notable increase in the proportion of the population receiving Carer Payment from 1999 to 2018 (from 0.3% to 1.5%). This increase was potentially influenced by the large increase in the number of informal carers over this period as well as key policy changes, including the increased eligibility age for Age Pension, and closure of various partner payments and allowances that were primarily paid to women. As a result, there has been a larger increase in the proportion of Carer Payment recipients for women than men, as discussed in more detail later.

If receipt of income support payments had remained at the same level as in 1999, there would have been around 1.1 million additional 18–64 year olds receiving an income support payment in 2018.

**Figure 3.1: Proportion of people aged 18–64 receiving income support payments, by payment category, June 1999 to June 2018**



Source: AIHW analysis of Research and Evaluation Database (RED), constructed from DHS administrative income support data.

## Sex

In 2018, women aged 18–64 were overall more likely than men to be receiving income support payments (17% compared with 13%, respectively). This gender gap has remained relatively consistent over the past 20 years. However, when looking at specific payments, the gender gap over the 20-year period has increased for some payments (such as Carer Payment) and declined for others (such as unemployment payments and DSP). For example, in 2018, women were 2.4 times as likely as men to receive Carer Payment, up from 1.4 times as likely in 1999. For unemployment payments, the proportions in 2018 were relatively similar for men and women, compared with 1999 when men were 2.3 times as likely as women to be receiving these payments.

## Age

The age distribution of income support recipients aged 18–64 over the past 20 years remained relatively unchanged, skewed towards the older and younger age groups. The proportion of income support recipients aged 18–24 was 18% in 1999 and 19% in 2018, and the proportion aged 60–64 was 15% in 1999 and 13% in 2018. In both 1999 and 2018, the proportion of income support recipients in each five-year age group between 25–29 and 55–59 were between 8% and 11%.

A notable difference between 1999 and 2018 is that the proportion of the total Australian population aged 60–64 receiving income support payments was more than twice as high in 1999 compared with 2018 (51% compared with 22%, respectively). This partly reflects women in this age group qualifying for Age Pension in 1999, but not in 2018.

## What are the characteristics of income support recipients aged 18–64?

This section presents information on the characteristics of income support recipients as a proportion of the income support population (2.6 million in 1999 and 2.3 million in 2018). The focus is to look at changes over the past 20 years among those receiving income support. The previous section, and snapshots *Unemployment and parenting payments* [www.aihw.gov.au/reports/australias-welfare/unemployment-and-parenting-payments](http://www.aihw.gov.au/reports/australias-welfare/unemployment-and-parenting-payments) and *Disability Support Pension and Carer Payment* [www.aihw.gov.au/reports/australias-welfare/disability-support-pension-and-carer-payment](http://www.aihw.gov.au/reports/australias-welfare/disability-support-pension-and-carer-payment), look at the income support population in the context of the overall Australian population aged 18–64.

The income support system has changed considerably over the past 20 years, and the characteristics of income support recipients aged 18–64 have also shifted over this period, as illustrated in Table 3.1. This section examines these shifts in relation to the main income support payment categories. Due to differences in how the social security system is accessed across the population, analysis is split by key life stages and sex. Where possible, these patterns and trends are discussed in the context of key demographic, social, economic and policy changes over the past 2 decades.

In June 1999, recipients aged 18–64 accounted for 60% of income support recipients with the remaining 40% of recipients aged under 18 or 65 and over. The proportion of all income support recipients aged 18–64 decreased to 47% by June 2018. The age and sex distribution of income support recipients aged 18–64 has remained relatively stable between 1999 and 2018 (Table 3.1). However, there has been a notable increase in the proportion of recipients who are single, reflecting the changing household structures discussed earlier. There have also been considerable shifts in the types of income support payments received; in particular, increases in the proportion of income support recipients receiving unemployment payments, DSP and Carer Payment and declines in the proportion receiving parenting payments, reflecting the policy changes referred to previously.

**Table 3.1: Characteristics of income support recipients aged 18–64, as at June 1999, June 2009 and June 2018**

	Proportion of income support recipients aged 18–64 (%)		
	1999	2009	2018
<b>Sex</b>			
Women	58.3	59.1	58.2
Men	41.7	40.9	41.8
<b>Age group</b>			
18–24	18.0	18.9	18.9
25–49	48.4	46.7	47.8
50–64	33.6	34.4	33.3
<b>Payment category</b>			
Student payments	8.2	9.7	10.5
Unemployment payments	27.4	25.7	35.3
Parenting payments	23.1	19.8	14.1
Disability Support Pension	21.9	31.0	29.0
Carer Payment	1.6	6.0	10.0
Age Pension	7.2	3.3	0.0
Closed payments	9.9	3.7	0.7
Other payments	0.7	1.0	0.4
<b>Partnership status</b>			
Single	60.1	68.4	77.1
Partnered	39.9	31.6	22.9

*Note:* Components may not add to totals due to rounding.

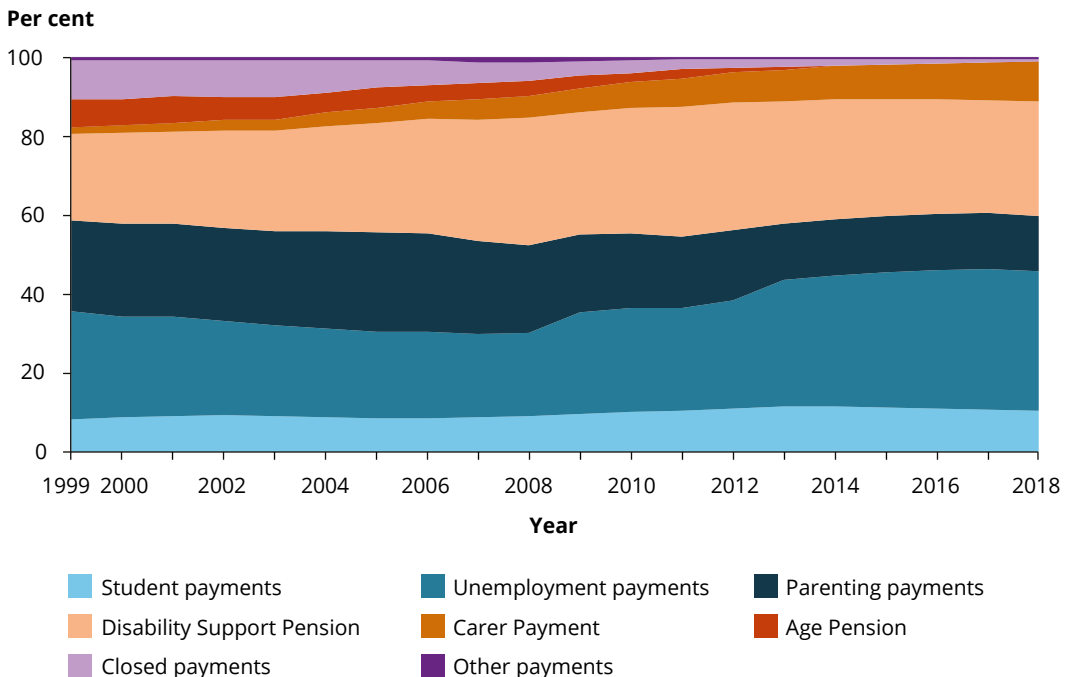
*Source:* AIHW analysis of Research and Evaluation Database (RED), constructed from DHS administrative income support data.

## Types of payments

Figure 3.2 shows that, over the past 20 years, there have been notable shifts in the receipt of specific income support payments (Table 3.1), reflecting key policy changes (see Box 3.1 for further details).

Unemployment payments account for a considerable proportion of the income support population aged 18–64 (35% in 2018), with increases evident in relation to labour market conditions as well as changes in policies around parenting payments. In particular, a corresponding decrease in the proportion of recipients receiving parenting payments aligns with an increase in the proportion of recipients receiving unemployment payments. The closure of various payments and increases in eligibility age for Age Pension are also reflected in the decreasing proportions of people aged 18–64 in receipt of these payments, to nearly zero over the 20-year period. There have also been corresponding increases in the proportions receiving DSP and Carer Payment (Figure 3.2).

**Figure 3.2: Proportion of income support recipients aged 18–64, by payment category, June 1999 to June 2018**



Source: AIHW analysis of Research and Evaluation Database (RED), constructed from DHS administrative income support data.

## Sex

There are differences in the types of income support received by men and women aged 18–64. In 2018, among income support recipients, a larger proportion of men than women received unemployment payments or DSP (43% and 37% for men compared with 30% and 23% for women, respectively). In contrast, women were more likely to receive a parenting payment or Carer Payment (23% and 12% for women compared with 2.2% and 7.0% for men, respectively).

However, there are similarities between men and women in trends in the types of income support received across the past 20 years. Perhaps most noticeable is the rise between June 2008 and 2018 in the proportion receiving unemployment payments for both men and women (33% to 43% for men and 14% to 30% for women), indicative of labour market conditions.

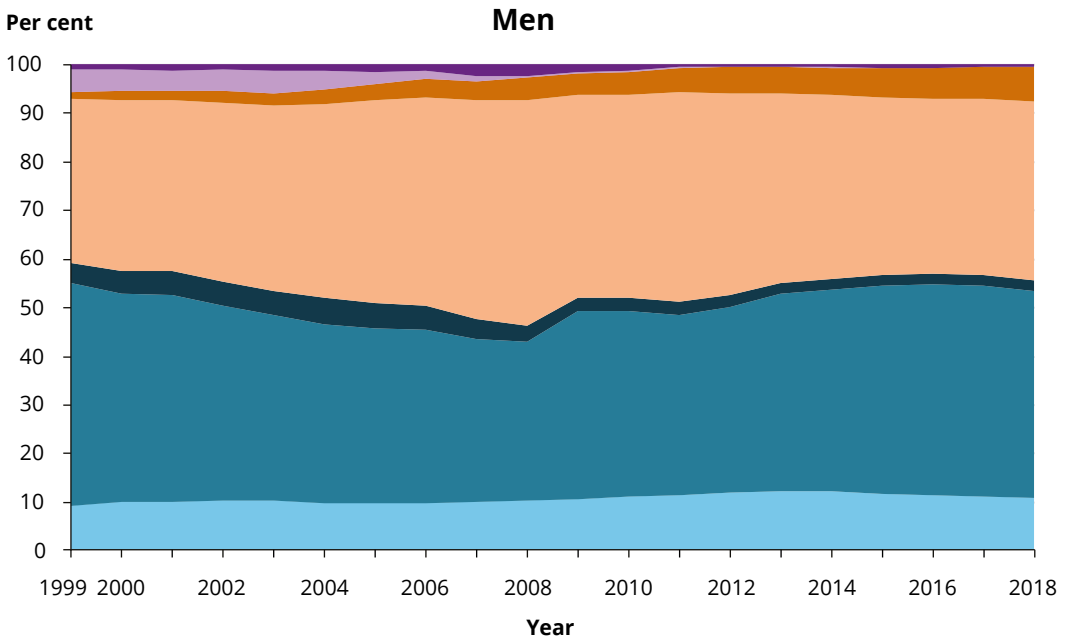
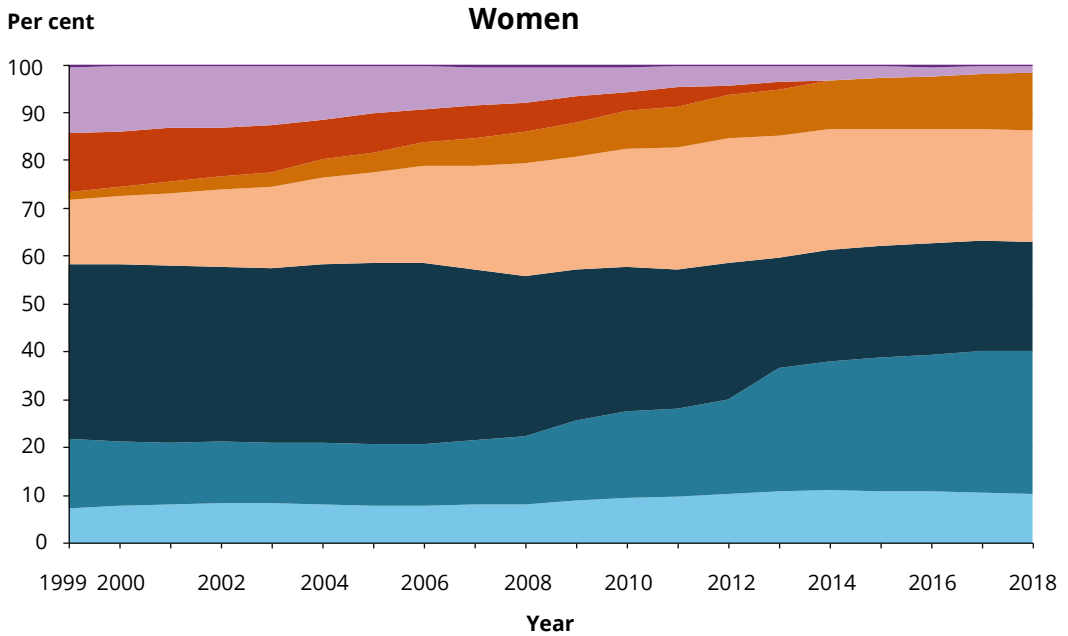
The changes in parenting payment policies (see Box 3.1) in 2006 and 2013, which saw recipients move to an unemployment payment when their youngest child reached a certain age, may also play a role here. The increase in the proportion of the income support population receiving unemployment payments was more pronounced for women than men, and with a corresponding decrease in the proportion of parenting payments (13 percentage point increase in unemployment payments and corresponding 15 percentage point decline in parenting payments for women between 1999 and 2018). Similarly, the proportion of men receiving parental payments also decreased (from 5.0% to 2.1% between June 2008 and 2018).

Among income support recipients, the proportion of men receiving student payments remained slightly higher than the proportion of women between 1999 and 2018 (9.4% for men and 7.4% for women in 1999; 11% for men and 10% for women in 2018).

Among women who receive income support, there was a large increase in the proportion in receipt of DSP between 1999 and 2012 (from 13% to 26%), however, proportions have been declining in recent years to 23% in 2018, in line with policy changes. The rates for men increased steadily, peaking in 2008 (46%), before decreasing to 37% in 2015 and remaining between 36% and 37% to 2018.

The large impact on women of increasing Age Pension eligibility age and closing various payments is also apparent, as closed payments accounted for 12% of women receiving income support in 1999, reducing to almost zero by 2018 (Figure 3.3).

**Figure 3.3: Proportion of income support recipients aged 18–64, by sex and payment category, June 1999 to June 2018**



- Student payments
- Unemployment payments
- Parenting payments
- Disability Support Pension
- Carer Payment
- Age Pension
- Closed payments
- Other payments

Source: AIHW analysis of Research and Evaluation Database (RED), constructed from DHS administrative income support data.



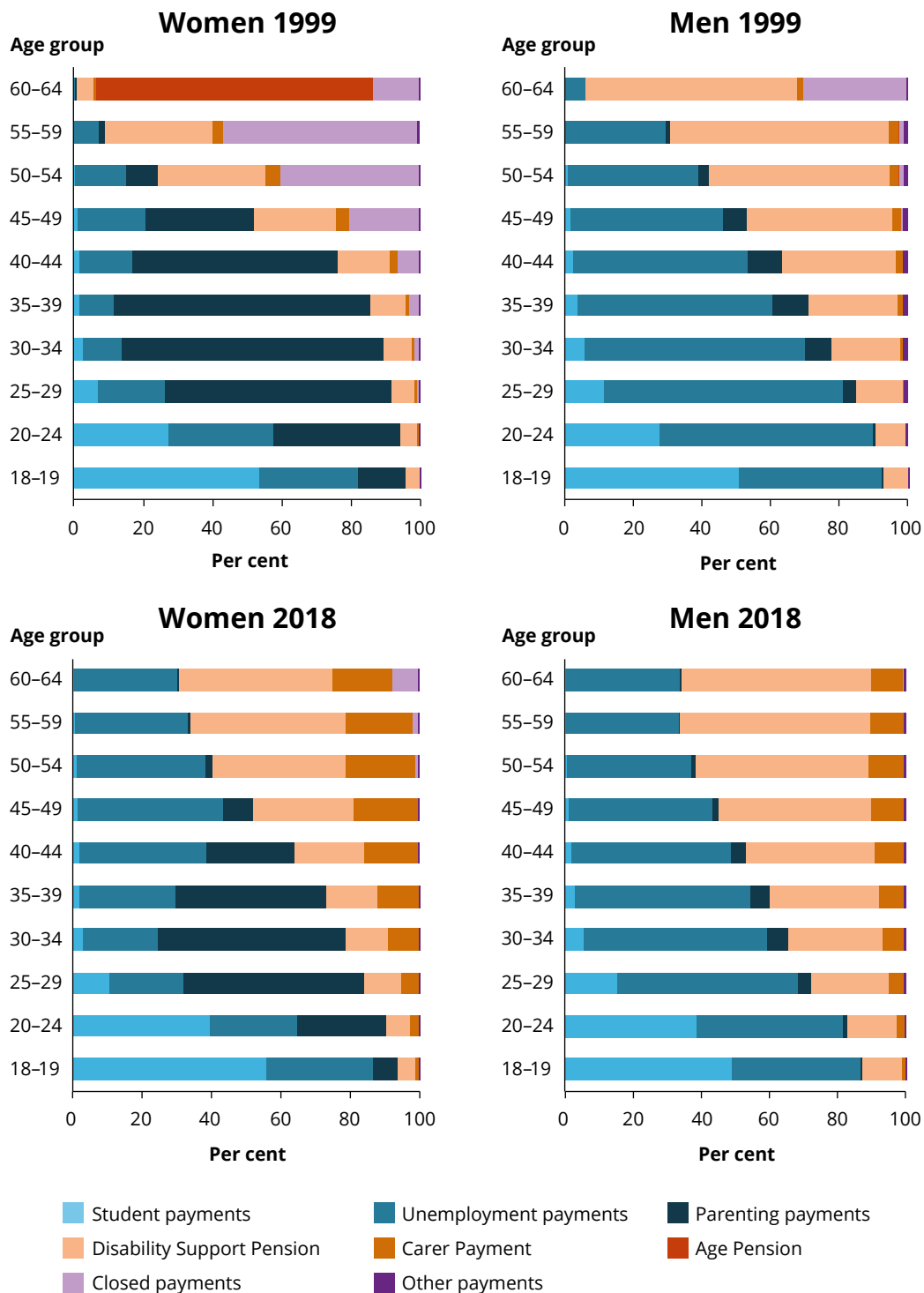
## Age

The age distribution of income support recipients aged 18–64 over the past 2 decades has remained relatively unchanged. In both 1999 and 2018, almost one-fifth (18%–19%) of recipients were aged 18–24, almost half (48%) were aged 25–49, and one-third (34%–33%) aged 50–64 (Table 3.1).

Policy changes over this period discussed earlier are further apparent when comparing the June 1999 and June 2018 recipient profiles by age group, sex and payment category (Figure 3.4). The change in parenting payment policies is seen with decreasing proportions of recipients receiving parenting payments and corresponding increase in the proportion receiving unemployment payments between 1999 and 2018.

This pattern is particularly pronounced for women, who account for more than 90% of parenting payment recipients. The change in Age Pension qualifying age corresponded with no women aged 18–64 receiving Age Pension in 2018 compared with around 12% in 1999. This is particularly evident for women aged 60–64 for whom the proportion was 80% in 1999. Employment and community participation encouragement of mature age adults is also evident, with less than 1% of recipients receiving closed payments (see Box 3.1) among both men and women in 2018, compared with 9% of recipients receiving these payments in 1999.

**Figure 3.4: Proportion of income support recipients aged 18–64, by sex, age and payment category, as at June 1999 and June 2018**



Source: AIHW analysis of Research and Evaluation Database (RED), constructed from DHS administrative income support data.

## Life stages by sex

Australians aged 18–64 access different income support payments at different stages of life, and these patterns have changed over time, as well as varying for men and women as shown in Figure 3.5:

- **18–24:**

- In 1999, men were 1.6 times as likely to receive unemployment payments as student payments (56% compared with 35%), with proportions converging over the past 20 years resulting in similar proportions for these payments in 2018 (42%).
- The pattern for women shows a different story, with proportions for student payments (36%), parenting payments (29%) and unemployment payments (30%) relatively similar in 1999 but then diverging. In 2018, the proportion receiving student payments increased to 44%, parenting payments declined to 21% and unemployment payments fluctuated but remained similar to 1999 (27%).

- **25–49:**

- Men most commonly received unemployment payments and DSP. Over the past 20 years, the proportion of men receiving unemployment payments declined (from 58% in 1999 to 49% in 2018) and DSP increased (from 26% to 33%).
- Women, on the other hand, were more likely to receive parenting payments and unemployment payments, and the proportion of women receiving these payments were 37% and 29% in 2018, respectively. By contrast, in 1999, women were 4 times as likely to be receiving parenting payments as unemployment payments. In the 20 years to 2018, the proportion receiving parenting payments had fallen considerably (from 63% to 37%), corresponding to increases in the proportion receiving unemployment payments (from 15% to 29%). This largely reflects changes in parenting payment policies that saw recipients move to an unemployment payment when their youngest child reached a certain age, as discussed previously.

- **50–64:**

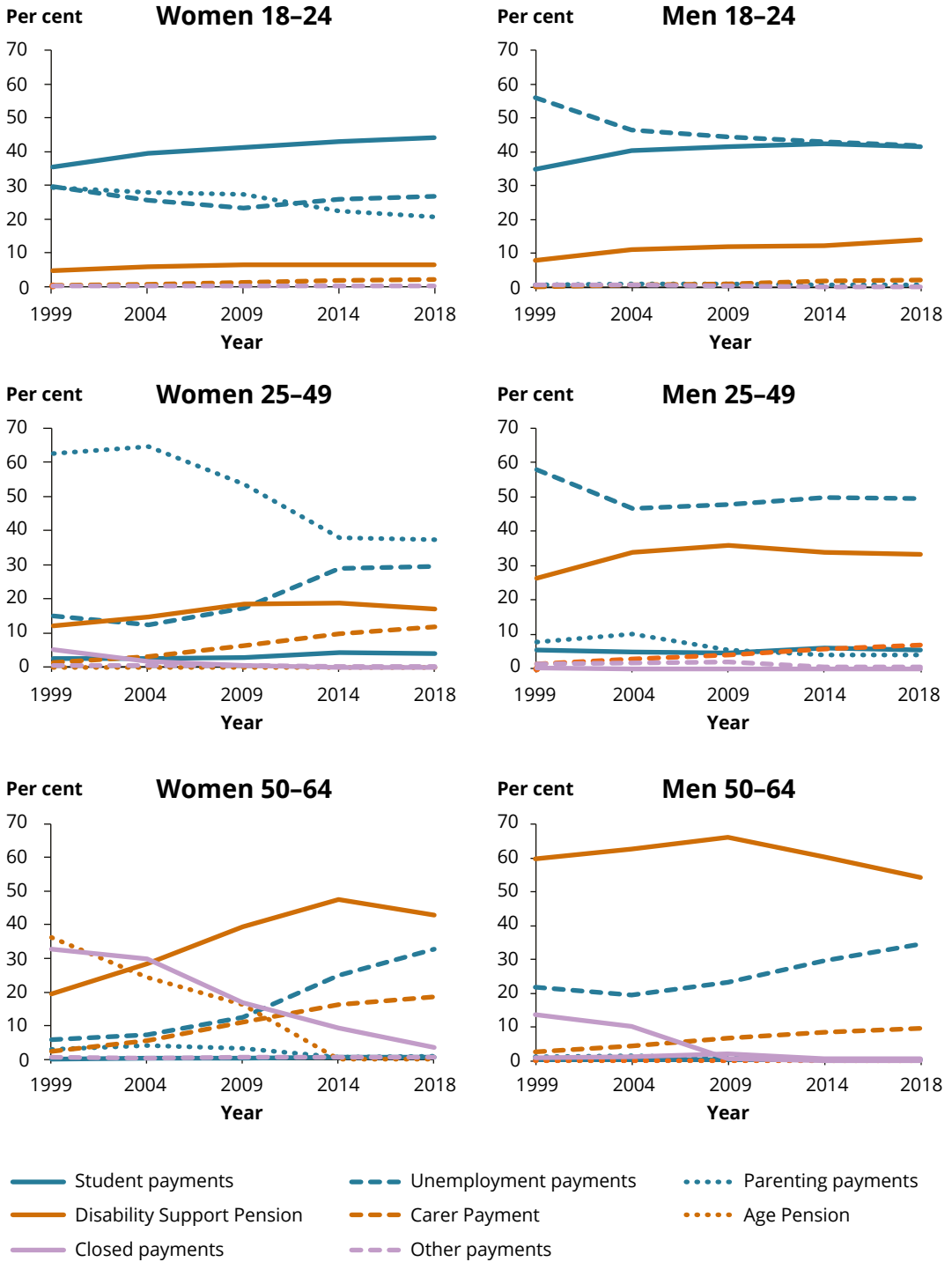
- Men most commonly received DSP and unemployment payments. Since 2009, the proportion receiving DSP has declined sharply (from 66% in 2009 to 54% in 2018), corresponding with a notable increase in those receiving unemployment payments (from 19% in 2004 to 34% in 2018). In 1999, men in this age group were 2.7 times as likely to receive DSP as unemployment payments, declining to 1.6 times in 2018.
- The trend for women shows a very different pattern, largely due to changes in the eligibility for Age Pension and large increases in the receipt of Carer Payment in recent years. In 1999, the most common payments were Age Pension (36%), closed payments (33%) and DSP (19%). Declining proportions receiving Age Pension and closed payments have corresponded with increasing proportions receiving DSP (from 19% in 1999 to 43% in 2018), unemployment payments (from 5.9% in 1999 to 33% in 2018) and Carer Payment (from 2.2% in 1999 to 19% in 2018).

There has been substantial consolidation in the payments provided to mature age adults (50–64) over the previous 2 decades, as reflected in the considerable shifts in the types of income support received described above. Between 1999 and 2018, the proportion of mature age income support recipients receiving Newstart Allowance, Carers Payment or DSP increased substantially (from 50% in 1999 to 96% in 2018).

This change over time may reflect a number of policy changes directed towards encouraging mature age adults to participate in employment, such as the Australians Working Together (A Fair Go For Mature Age Workers) reforms (see Box 3.1).

It included cessation of the Mature Age Allowance and Partner Allowance from 1 July 2003, participation planning for Widow Allowance recipients and flexible participation requirements for mature age Newstart recipients, among other reforms.

**Figure 3.5: Proportion of income support recipients aged 18–64, by sex, age and payment category, June 1999 to June 2018**

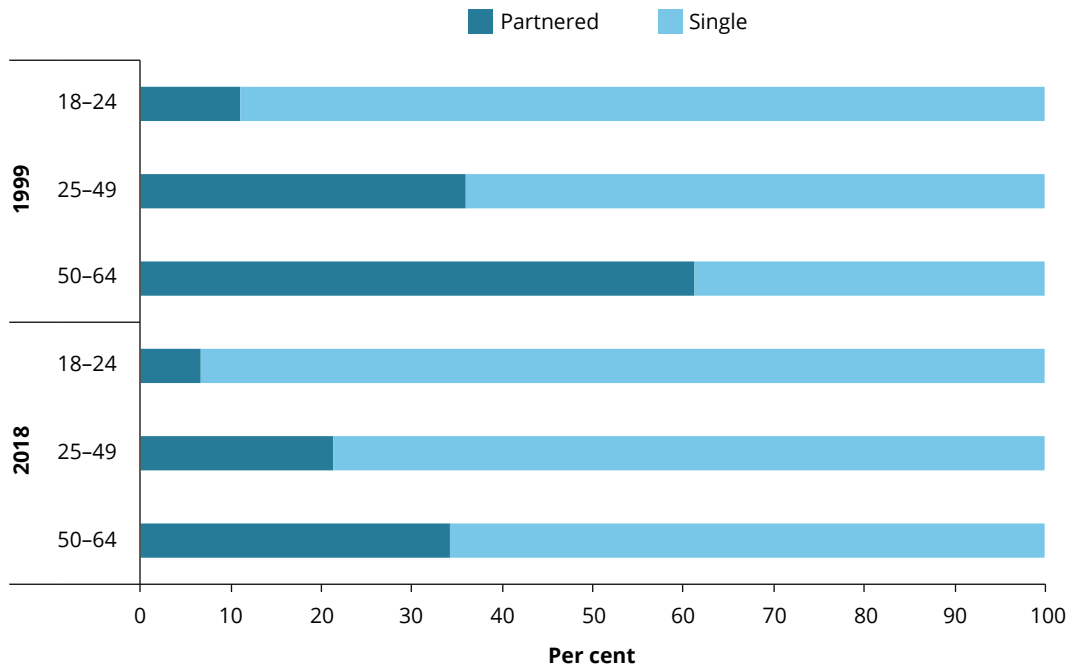


Source: AIHW analysis of Research and Evaluation Database (RED), constructed from DHS administrative income support data.

## Partner status

The demographic influence of changes in household and partner structures, as well as policy changes, is evident when looking at the partner status of income support recipients, particularly in the mature age (50–64) group. In 1999, 39% of mature age recipients were single, increasing to 66% by 2018 (Figure 3.6).

**Figure 3.6: Proportion of income support recipients aged 18–64, by age and partner status, as at June 1999 and June 2018**



Source: AIHW analysis of Research and Evaluation Database (RED), constructed from DHS administrative income support data.

The large shift in partnered status for mature age recipients may also be influenced by the closure of various partner payments, as well as the rise in Age Pension age for women (see Box 3.1). From 2003, payments that were previously available on the basis of being the partner of an income support recipient, were largely closed to new entrants. This meant that partners of an income support recipient were required to demonstrate their own eligibility for a payment.

## Duration

A significant share of people who receive unemployment payments will only receive them for relatively short periods. One way to measure this is to follow individuals after they start receiving payments to observe how quickly they exit. While such analysis is possible using income support data, it has not been done in this article due to time and data constraints. Instead, the analysis focuses on the length of time that income support recipients have been in receipt of payments at a point in time. While this approach is common in this type of cross-sectional data, it may be biased upward as people who stay on payments for longer periods are more likely to be in receipt of payments on a given date than those who stay on payments for short periods (meaning that long spells are over-represented). On the other hand, the data are also biased downward, because duration is calculated only part way through a benefit spell (Wilson 1999).

In 2018, almost 3 in 4 (72%) income support recipients aged 18–64 years had been on a payment for 2 or more years, a further 11% for between 1 and less than 2 years and 17% for less than 1 year. Individuals receiving DSP, Carer Payment or parenting payments tend to be long-term income support recipients—95% of DSP recipients, 85% of Carer Payment recipients and 75% of parenting payment recipients had been on income support for 2 or more years. This compares with around 59% of recipients on unemployment payments. In particular, those on unemployment payments tend to stay on the payment for relatively short periods and were far more likely to remain on the payment for less than 1 year than recipients receiving other payments (26% compared with 13% for parenting payments, 7.6% for Carer Payment and 2.1% for DSP in 2018).

The proportion of recipients on income support for 2 or more years increased over the 20 years to 2018, from 61% to 72%. An increase was observed across all the main income support payments discussed in this article.

The increase in duration for unemployment payment recipients (from 40% to 59% on income support for 2 or more years between 1999 and 2018) may be influenced by changes to DSP policies, mentioned earlier. Previously, recipients who are now eligible for Newstart Partial Capacity to Work may have been eligible for DSP (Handel et al. 2013). This change may then have flow-on effects for duration, as only 13% of Newstart Partial Capacity to Work recipients on income support in 2017 exited during the following 12 months compared with around 32% of Newstart recipients who have full-time capacity to work.

## What are the pathways through the income support system?

Understanding the movement of income support recipients between different payment categories and on and off income support provides insights into the income support pathways of Australians aged 18–64 through the system. The RED, constructed from DHS administrative income support data, is ideally suited for pathways analysis.

To investigate these transitions, individuals aged 25–49 who received income support payments as at June 2009 were tracked through the data to investigate what income support payment (if any) they were receiving 9 years prior (2000) or 9 years after (2018). Note this analysis does not capture all the changes over this period, but rather it only captures the payment an individual was on at the 3 measurement points.

The analysis has been restricted to those aged 25–49 years in 2009, given that nearly all recipients (99.6%) aged 18–24 in 2009 were not on income support in 2000 as they were too young to be receiving a payment and almost 1 in 2 (48%) aged 50–64 in 2009 were receiving Age Pension in 2018. Figure 3.7 shows the most common pathways for the 2009 cohort aged 25–49.

Of the 1.1 million income support-recipients aged 25–49 in 2009, the vast majority (90%) of the cohort were receiving 1 of 3 income support payment categories in 2009—unemployment payments (30%), parenting payments (34%) and DSP (26%). Most of the cohort were receiving an income support payment 9 years earlier in 2000 (56%) and 9 years later in 2018 (64%). A further 3.9% had died before 2018.

Around 1 in 3 recipients (34%) in 2009 were receiving an income support payment of the same category 9 years earlier in 2000. DSP recipients were more likely than other recipients to be receiving the same income support payment 9 years earlier in 2000—45% of recipients received DSP in 2000 and 2009. This compares with 37% of parenting payment recipients and 28% of unemployment payment recipients receiving the same payment category in 2000 and 2009.

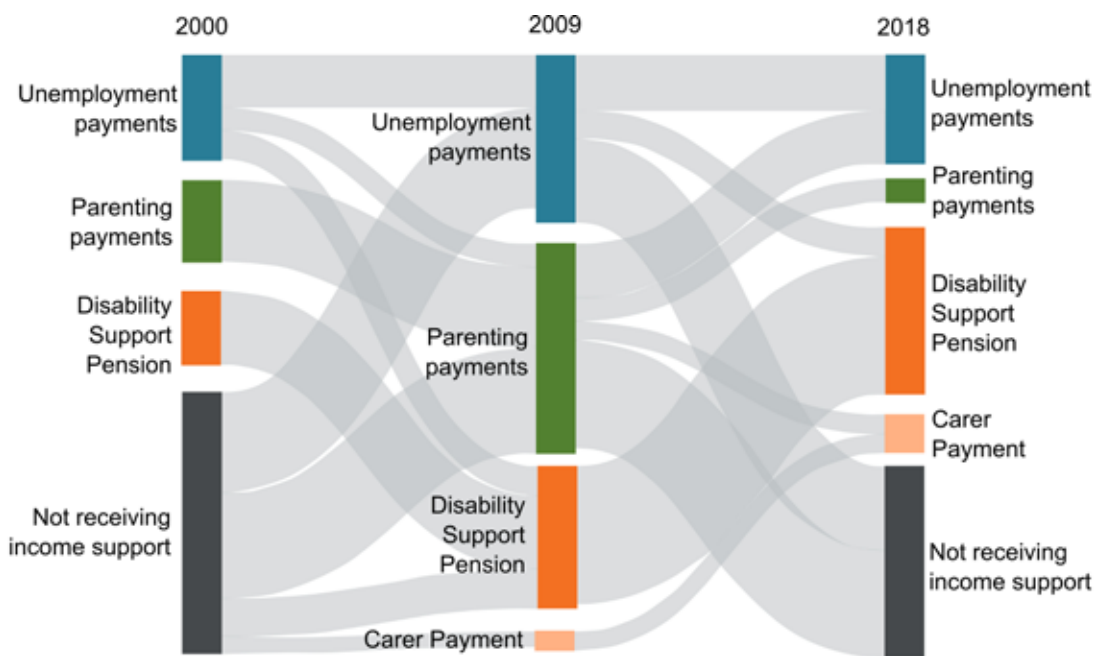
Looking ahead 9 years from 2009 to 2018, a slightly larger proportion of recipients aged 25–49 (37%) were receiving an income support payment of the same category in both 2009 and 2018, compared with 2000 and 2009 (34%). DSP recipients were most likely to be receiving the same payment, with around 8 in 10 (84%) recipients in 2009 receiving DSP again in 2018. Just over half of Carer Payment recipients in 2009 (52%) were receiving Carer Payment 9 years later, and 29% of unemployment payment recipients in 2009 were also receiving unemployment payments in 2018. As noted above, this reflects that DSP and Carer Payment recipients tend to be long-term income support recipients, while those on unemployment payments tend to be on the payment for shorter periods of time.



Recipients sometimes transition to different income support payments. Of the 2009 cohort aged 25–49, almost 1 in 4 were receiving a different income support payment 9 years earlier in 2000 (23%) and 9 years later in 2018 (23%).

- Just over 1 in 2 (52%) Carer Payment recipients in 2009 were receiving an income support payment of a different category in 2000—32% were receiving a parenting payment and 16% were receiving unemployment payments in 2000.
- Parenting payment recipients in 2009 had the largest proportion of recipients (40%) receiving a different income support payment in 2018, with almost 1 in 4 (24%) receiving unemployment payments in 2018.

**Figure 3.7: Most common movements of the 2009 cohort aged 25–49 between payment categories, 9 years before (2000) and 9 years after (2018)**



Source: AIHW analysis of Research and Evaluation Database (RED), constructed from DHS administrative income support data.

## Next steps

Income support data are considered the most comprehensive source of welfare data in Australia. This article demonstrates its value by describing key changes and shifts in the receipt of income support payments over the past 2 decades. It also places these trends in context with changes in demographic structure, economic conditions and social security policies. The AIHW is enhancing and expanding its use of income support data to fill information gaps and provide a deeper understanding of how certain cohorts—in particular disadvantaged and vulnerable populations—interact with the income support system. See Box 1.1 in 'Chapter 1 An overview of Australia's welfare' for examples of linkage projects involving income support data. The AIHW will continue to work with the DSS and other partners to enhance the use of income support data in achieving a better understanding of health and welfare experiences and outcomes for Australians.

## References

- ABS (Australian Bureau of Statistics) 1998. Census of population and housing: selected family and labour force characteristics, Australia, 1996. ABS cat. no. 2017.0. Canberra: ABS.
- ABS 2000. Population projections, Australia, 1999 to 2101. ABS cat. no. 3222.0. ABS 2018c. Labour force, Australia, detailed, December 2016. ABS cat. no. 6291.0.55.001.0. Canberra: ABS.
- AIHW (Australian Institute of Health and Welfare) 2018. Australia's health 2018. Australia's health series no. 16. Cat. no. AUS 221. Canberra: AIHW.
- Australian Government 2001. Australians working together—helping people move forward. The Commonwealth Budget 2001–2002. Canberra: Commonwealth of Australia.
- Australian Government 2019. Guides to social policy law: social security guide. Version 1.254. Released 6 May 2019. Canberra: Commonwealth of Australia.
- Cassidy N & Parsons S 2017. The rising share of part-time employment. Reserve Bank of Australia Bulletin September Quarter:19–26.
- Cobb-Clark DA, Dahmann SC, Salamance N & Zhu A 2017. Intergenerational disadvantage: learning about equal opportunity from social assistance receipt. IZA (Institute of Labor Economics) discussion paper no. 11070. Bonn: IZA. Viewed 30 May 2019, <<https://www.iza.org/publications/dp/11070>>.
- DSS (Department of Social Security) 2018. Australia's priority investment approach to welfare: review of Australia's welfare system. Canberra: DSS.
- Handel B, McVicar D & Zakirova R 2013. Income support recipients with disability on DSP and NSA: their characteristics, income support duration and employment participation. Melbourne: Melbourne Institute of Applied Economic and Social Research.
- Klapdor M 2013a. Adequacy of income support payments. Parliamentary Library briefing book, 44th Parliament. Canberra: Department of Parliamentary Services.
- Klapdor M 2013b. Social Security and Other Legislation Amendment (Income Support Bonus) Bill 2012, Bills digest, 58, 2012–13. Canberra: Department of Parliamentary Services.
- OECD (Organisation for Economic Co-operation and Development) 2018a. Ageing and employment policies—statistics on average effective age of retirement. Paris: OECD.
- OECD 2018b. Social expenditure: aggregated data. Paris: OECD. Viewed 8 May 2019, <[http://stats.oecd.org/Index.aspx?DataSetCode=SOCX\\_AGG](http://stats.oecd.org/Index.aspx?DataSetCode=SOCX_AGG)>.
- Reference Group on Welfare Reform 2015. A new system for better employment and social outcomes: final report of the Reference Group on Welfare Reform to the Minister for Social Services. Canberra: Commonwealth of Australia.
- Taylor Fry 2018. Forecasting Future Outcomes: Stronger Communities Investment Unit – 2018 Insights Report. Sydney: New South Wales Government. Viewed 9 July 2019, <[https://www.theirfuturesmatter.nsw.gov.au/\\_\\_data/assets/pdf\\_file/0012/668649/Forecasting-Future-Outcomes-Stronger-Communities-Investment-Unit-2018-Insights-Report.pdf](https://www.theirfuturesmatter.nsw.gov.au/__data/assets/pdf_file/0012/668649/Forecasting-Future-Outcomes-Stronger-Communities-Investment-Unit-2018-Insights-Report.pdf)>.
- The Treasury 2010. Australia's future tax system: final report. Canberra: Commonwealth of Australia.

Thomas M & Daniels D 2010. Welfare to work: a reform agenda in process. Parliamentary Library briefing book, 43rd Parliament. Canberra: Department of Parliamentary Services.

Wilson P 1999. The duration of benefit receipt: new findings from the benefit dynamics data set. *Social Policy Journal of New Zealand* 13:59–82.

Whiteford P 2017. Social security and welfare spending in Australia: assessing long term trends. Tax and Transfer Policy Institute, policy brief 1/2017. Canberra: Crawford School of Public Policy, The Australian National University.

Whiteford P 2018a. Good times, bad times. Inside Story. 5 July 2018. Melbourne: Inside Story Publishing. Viewed 30 May 2019, <<https://insidestory.org.au/good-times-bad-times-and-the-growing-income-gap/>>.

Whiteford P 2018b. Who gets what? Who pays for it? How incomes, taxes and benefits work out for Australians. *The Conversation*, 22 June 2018. Parkville: The Conversation Media Group.

Whiteford P 2018c. Why social policy counts. Inside Story, 30 November 2018. Viewed 30 May 2019, <<https://insidestory.org.au/why-social-policy-counts/>>.

Whiteford P & Angenent G 2002, *The Australian system of social protection—an overview*. 2nd edn. Canberra: Department of Family and Community Services.