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Minister for Family and Community Services

Minister Assisting the Prime Minister for the Status of Women



Senator the Hon Kay Patterson

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Speeches

WELFARE REFORM: IS IT HELPING THE DISADVANTAGED INTO JOBS AND MAINSTREAM SOCIETY?

ECONOMIC AND SOCIAL POLICY OUTLOOK CONFERENCE – PURSUING OPPORTUNITY AND PROSPERITY MELBOURNE INSTITUTE, UNIVERSITY OF MELBOURNE

13 November 2003

It's a pleasure to be here this morning to speak on 'pursuing opportunity and prosperity' in the area of welfare reform.

The term 'welfare' however suggests a policy on its own; one in isolation from the rest of the economy.

This is too simplistic.

Welfare is intricately linked with what happens in taxation; what happens in employment; in healthcare, education and housing.

I want to move firmly away from the assumption that social security is only there to pick up the pieces when all else has failed.

At different times in our lives we may access the social security system and either move on, or require further assistance down the track.

From childhood, through adolescence, through working age to the elderly, Australians will access some form of assistance at some stage

Whether that be by assisting

- the unemployed to participate in work
- young families to participate in starting their lives together
- Australians to participate in their senior years
- or giving those most in need the 'lifeskills' to move out of poverty once and forever and participate to their full potential.

The issue is to ensure people have the help they need, when they need it.

Today I want to focus on one aspect of the welfare reform agenda

- that which encompasses payments made to people of working age
- that is people who are on Unemployment, study, disability or parenting payments

Australia has a strong history of supporting people through difficult times and this is reflected in our social security system.

Few countries have matched our success in providing a universal safety net that, for decades, has supported Australians in need; a strong system, but one that does need reform

It must be recognized that aspects of the system are based in the past.

A system which began in 1909 with an aged pension scheme for those over 65.

At a time, as Patrick McClure has pointed out, when the average male life expectancy was 58 years of age and when jobs were full-time and often for a lifetime, unemployment was short-term, and most women worked full-time in the home.

In other words, our welfare system is more reflective of an Australia in years gone by rather than its current economic, demographic and social makeup.

While the 'safety net' will always remain, as I said earlier, we need to move beyond this, to a system that assists people to achieve their potential.

Indeed, assists them to enjoy the prosperity and opportunity that should be afforded to all of us.

Australia as a nation continues to enjoy prosperity and opportunity.

With this has come the capacity to choose.

One choice is that as a society we are choosing to have fewer children.

This is contributing to the 'population bulge' we are currently experiencing.

The 'baby boomers' will retire over the next few years.

The number of Australians aged 65 and over is expected to increase from 2.5 million to 6.2 million over the next 40 years.

One of the main reasons I entered Parliament in the 1980's was I felt the Labor Government of the time was doing nothing to plan for this.

As I said in my maiden speech, and I still passionately believe, *Population ageing is one of the most important social issues facing Australia* and it also has profound economic implications.

This is now a widely acknowledged fact, and has been demonstrated in the Treasurer's Intergenerational Report.

The key to addressing this challenge lies in participation; both economic and social participation

The unemployment figures released last week were a 22 year low of 5.6%; testament, I believe, to this Government's policies, which have brought the budget back into surplus, paid back Labor's debt and weathered significant global financial downturns in the last five years

As Minister assisting the Prime Minister for the Status of Women, a figure I am very proud to see is the fall in the Female unemployment rate to 5.7%; down from 7.6% in 1996.

Another positive out of last month's figures, but one that wasn't as highlighted, was the 5.4% decrease in the number of unemployed customers over the last year; the lowest since March 1991.

But we do need to do more.

In particular we need to focus on lifting our labor force participation rate, that is those in work or looking for work.

Australia ranked only 12th highest in participation in the OECD in 2002.

Last month's figures showed an increase in the participation rate to 63.8%; an encouraging trend, up 0.3% in a month

The Treasurer has highlighted the fact that raising the participation rate by an extra 2% will increase national output by 9%, that is \$68 billion.

That is four times our education budget, twice our health budget or the whole social security budget

However Population ageing is not the only reason we need to reform the welfare system.

Income support payments have increased from 3% to 7% of GDP since the 1970s.

1 in 6 people of working age is heavily dependent on income support at any point in time.

But it is the social cost to Australians dependant on welfare – parents and children – that is even more significant.

We know relying on income support for a sustained period has a seriously negative impact on individuals, families and communities; economic hardship, social isolation and dislocation and subsequent generational transfer of these problems.

And we know that children in jobless families are more likely to:

- leave school early
- become unemployed
- have children at a young age
- and come to depend on welfare themselves

Providing more opportunities for economic and social participation for these families is an urgent priority.

So how do we tackle these issues?

Many developed countries face similar situations; each responding in its own way.

In many ways the Australian social system is unique, with our flat rate benefits, income testing and activity requirements.

I believe changes need to be made which remain unique and responsive to those Australian conditions.

Moving people off welfare and into jobs requires an effective policy mix; a mix of assistance through support services, incentives and participation requirements
This Government doesn't see economic policy as an end in itself, in isolation, or as part of some rigid ideology.

This Government sees economic and social prosperity as one.

When I read Ross Fitzgerald in *The Australian* last week stating '*Economic management under the Coalition has no ultimate social purpose*' I felt the author had missed the point of our whole-of-Government reforms.

Since coming to office, this Government has reformed the tax system to support contemporary economic and social structures and we have reformed workplace relations to create flexible and productive workplaces that provide real and sustainable jobs; 1.3 million of them at last count.

And in the last parliamentary sitting, Senator Helen Coonan's reform of superannuation ensures low income earners earning less than \$27,500 who make a contribution up to \$1000 per annum will have it matched dollar for dollar by the Government.

And I dispute the notion that this Government has '*run out of puff*' or is '*running scared*' on welfare reform.

Since the last *Prosperity and Opportunity Conference* this Government has implemented the *Australians Working Together* reform package.

A package that recognises successful welfare reform relies on a balance of policy mix – assistance, incentives and participation.

Australians Working Together was designed quite deliberately to encourage participation by working age people.

We know from research by Bob Gregory that people in this country spend too long on income support.

We need to intervene earlier and more appropriately, to assist people make the transition from welfare to work.

By intervening earlier and more effectively with people to identify their capacity to work we offer them the assistance they need to realise their potential.

We have targeted working age people by:

- tackling the barriers to workforce participation
- offering more choices and opportunities for people to participate economically and socially
- improving financial incentives for paid work, and
- better targeting assistance, based on individual capacities, skills and circumstances

Perhaps the biggest reform has been to personalise our approach to providing assistance - helping people on income support to plan for their participation.

We now have Personal advisers who assist those on income support to negotiate the hurdles they confront trying to get income assistance, and then getting back into the workforce.

Since the first 450 Personal Advisers started in September last year, they have assisted more than 95,000 customers.

The feedback I am getting from community organisations, and particularly their clients, is that this is making a huge difference.

The reality is, though, that some of the most vulnerable people in our community do face severe barriers to participation.

Drug and alcohol addiction, homelessness, domestic violence, or mental health problems leave many people disconnected, and unable to deal with the system.

At this stage in their lives, finding and keeping a job is simply not a realistic short-term goal.

To assist these Australians our Government has established Personal Support Programs.

The immediate priority being to help people to get their lives back on track; then look at participation options.

I am pleased to report results are outstripping expectations

We are achieving twice the number of employment outcomes originally predicted.

And compared to its predecessor the *Community Support Program*, more than double the number of people are staying on to complete the program.

There are currently 670,000 working age people on a Disability Support Pension.

The *Australians Working Together* package offers better assessment of people's ability to take part in active employment and offers more individualised attention to their needs.

Centrelink staff have been better trained to assess people's capacity.

It is about taking the 'dis' out of disability, and focussing on what people can do rather than what they can't do.

Figures show that the number of people assessed as incapacitated is falling.

Since September last year, the number claiming the disability support pension has fallen

by 14%, while the number of claims actually granted, fell by 20%.

Our motivation for these measures has been to improve the wellbeing of Australians with a disability, not a costcutting or costshifting exercise.

Instead many more people now receive alternative income support payments such as Newstart that allow them to access programs and services, not available to them before, to assist them get jobs and participate more fully in our society.

For example as part of our reform agenda, next month you will see an increase in the number of people on Newstart, as people move from Mature Age and Partnering payments; payments which have not served people well, to payments which give clients access to job programs to better help them return to the workforce.

Meanwhile people with more profound disabilities have also benefited from the extra \$160 million for disability employment services provided in this year's Budget.

Nearly 85% of this extra funding is going towards 'case based funding', which moves us from an inequitable funding basis to one centred on individual needs and employment outcomes.

One of the biggest reforms in the *Australians Working Together* package recently implemented is the *Working Credit*.

Working Credit allows people who do some work to keep more of their Centrelink payment and the extra benefits like concession cards.

Working Credit encourages working-age people on income support to take on short-term full-time work, part-time or irregular casual work.

This Government's reform is about removing the disincentives to work which have crept into our social security system.

While the *Australians Working Together* measures are producing positive results, I am committed to continuing to modernise our social security system.

The next steps are already underway to build a simpler system for working-age people.

This is centred on achieving the right balance between the three levers I talked about earlier assistance, incentives, and participation requirements.

There is good community support for maintaining a strong and adequate safety net for people who are not able to support themselves fully.

Australians want to see that people get what they are entitled to; no more and no less.

They want a flexible system.

One that recognises people don't fit a *one-size-fits-all*, but have individual needs, ambitions and capacities.

One, that as Vern Hughes of the Social Entrepreneurs Network says, '*shifts the focus away from supply-side delivery to demand-side personalisation for consumers*'

Australians want a system that consistently rewards people's efforts to provide for themselves through paid work and a system that actively encourages and assists them to do so.

These are views that are coming through consistently to us in response to the community consultation paper *Building a Simpler System to Help Jobless Families and Individuals*.

Aspects of our system do not fully reflect these principles.

At the moment, the assistance, both financial and non-financial, you get depends on the particular payment you get.

People can find that they go backwards financially or lose access to non-financial assistance simply because of a change in their circumstances.

Perverse incentives do exist in the system.

Perverse incentives that seem to assist you in the short term, but in reality make you worse off in the long term.

For example, those on unemployment benefits may be deterred from returning to study, because students get paid less than unemployed people.

Despite the fact education may offer them the greatest hope to break the cycle of joblessness.

Lone parents could decide not to inform Centrelink that they have reconciled or re-partnered or worse still, decide that they cannot afford to partner at all.

And the system also creates disincentives for further participation in the workforce.

For example, families with a number of teenage children can find that their total family income falls when they earn extra income at work.

The solution is to reform the system to treat people more consistently in terms of financial and non-financial assistance and income tests, while taking account of their individual needs and capacities.

Treasurer, Peter Costello, put the case for reform quite bluntly when he said:

Australia's system of income support provides insulation against poverty but it does not treat the cause of poverty.

While we have made substantial changes for the better, we need to do more for people of Working age on welfare.

We need to see a change in attitude towards the welfare system itself.

We need to provide effective early intervention that delivers results and we need to remove the perverse incentives and disincentives that prevent people accessing services and benefits, which will allow them to move off welfare into the workforce.

These are the challenges my colleagues and I are committed to tackling.

Rather than a welfare system of the 20th Century, Australians deserve a social support system which promotes social inclusion through economic and community participation, by meeting people's immediate income needs and by assisting them to reach their potential.

Thank you.

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