



Beyond stereotypes

Myths and facts about people of working age who receive social security

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Summary

In 2009 there were just over 2 million (2,081,000) people of working age on income support payments, including Newstart Allowance, Parenting Payment, Disability Support Pension and Carer Payment.

Efforts to improve their job prospects are dogged by stereotypes about 'people on welfare'. Many employers believe, rightly or wrongly, that people with a disability are not productive, that people over 50 are inflexible, and that long-term unemployed people are unreliable. This stereotyping extends to the policy debate: that anyone on a Disability Support Pension who doesn't sit in a wheelchair is not 'really disabled', that large numbers of social security recipients are 'third generation welfare recipients' living in 'ghettoes', and that most unemployed people are school leavers who would find a job easily if they tried harder.

This paper aims to move beyond the myths and stereotypes to take a closer look at who these two million people are and why it is that many have not found paid work, despite falling unemployment levels.

We find that reliance on social security payments did in fact fall sharply during the boom years. As unemployment declined over the decade from 1999 to 2009 the proportion of people of working age (16-64 years) on income support payment fell from 18% to 14%, a 20% reduction. Australia's level of reliance on income support payments among people of working age (16-64 years) has been below the OECD average for some time.

But as unemployment fell and people who were 'job ready' found employment more quickly, the profile of the remaining income support recipients became more disadvantaged in the labour market. In 2009, 37% of income support recipients had a disability sufficiently severe to qualify them for a Disability Support Pension and 14% were unemployed for more than 12 months. In addition, a sizeable proportion were either caring for a preschool age child (17%) or a person with a disability (7%).

Employment participation policies will fail if they ignore these caring responsibilities and other hurdles to employment. Far from using welfare 'reform' to cut costs, a major up-front investment in training, work experience and other employment assistance is needed to help people disadvantaged in the labour market 'over the line' into paid work. To improve the future job prospects of people with caring responsibilities, child care and respite care should be more affordable and accessible. These investments will reap benefits for the poorest and Budget savings in future years, but they will not save money immediately.

For example, employment service providers receive just \$500 for each long term unemployed person to invest in training and work experience and are paid by the Government to interview them once every two months. This is clearly inadequate.

The paper challenges three myths about 'typical' unemployed people, disability support pensioners, and sole parents on income support, and profiles recipients of those payments as well as Carer Payment.

Myth 1: The typical unemployed person on income support is a school leaver who could find a job quickly if they searched hard enough

The facts:

1. The overall proportion of people of working age on unemployment payments rose from 3.6% before the last recession in 1990 to 5.7% a decade later, but then fell by 30% over the 2000s, from 5.7% in 1999 to 4.1% in 2009¹.
2. The profile of recipients of unemployment payments does not resemble the stereotypical young school leaver. In 2010 only 27% were under 25 years old, 41% were 25-44 years and 32% were 45 years or older.
3. Most of the remaining recipients of the Newstart and Youth Allowances for unemployed people face significant hurdles in their search for employment:
 - half have received unemployment payments for over a year and one quarter for over 3 years;
 - one in seven has been assessed as only able to work part time due to a disability;
 - one in 15 is a sole parent (needing affordable child care services and a job with family-friendly hours);
 - one in ten is of Indigenous background;
 - half of jobseekers participating in Job Services Australia services have less than Year 12 qualifications.
4. The activity requirements for these payments are stringent, typically including:
 - search for 4 to 10 jobs a fortnight and prove this to Centrelink;
 - sign an 'Employment Pathway Plan' with a Job Services Australia provider which may include job search, work experience and training requirements;
 - accept a job involving up to 90 minutes travel each way from home;
 - lose a day's payment for each day a person fails to attend an appointment or participate in a program;
 - lose 8 weeks of their payments for refusing a reasonable job offer.

¹ Note that these figures are much lower than the unemployment rate because the denominator is all people of working age, not only those in the paid workforce.

Myth 2: The continuing growth in Disability Support Pension recipients is due to too many ‘older men with bad backs’ being wrongly approved for payment

The facts:

1. The proportion of people of working age on DSP rose from around 3% in 1990 to 5.5% in 2004, but then stopped rising. It fell slightly between 2004 and 2009.
2. The strongest growth among DSP recipients since the early 1990s has been among women:
 - From 1990 to 2008, the proportion of people receiving DSP who were women increased from 26% to 43%;
 - A major reason for the increase in female recipients was the closure of other payments for mature age women (many of whom had disabilities) including the age pension for women aged 60-63 years. For example in 2009 there were around 68,000 women on DSP (almost one tenth of all DSP recipients) who would under previous rules have been eligible for an Age Pension.
3. A growing proportion of people receiving DSP has a mental illness or intellectual disability:
 - From 1992 to 2008, the proportion of recipients with ‘musculo-skeletal’ conditions fell from 40% to 31%, while the proportion with psychiatric conditions rose from 18% to 28% and that of people with intellectual disabilities rose from 4% to 11%.
4. It is not easy to get on the DSP. Successful applicants must:
 - Have a substantial medically-assessed impairment (this is measured using impairment tables and a points system); and
 - As a result of the impairment, be unable for at least the next two years to undertake regular paid employment for more than 15 hours a week (this is assessed by an expert professional panel who focus on the person’s remaining work capacity).

In 2007-08, 35% of DSP claims were rejected.

Myth 3: A typical sole parent on social security is a teenage mother who relies entirely on income support

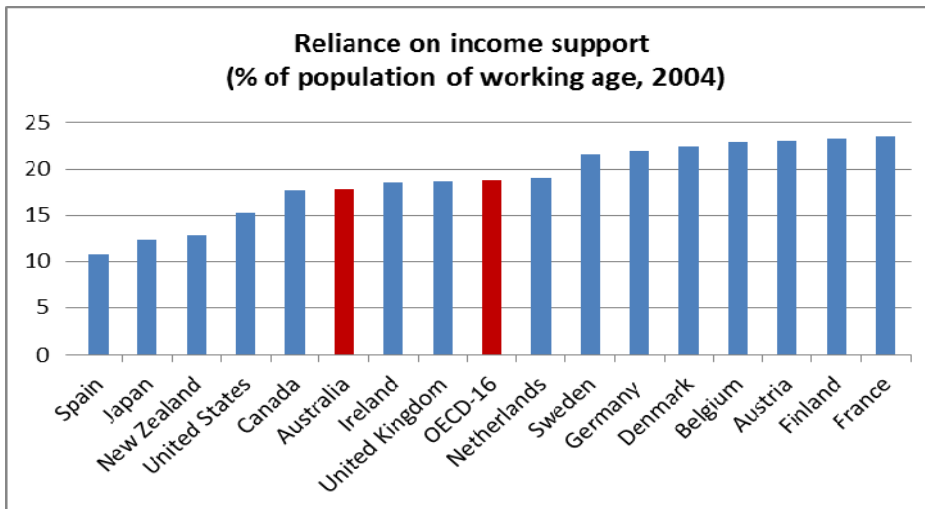
The facts:

1. The proportion of people of working age on Parenting Payment rose from 2.2% in 1990 to 4.5% in 2005, but then fell by around 30% to 3.2% in 2009.
2. The vast majority of Parenting Payment Single recipients (85%) are over 25 years of age. Only 2-3% are teenagers.
3. Almost one third (31%) of Parenting Payment Single recipients are already employed (mostly in part time jobs) even though most (60%) still have a preschool age child.
4. Once a sole parent’s youngest child reaches the age of 6 years, that parent is required to seek part time employment (of at least 15 hours a week). Once the child reaches 8 years, the parent must generally transfer to Newstart Allowance, though (since activity requirements already apply) the only thing that changes at that time is the family’s income support drops by approximately \$60 per week.

What’s happened to reliance on social security as unemployment has fallen?

Australia’s level of reliance on income support payments among people of working age (16-64 years) has been below the OECD average for some time.

Graph 1

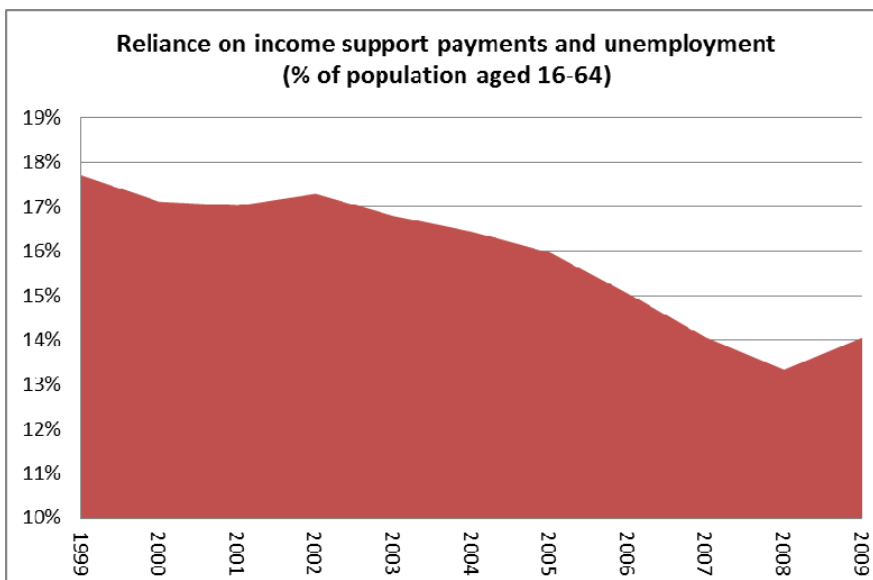


Source: OECD social expenditure database

Note: includes age and veteran’s pensions, and student payments.

Reliance on social security payments fell dramatically during the boom years. As unemployment declined over the decade from 1999 to 2009 the proportion of people of working age (16-64 years) on income support payment fell from 18% to 14%, a 20% reduction in 10 years (graph 2). The graph also shows an increase in reliance in 2009 when unemployment rose in response to the Global Financial Crisis.

Graph 2

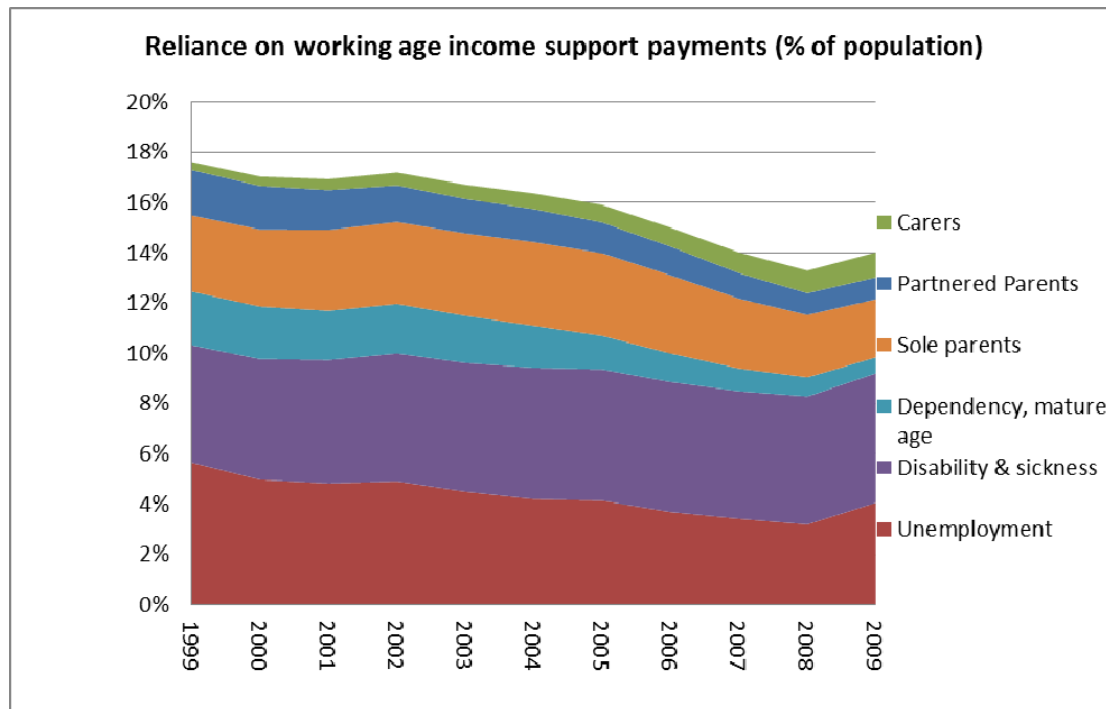


Source: FACS (various years), Income support customers: a statistical overview; OECD population data

Note: excludes student payments, and aged and veterans payments.

As the proportion of people on income support has fallen, a higher proportion of those left on income support have a disability or caring responsibilities (Graph 3).

Graph 3:



Source: FACS (various years), Income support customers: a statistical overview; OECD population data

Note: Refers to types of income support payments (e.g. Disability Support Pension), excluding student payments and aged and veterans payments.

'Dependency and mature age' refers to payments that are being gradually phased out for people over 50 years of age, for example Widow Allowance and Mature Age Allowance. New applicants for income support are not generally able to claim these payments.

Since the late 1990s, the proportion of people of working age (16-64 years) on unemployment payments (such as Newstart Allowance) has fallen sharply, in line with the decline in unemployment. The proportion of people on payments such as Mature Age Allowance, Partner Allowance, and Widow Allowance also fell sharply over that period as these payments was closed off to encourage more social security recipients to seek paid employment. The proportion of people of working age on Disability Support Pensions and Parenting Payment (for sole parents on low incomes and the main carers of a child in a couple) continued to rise until the mid 2000s, then declined. The proportion on Carer Payment (for people with disabilities and their carers) increased through the decade, but from a low base.

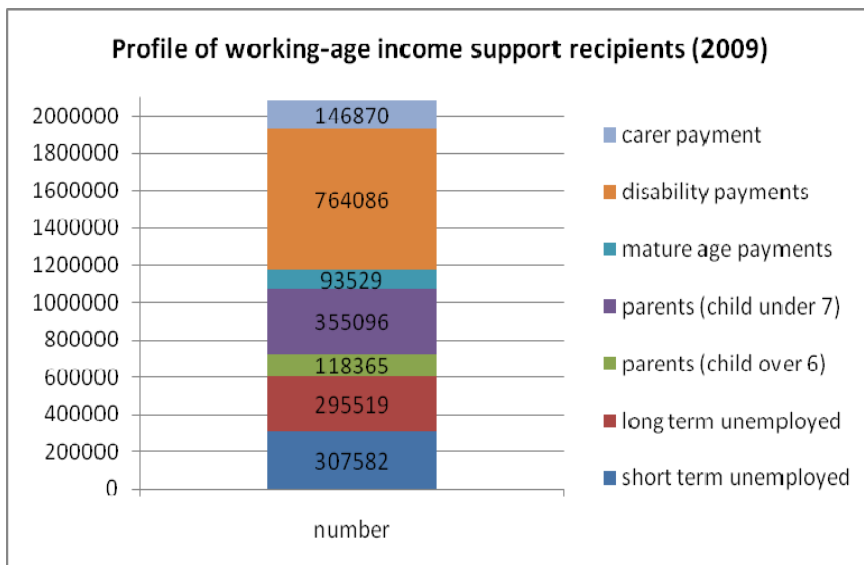
Who receives income support?

In 2009 there were just over two million (2,081,000) recipients of working-age social security payments, aside from age and veteran’s pensioners and fulltime students (graph 4b).

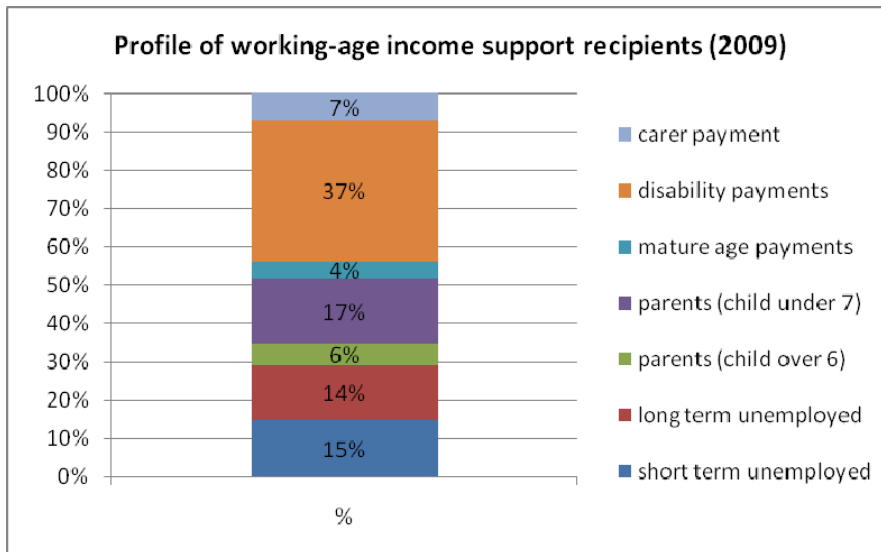
As unemployment has fallen, the profile of income support recipients has changed. Most people who are ready for employment and have the skills required by employers can now get a job quickly.

But as unemployment fell and people who were ‘job ready’ found employment more quickly, the profile of the remaining income support recipients became more disadvantaged in the labour market (graph 4a). In 2009, 37% of income support recipients had a disability sufficiently severe to qualify them for a Disability Support Pension and 14% were unemployed for more than 12 months. In addition, a sizeable proportion were either caring for a preschool age child (17%) or a person with a disability (7%).

Graph 4(a):



Graph 4(b):



Source: FACS (various years), Income support customers: a statistical overview; OECD population data

Note:

'disability payments' refers to Disability Support Pension and Sickness Allowance

'mature age payments' refers to age- based payments that have been gradually phased out, such as Mature Age Allowance and Widow and Partner Allowance (not including age pension for women over 59 years)

'parents' refers to Parenting Payment (not including Family Tax Benefits)

'long term unemployed' refers to Newstart and Youth Allowance recipients on those payments for over 12 months

'short term unemployed' refers to shorter term recipients of those payments

Student payments are not included.

While most income support recipients would prefer to be in paid work, assisting them to achieve this is a major policy challenge, despite the falling unemployment level.

The rest of this report profiles recipients of each of the major types of payment, challenging some common social security 'myths'.

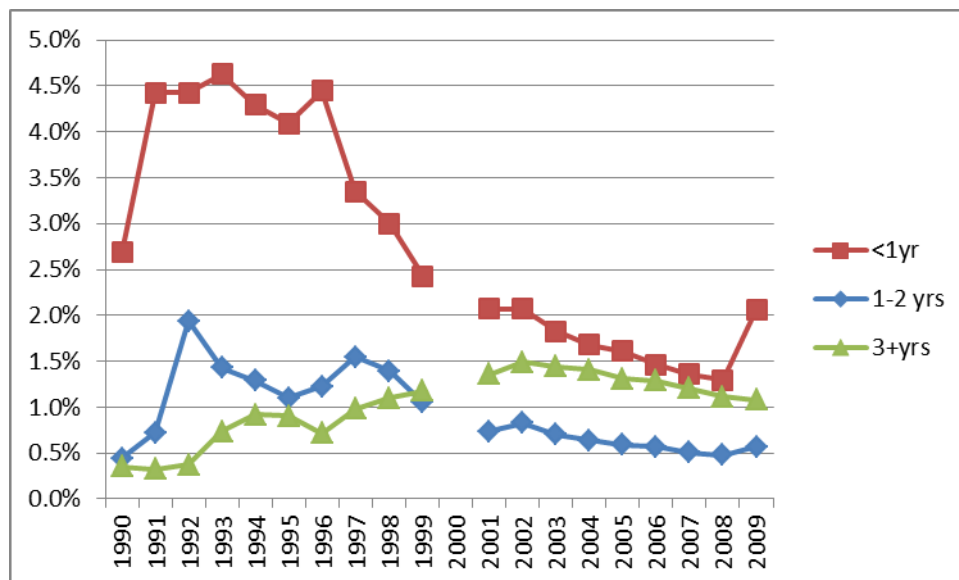
1. Newstart and Youth Allowance recipients

Newstart and Youth Allowance are Australia’s unemployment payments². In August 2010 there were a total of 536,000 people on these payments³.

The overall proportion of people of working age on these payments has fallen by almost 30% over the past decade, from 5.7% in 1999 to 4.1% in 2009, in conjunction with falling unemployment. But as those with few barriers to employment have obtained jobs more quickly, a growing proportion of those on unemployment payments are drawn from more disadvantaged groups.

As a result, although the overall numbers of unemployment payments recipients fell sharply over the last decade, the numbers of recipients on these payments for more than one, two or three years has fallen more gradually (graph 5). Thus, in 2009 half of all recipients received unemployment payments for a year or more, and one quarter for over 3 years⁴.

**Graph 5:
Recipients of Newstart/Youth Allowance (other) as a proportion of people of working age (1990-2009)**



Source: FACS (various years), Income support customers: a statistical overview; OECD population data
Note: Each line represents different durations of receipt of this payment. No data were available for 2000.

The profile of unemployment payment recipients does not resemble the stereotypical young school leaver (table 1). In 2001, only 27% were under 25 years old, 41% were 25-44 years old and one in three was 45 years or older.

² The data below regarding Youth Allowance are limited to those Youth Allowance recipients who are not fulltime students.

³ DEEWR, Response to Senate Estimates question EW0534-1

⁴ Source: FACS (2009), Income support customers: a statistical overview; OECD

Despite low unemployment levels, many people on unemployment payments face disadvantages in the labour market (table 1):

- Half have received unemployment payments for over a year and one quarter for over 3 years,
- one in seven has been assessed as only able to work part time due to a disability,
- one in fifteen is a sole parent,
- one in ten is of Indigenous background,
- half of jobseekers participating in Job Services Australia services have less than Year 12 qualifications⁵.

Table 1: Characteristics of Newstart and Youth Allowance (unemployed) recipients (August 2010)

	Number	%
Sex and age		
Male	369,134	60%
Female	248,051	40%
Under 25 years	163,760	27%
25-44 years	255,098	41%
Over 44 years	198,327	32%
Other key characteristics		
Indigenous	60,431	10%
Disability ¹	96,404	16%
Sole parent	37,811	6%
With earnings from employment ⁶	103,000	16%
Total		
All	617,185	100%

Source: DEEWR 2010, Response to Senate Education Employment and Workplace Relations Committee Question on Notice EW0534_11.

Notes:

1. People with a partial work capacity (formally assessed as 'able to work' less than 30 hours a week)
2. Numbers do not add up to total since some recipients' state/territory was not recorded.

A survey of employers published by the Employment Department in 2008 found widespread reluctance to consider employing long term unemployed people, people with disabilities, and mature age people⁷. That is also the experience of many income support recipients. While this is changing as unemployment falls and employers reassess their hiring strategies, it is changing slowly. In December 2010, only one in six (16%) of unemployment payment recipients has part time earnings.

⁵ See also FACS (2009), Income support customers: a statistical overview; DEEWR 2011, Labour market assistance outcomes.

⁶ In December 2010, from DEEWR 2011, Response to Senate Estimates Question on Notice EW0930_11

⁷ DEEWR 2008, Welfare to Work evaluation.

2. People with disabilities

Public discussion of people with disabilities on income support nearly always focuses on Disability Support Pension (DSP) recipients. It is not widely known that many people with disabilities that limit their job prospects are on other social security payments. In particular, as noted above 96,000 people with disabilities receive Newstart Allowance or Youth Allowance. They have been formally assessed as having a 'partial work capacity' (capacity to work part time or less).

The goal of employment participation policies should be to improve the job prospects of people with disabilities, not merely to reduce the numbers of people on one payment (DSP) by shifting them to another (Newstart Allowance). After this was done in the previous Government's 'Welfare to Work' policy from July 2006, less than one in five of those diverted to Newstart Allowance through 2006-07 obtained employment and left income support during that year⁸. The rest remained on income support, mainly on Newstart Allowance which is \$128 per week lower than the DSP.

In August 2010 there were approximately 797,000 DSP recipients⁹. In order to receive DSP, the applicant must have a substantial medically-assessed impairment (this is measured using impairment tables and a points system); and, as a result of the impairment, be unable to undertake regular paid employment for more than 15 hours a week for a minimum of two years. This is assessed by an expert professional panel who focus on the person's remaining work capacity. In 2007-08, 35% of DSP claims were rejected. Further, one third (35%) of successful new claims were from individuals on Newstart Allowance. This suggests that many DSP recipients have already been activity-tested (required to look for paid employment) and were not successful in finding a job¹⁰.

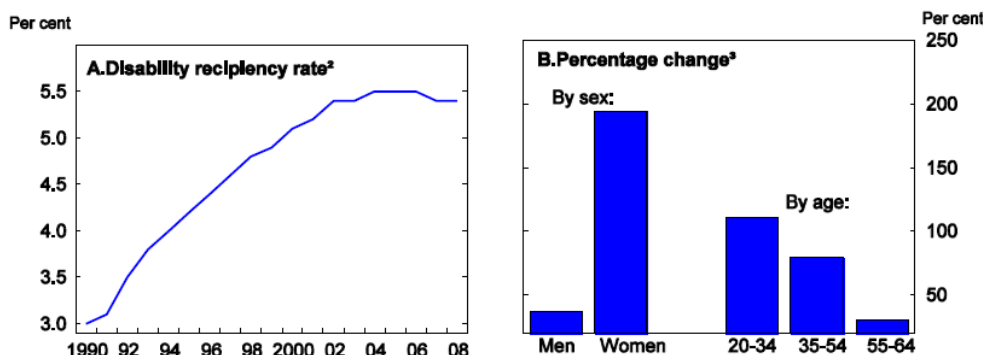
The proportion of people of working age on the DSP grew rapidly from around 3% to 5.5% from 1990 to 2004, but then declined from 2004 to 2008 (graph 6). Contrary to the public stereotype that growth in DSP recipients was due to more 'older men with bad backs' receiving the pension, the fastest growing segments of the population of DSP recipients over this period were women and people under 55 years.

⁸ DEEWR 2008, *ibid.*

⁹ DEEWR, Response to Senate Estimates question EW0534-11.

¹⁰ FAHCSIA 2008, Characteristics of DSP recipients, June 2008.

Graph 6:
Recipients of DSP as a % of the working-age population (1990-2008)



Source: OECD 2011, Enhancing labour utilization in a socially inclusive society in Australia, OECD Economics Department Working Paper No852.

Notes: 'recipiency rate' refers to DSP recipients as a proportion of people of working age.

'percentage change' refers to the increase in the number of each group of recipients from 1990 to 2008. Note that the increase in the number of 20-34 year old recipients came off a low base, so did not contribute much to the *overall* growth in DSP recipients.

Although table 2 shows that in 2008, a slight majority of current DSP recipients were 50 years or over or male, the age and gender profile of recipients has shifted away from older males.

The reasons for the growth in the number of DSP recipients over the two decades from 1990 to 2008 included:

- A decision of previous Governments to close access to alternative payments for mature age women, including raising the 'pension age' for women over 59 years progressively to 65 years. Many mature age women with disabilities subsequently transferred to DSP. For example in 2009 there were around 68,000 women on DSP (almost one tenth of all DSP recipients) who would under previous rules have been eligible for an Age Pension¹¹;
- From the mid 1990s the baby boomers reached mature age (50 years and over), so a growing proportion of the population of working age had disabilities (whose incidence rises with age). From 1996 to 2009, about half of the total increase in people on DSP was the result of population ageing¹².
- Greater reluctance among employers to employ or retain people with disabilities, due to a perception that they are less productive.
- The impact of the recession of the early 1990s on employment among people with disabilities.¹³

Table 2 also compares the primary medical condition of DSP recipients in 1992 and 2008. It shows that the fastest growing conditions of recipients have been mental illnesses and intellectual disabilities, while the proportion of recipients whose primary condition was 'musculo skeletal' (which includes back injuries) has declined. Many DSP recipients have multiple impairments (such as severe back pain and depression).

¹¹ FAHCSIA (2009), Income support customers: a statistical overview.

¹² Whiteford P 2011, Why did the numbers of people on disability pension keep rising? Australian Policy Online, May 2011.

¹³ ACOSS 2005, Ten myths and facts about the DSP, ACOSS Info Paper 362.

Table 2: Characteristics of DSP recipients (1990 and 2008)

	1990	2008
Sex		
Male	74%	57%
Female	26%	43%
Age		
Under 30 years	11%	11%
30-49 years	31%	33%
50 years +	58%	56%
Primary medical condition ¹		
Musculo-skeletal/connective tissue	40%	31%
Psychological/psychiatric	18%	28%
Intellectual/learning	4%	11%
Other	38%	30%
All	100%	100%
Total number of recipients		
Number of recipients	317,000	732,000

Sources: DSS 1997, Trends and characteristics of disability payments; FAHCSIA 2008, Characteristics of DSP recipients, June 2008.

¹ Comparing 1992 and 2008.

People with disabilities have relatively poor employment prospects with only 40% of in paid jobs compared with twice that proportion of people of working age¹⁴. A major reason for this is wariness among employers to employ people with disabilities due to concerns that they will be less productive or pose a worker's compensation 'risk'¹⁵.

Further, only 10% of DSP recipients report earnings from employment¹⁶. One reason for low employment rates among DSP recipients is that many recipients fear that if they obtain employment they will lose the pension and be unable to reclaim the pension if they need it in future (for example, if their impairment worsens). If a DSP recipient is employed fulltime for more than 2 years, they may a reassessment of their pension eligibility and (if they subsequently lose the job) have to apply for Newstart Allowance which is \$128 per week less than the pension.

¹⁴ OECD 2007, *Sickness, disability and work*, Volume 2; National People with Disabilities and Carer Council (2009), *Shut out, The experience of people with disabilities and their families in Australia*, National disability strategy consultation report; ACOSS (2008), *Submission to national mental health and disability employment strategy*.

¹⁵ DEEWR 2008, *Welfare to Work evaluation* (includes a survey of employer views on the employability of people from different population groups).

¹⁶ FAHCSIA 2008, *Characteristics of DSP recipients*, June 2008.

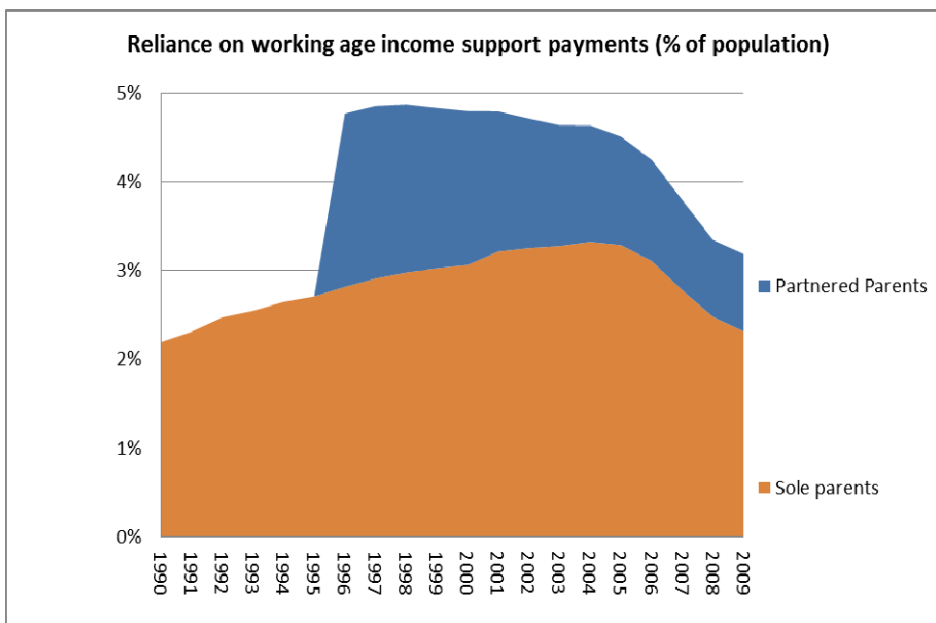
3. Parenting Payment recipients

Parenting Payment is paid to the primary carers of young children. It is divided into two payments: Parenting Payment Single for sole parents and Parenting Payment Partnered for carers of children whose partner is on income support or low paid. In December 2010 there were 446,800 people receiving Parenting Payment, including 327,700 on Parenting Payment Single and 119,100 on Parenting Payment Partnered¹⁷.

The number of recipients of Parenting Payment rose in the 1990s but has fallen substantially since the 'Welfare to Work' policy limited this payment to parents of a child under 8 years (6 years in the case of partnered parents) for new applicants after July 2006. Once the youngest child reaches those ages, the parent must apply for another payment such as Newstart Allowance.

The proportion of people of working age on Parenting Payment fell from 4.5% in 2005 to 3.2% in 2009 (graph 7). As indicated previously, there were also 38,000 sole parents on Newstart and Youth Allowances in 2009. Note that the sharp growth in Parenting Payment Partnered recipients in the mid 1990s reflects the introduction of the payment at that time. Most previously received other social security payments such as Partner Allowance and transferred across to Parenting Payment Partnered.

**Graph 7:
Recipients of Parenting Payment Single and Partnered as a % of the working-age population (1990-2009)**



Source: FACS (various years), Income support customers: a statistical overview; OECD population data

Note: Sole parents may be eligible for the Parenting Payment Single, and partnered parents (primary carers of a child whose family is on a low income) may be eligible for the Parenting Payment Partnered. The graph shows recipients of these payments.

¹⁷ DEEWR, Response to Senate Estimates question EW0930_11.

Contrary to the stereotypical teenage sole parent on income support, the vast majority of Parenting Payment recipients (85%) are over 25 years of age (table 3). Only 2-3% are teenagers¹⁸.

Parenting Payment Single recipients are more likely than recipients of other social security payments to be employed. Around one third (31%) have paid employment, mostly in part-time jobs. This is despite the fact that most (61%) are caring for a preschool age child.

Table 3: Characteristics of Parenting Payment Single recipients (2010)

	Number	%
Age		
Under 25 years	52,507	16%
25-49 years	262,179	80%
Over 49 years	13,029	4%
Age of youngest child		
Under 6 years	201,685	61%
6-15 years	126,030	39%
Gender		
Female	311,622	95%
Male	16,093	5%
Earnings		
With current earnings from employment	101,397	31%
Total number of recipients		
	327,715	100%

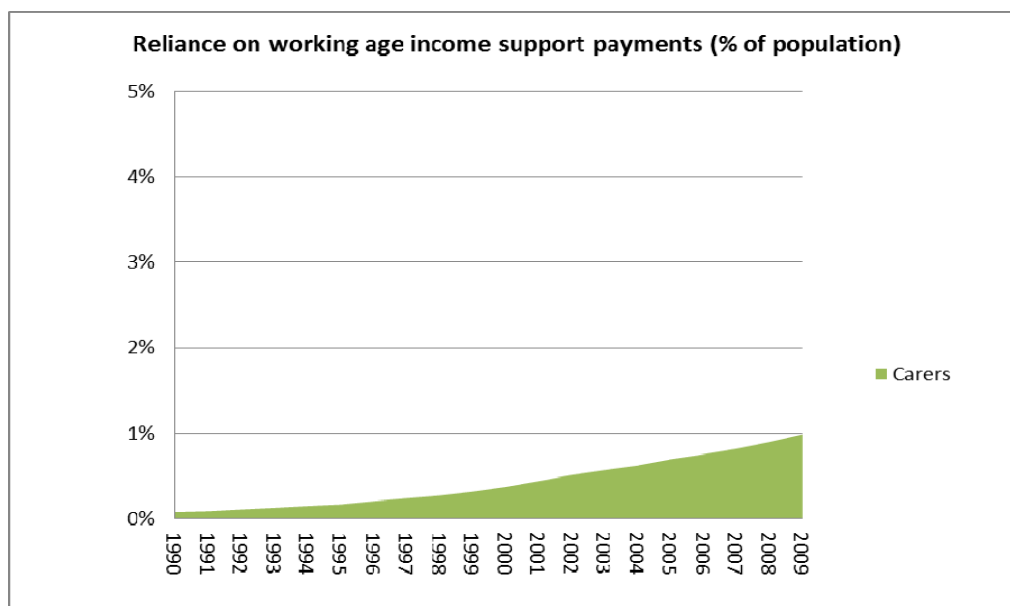
Source: DEEWR 2011, Response to Senate Estimates Question on Notice EW0930_11.

¹⁸ See Scott S 2011, Teenage parents to lose welfare after 6 months, Courier Mail 5/5/11; where the Government estimates that 11,000 Parenting Payment recipients (including partnered parents) are teenagers (under 20 years).

4. Carer Payment recipients

Carer Payment is paid to people on low incomes of working age who are caring (usually at home) for a relative or friend with a severe disability or chronic illness. In August 2010, there were 174,000 recipients of Carer Payment¹⁹. As graph 8 shows, their number increased tenfold from 0.1% of people of working age in 1990 to 1% in 2009. They remain, however, a small proportion of all social security recipients of working age. Major reasons for growth in this payment include population ageing (a higher proportion of people of mature age need care) and a growing preference among people with disabilities and their carers for care to be provided in the home. The extension of Carer Payment to carers of a child with a disability under 16 years old was also a factor.

Graph 8: Recipients of Carer Payment as a % of the working-age population (1990-2009)



Source: FACS (various years), Income support customers: a statistical overview; OECD population data

Carer Payment is generally targeted towards individuals whose caring responsibilities preclude paid employment. A person employed for at least 20 hours a week in a regular job is not eligible for Carer Payment. Thus, carers of people with disabilities who wish to maintain their connection with the paid workforce must apply instead for other payments such as Newstart Allowance, which is \$128 per week less than Carer Payment. Unlike the primary carers of school age children on Newstart Allowance (who are only required to seek part time employment in view of their caring responsibilities), carers of people with disabilities on that payment are generally still required to seek fulltime employment notwithstanding their caring role.

¹⁹ DEEWR, Response to Senate Estimates question EW0534-11.