

TBD BRIEF #2



Australia's Welfare System

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Note that data are all pre-covid.

Welfare Expenditure

Federal govt spends just over \$500bn

More than \$180bn a year on Social Security and Welfare

Also spends more than \$80bn on health, nearly \$40 billion on education and \$6 billion on housing and community amenities

In total the broader welfare state is 60% of government spending

Social security and welfare accounts for 8 of the top 20 government programs

Important to understand that 'the dole' is a relatively small portion of welfare:

- Age Pension \$48bn
- Aged Care \$20bn
- Family Tax Benefits \$18bn
- NDIS \$17bn
- DSP \$17bn
- Job seeker payments just \$11bn

Recipients

Age pension by far most recipients (2.5m total, 1.6m full rate)

By contrast just 730,000 on Newstart (plus others on YA and Parenting Payments etc)

20% on this payment for more than 5 years (160,000), 240,000 on for less than 1 year

Average duration on Newstart is 3 years, though more than half of people are off it within 12 months

Issues

Non-recipients

Who else is out there who isn't working but might want/need government support?

Two main categories – stay at home parents (overwhelmingly women) and students

- More than 1 million people over the age of 15 students
- Nearly 1.8 million respondents home duties / caring for children
- Further 150,000 people in voluntary jobs and 250,000 caring roles

Some are eligible for income support but some are not

Threat of Automation

Importantly for some though is not so much who is unemployed now but the prospect of technology rendering large numbers of people unemployable

Studies predict the job losses from AI / automation could be anywhere from 10% to 50%

Of course, this is not a new problem, and historical evidence such as the industrial revolution actually suggests this may be beneficial to workers

Not guaranteed to lock workers out but the threat is there

Work Disincentives

Last concept to raise is 'effective marginal tax rates'

This is the income 'lost' when someone moves from unemployment to work – includes not just tax payable but also benefits lost

For some categories – especially partnered women re-entering the workforce after having kids, effective marginal tax rates get very high

Can be as high as 80 cents in the dollar lost from each extra dollar earned

This discourages people from working – creates a welfare 'trap'

Note – this is not typically a problem for lowest income earners. They can't afford not to work