

Making a Difference by Recasting the Social Safety Net

Deborah Cobb-Clark

**Melbourne Institute &
ARC Centre of Excellence for Children and Families
over the Life Course**


**Rebuilding Foundations for Reform
2015 Economic and Social Outlook Conference**



FACULTY OF
BUSINESS &
ECONOMICS



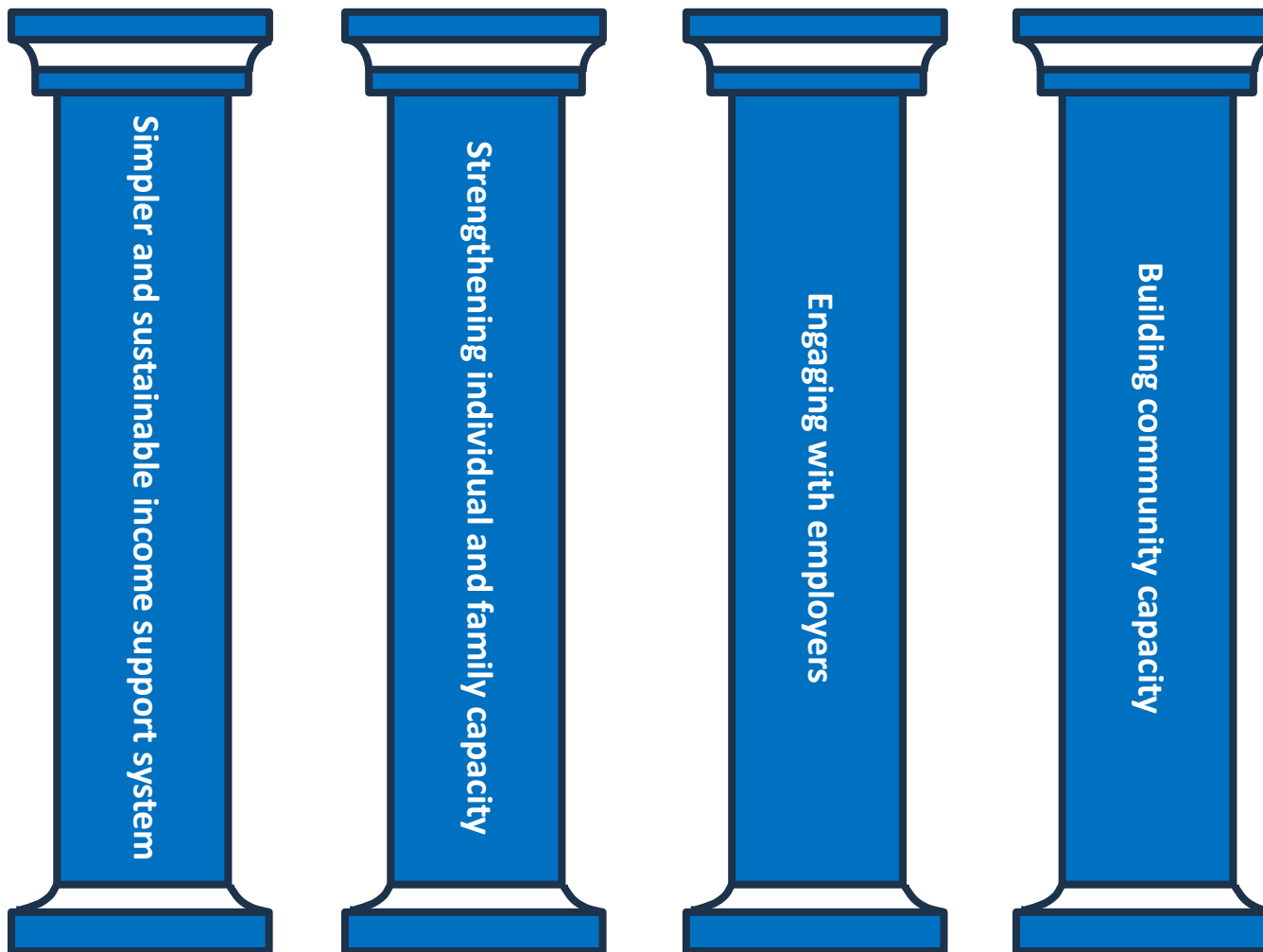
MELBOURNE INSTITUTE[®]
of Applied Economic and Social Research



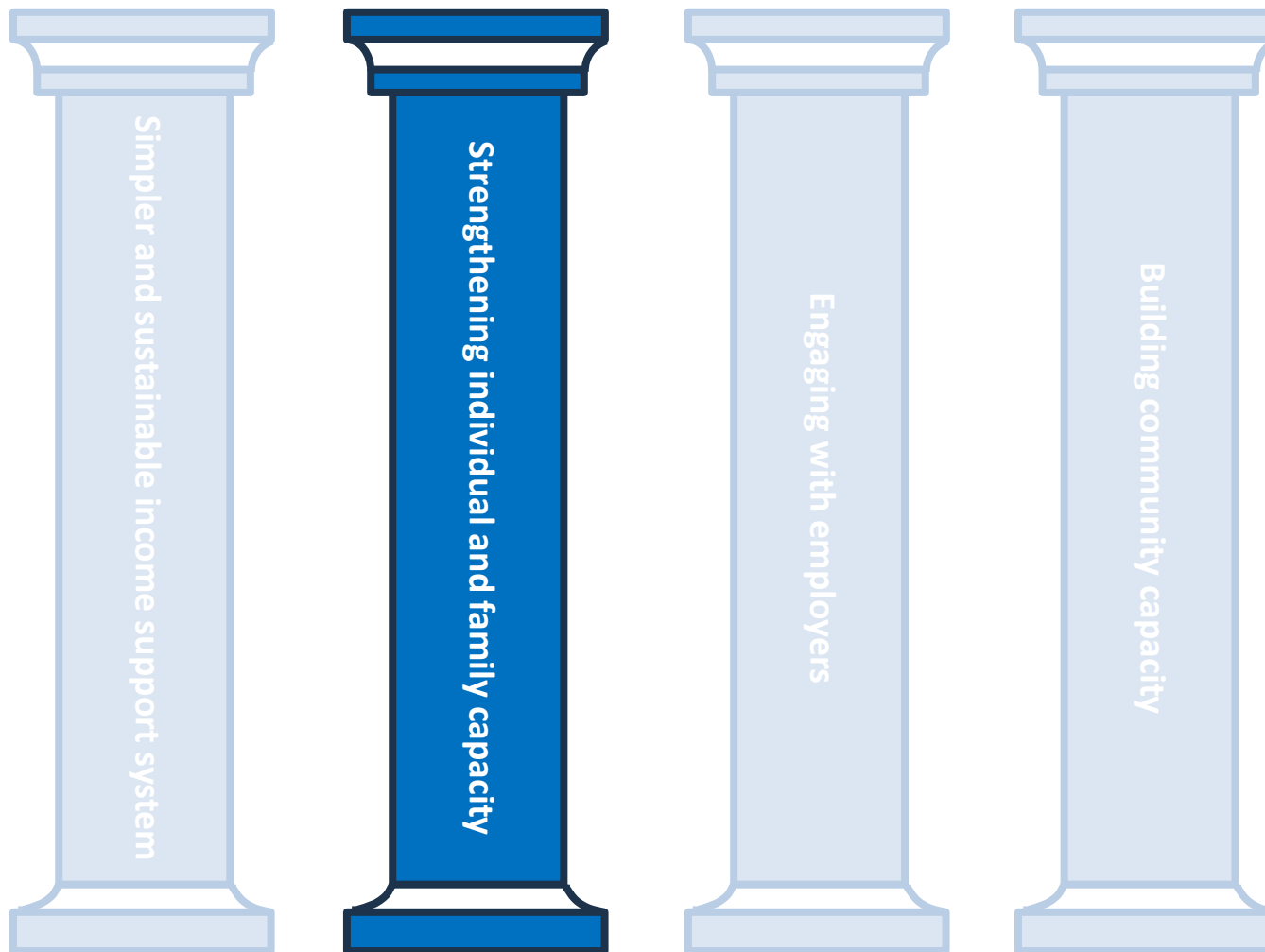
“Supporting people to live a life they value should be a **core value of the social support system.”**

McClure Report on Welfare Reform (2015)

The Pillars of Reform



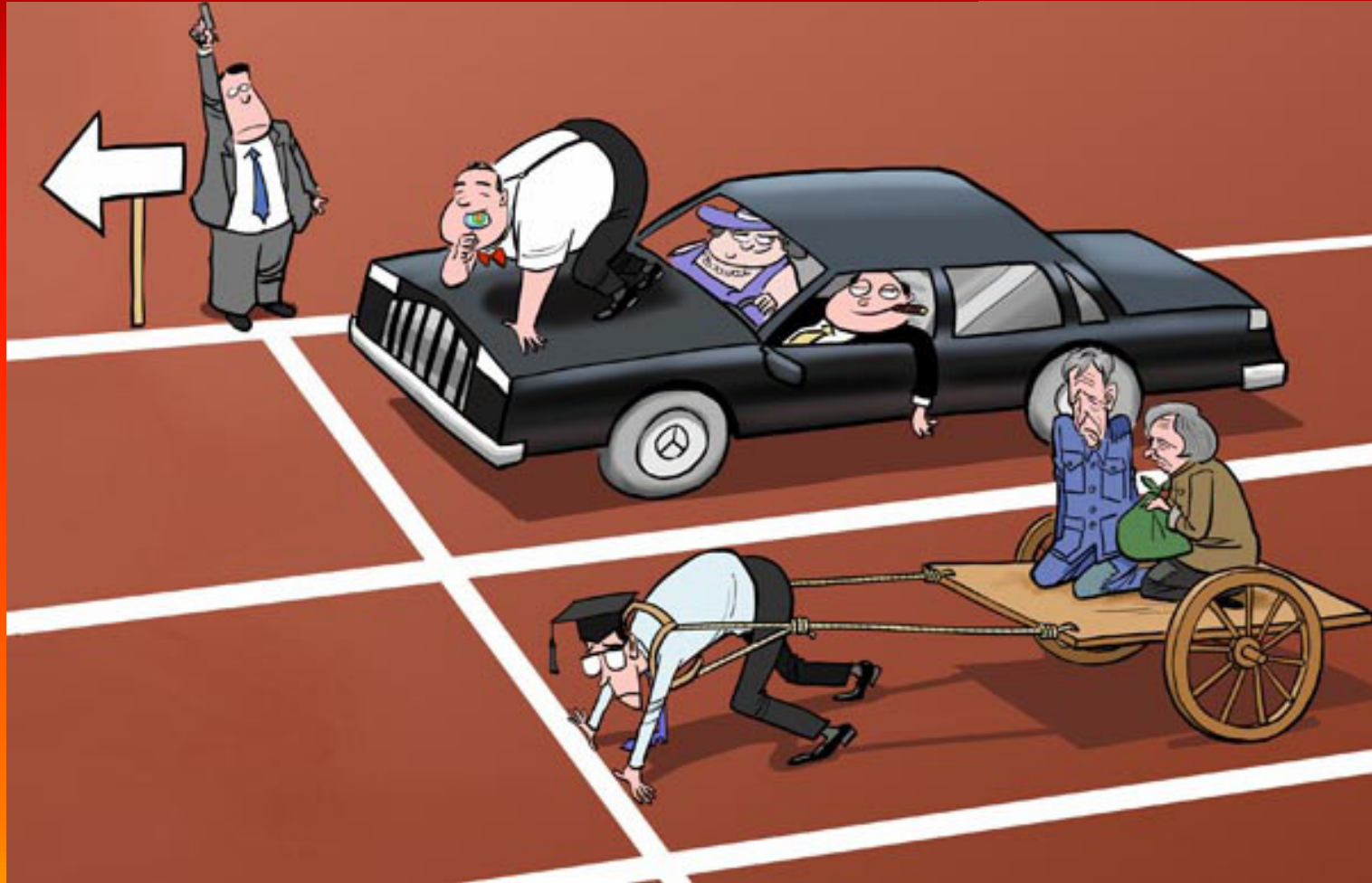
The Pillars of Reform




Overview

- How strongly is young people's income support receipt related to that of their parents?
- Who escapes disadvantage?
- Where do we go from here?

The Great Race





“At least 50% of the variability of lifetime earnings across persons is due to the attributes of persons determined by age 18.”

Heckman & Mosso (2014)

Is the race fair?

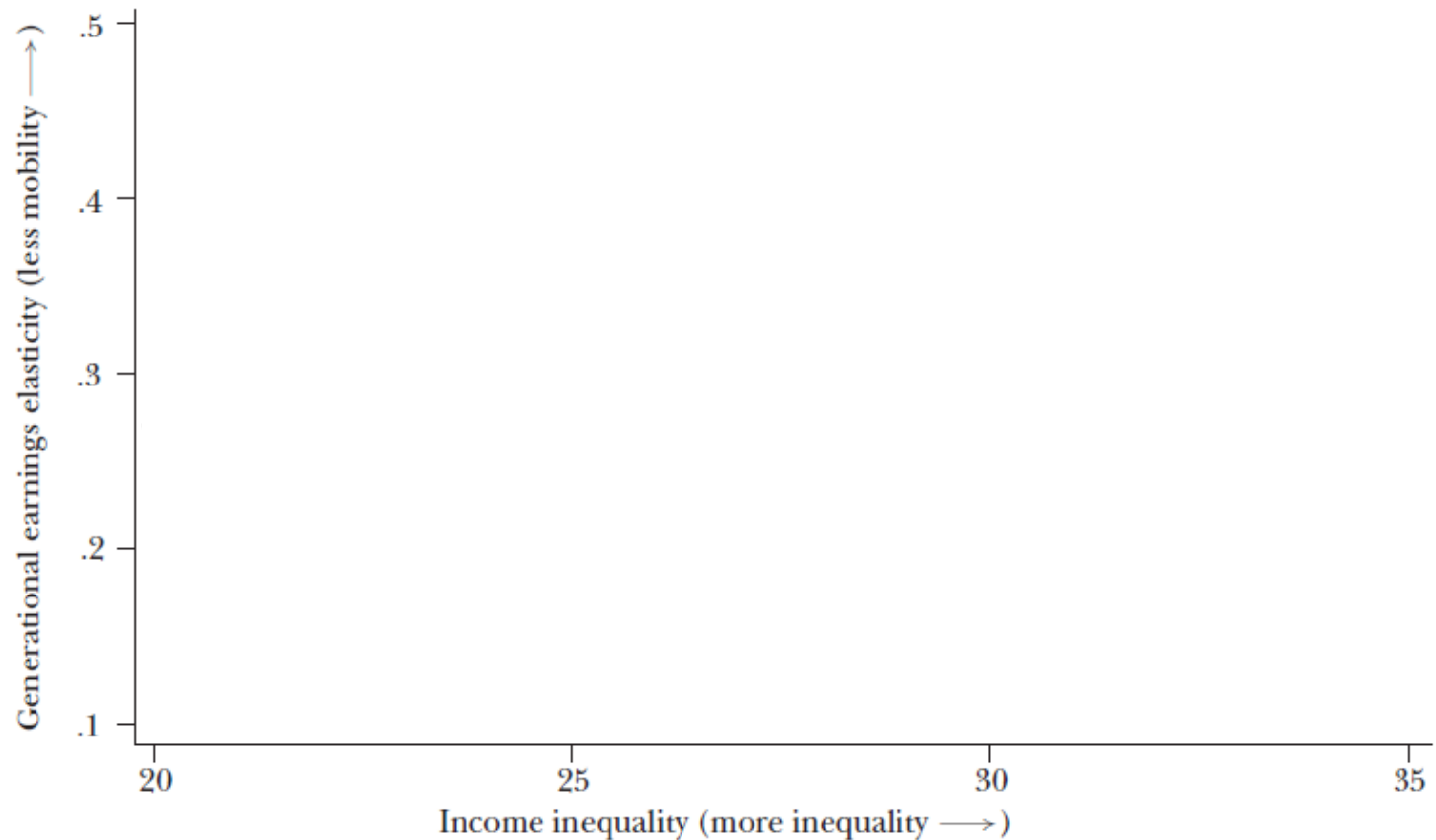
“**Fair inequality** emerges as a result of meritocratic societies rewarding people who are skilled and work harder ...

Unfair inequality is driven by differences in the lottery of birth where the choices available ... are already constrained by the circumstances that they were born into.”

Martinez, Western, Tomaszewski, & Rampino (2015)

Intergenerational mobility elasticity

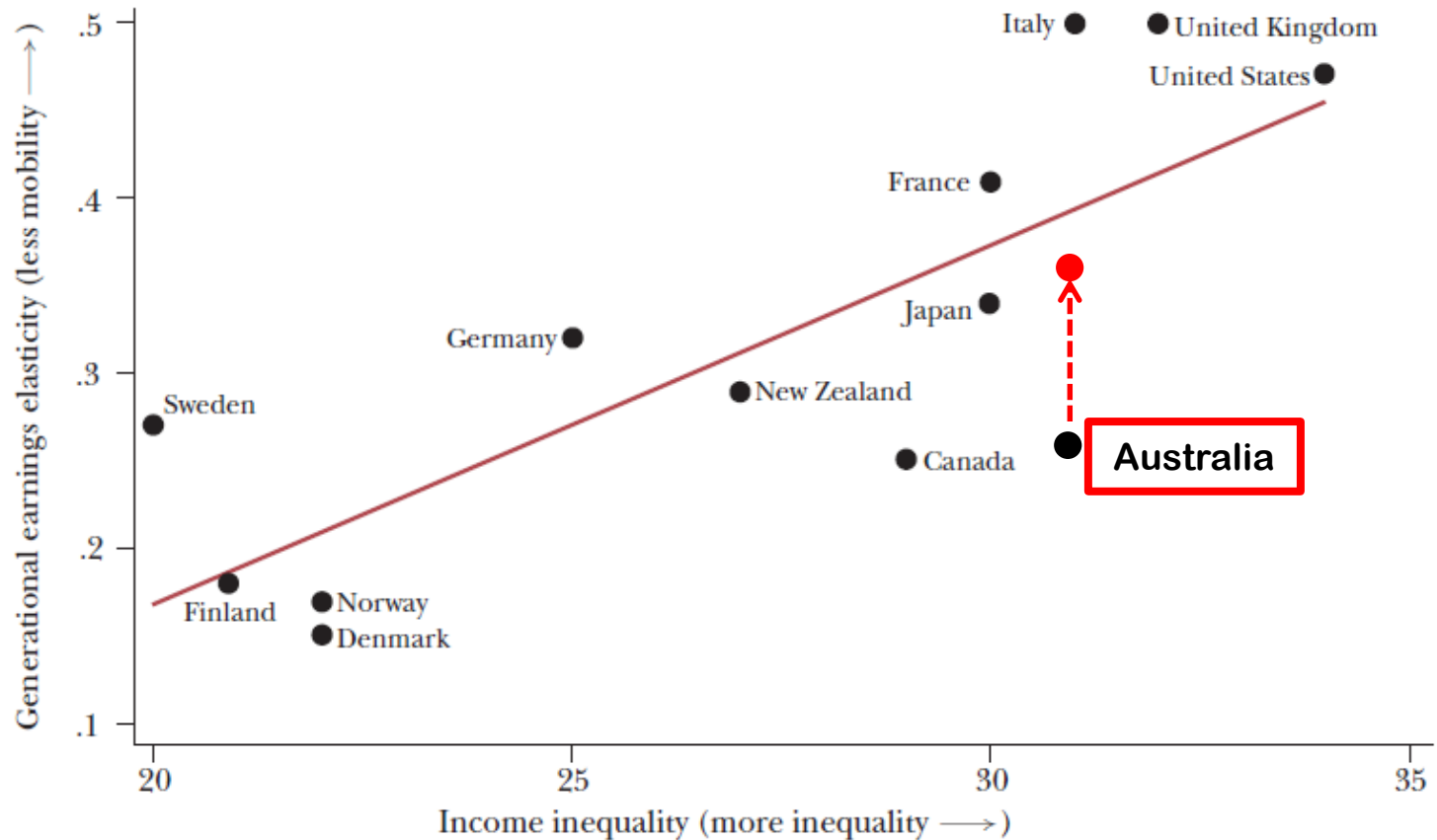
The Great Gatsby Curve: More Inequality is Associated with Less Mobility across the Generations



Sources: Corak, M. (2013) - Figure 1. Combined with information from Mendolia, S. & Siminski, P. (2015)

Intergenerational mobility elasticity

The Great Gatsby Curve: More Inequality is Associated with Less Mobility across the Generations

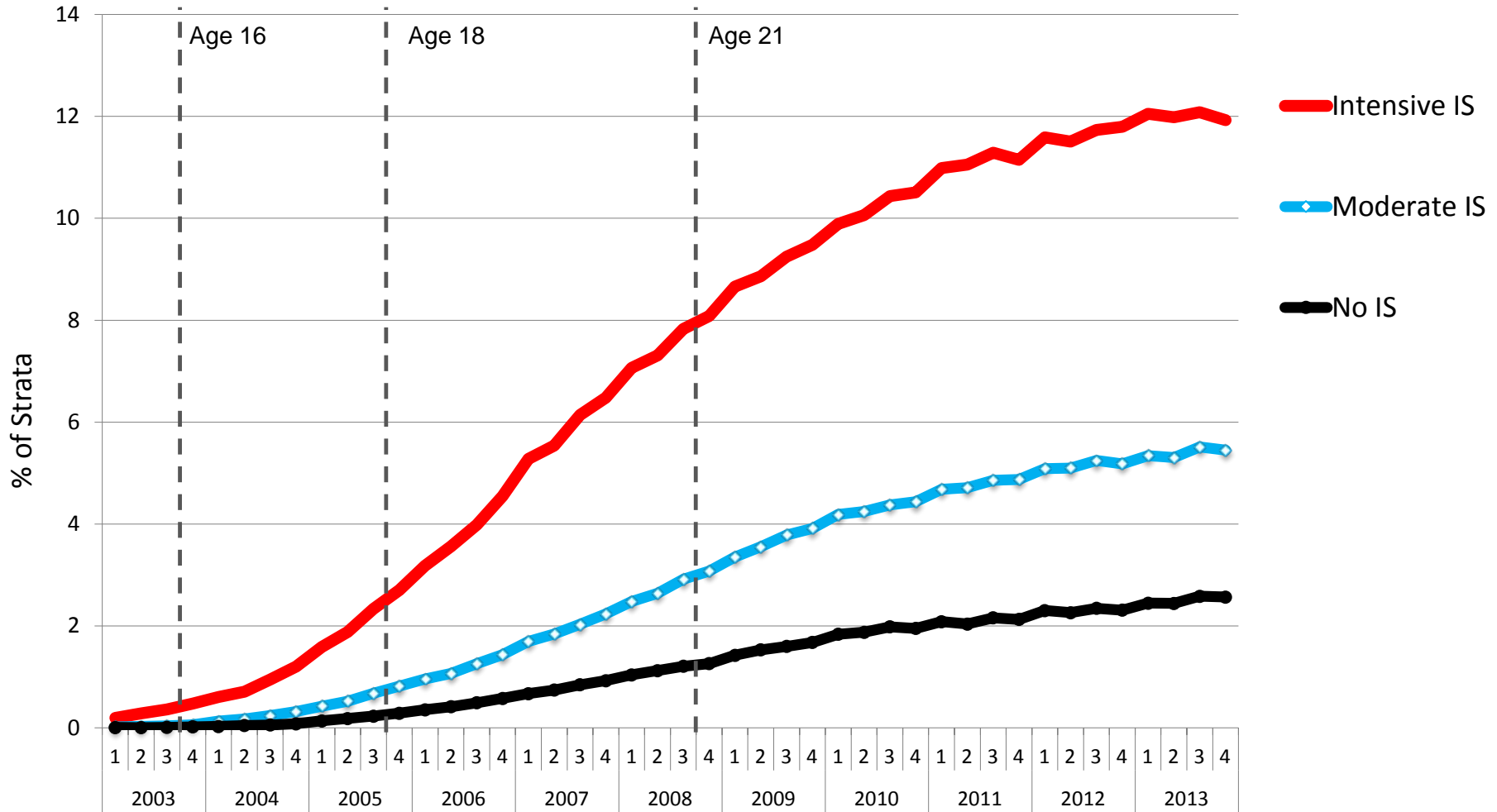


Sources: Corak, M. (2013) - Figure 1. Combined with information from Mendolia, S. & Siminski, P. (2015)

Intergenerational Income Support

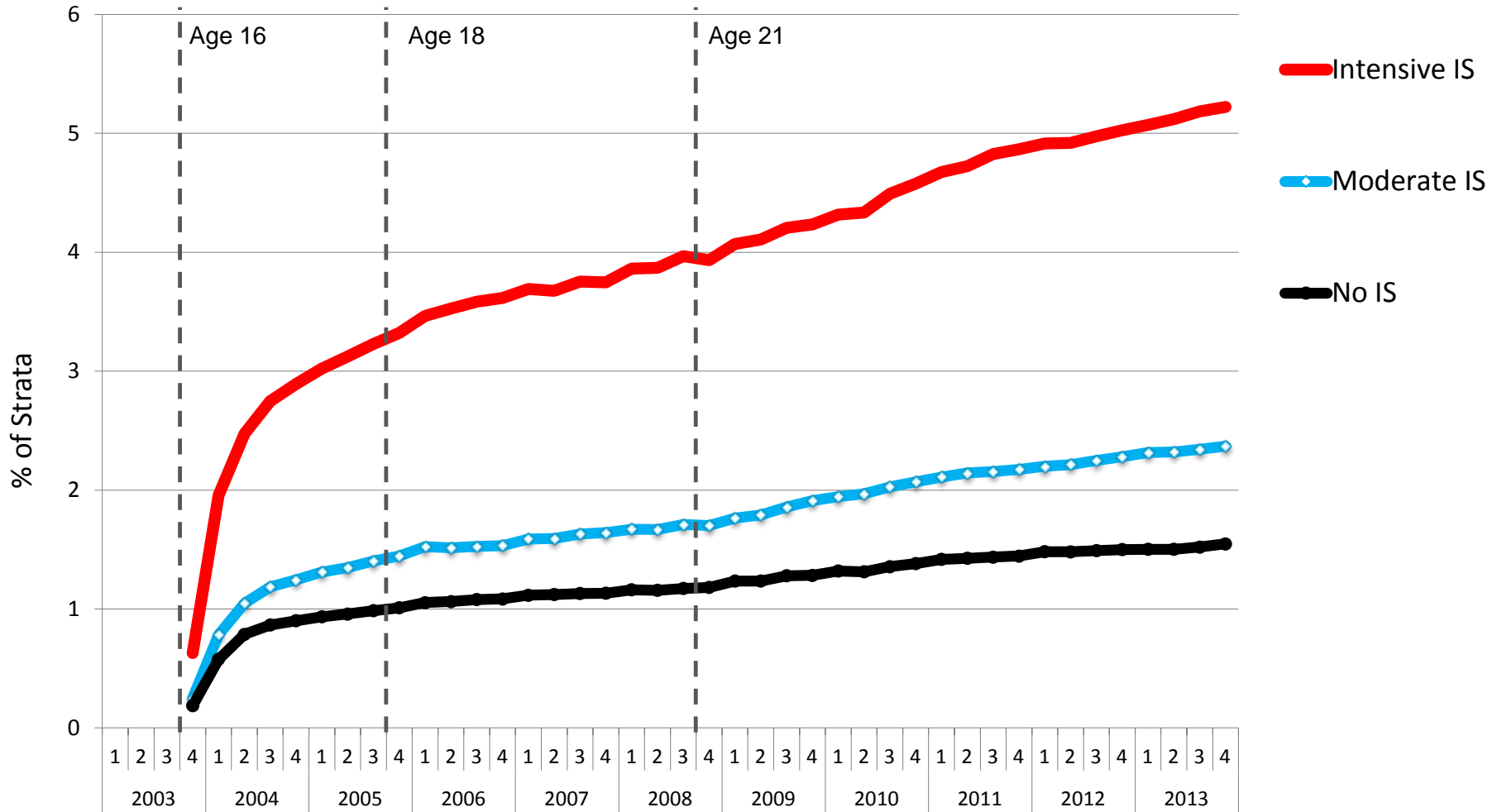


Parenting Payment (partnered & single)



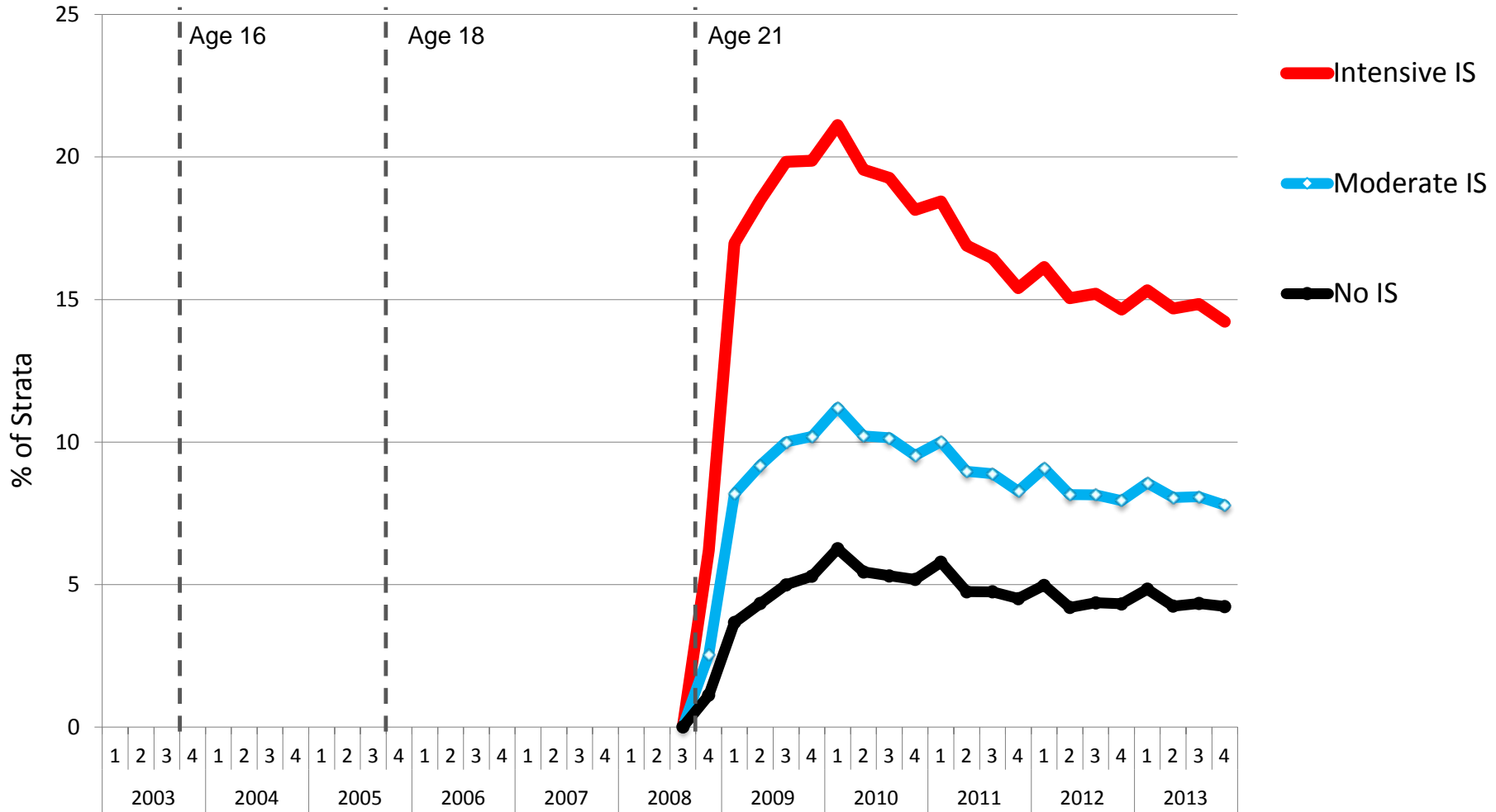
Source: Youth in Focus Project -- Transgenerational Data Set (TDS2)

Disability Support Pension



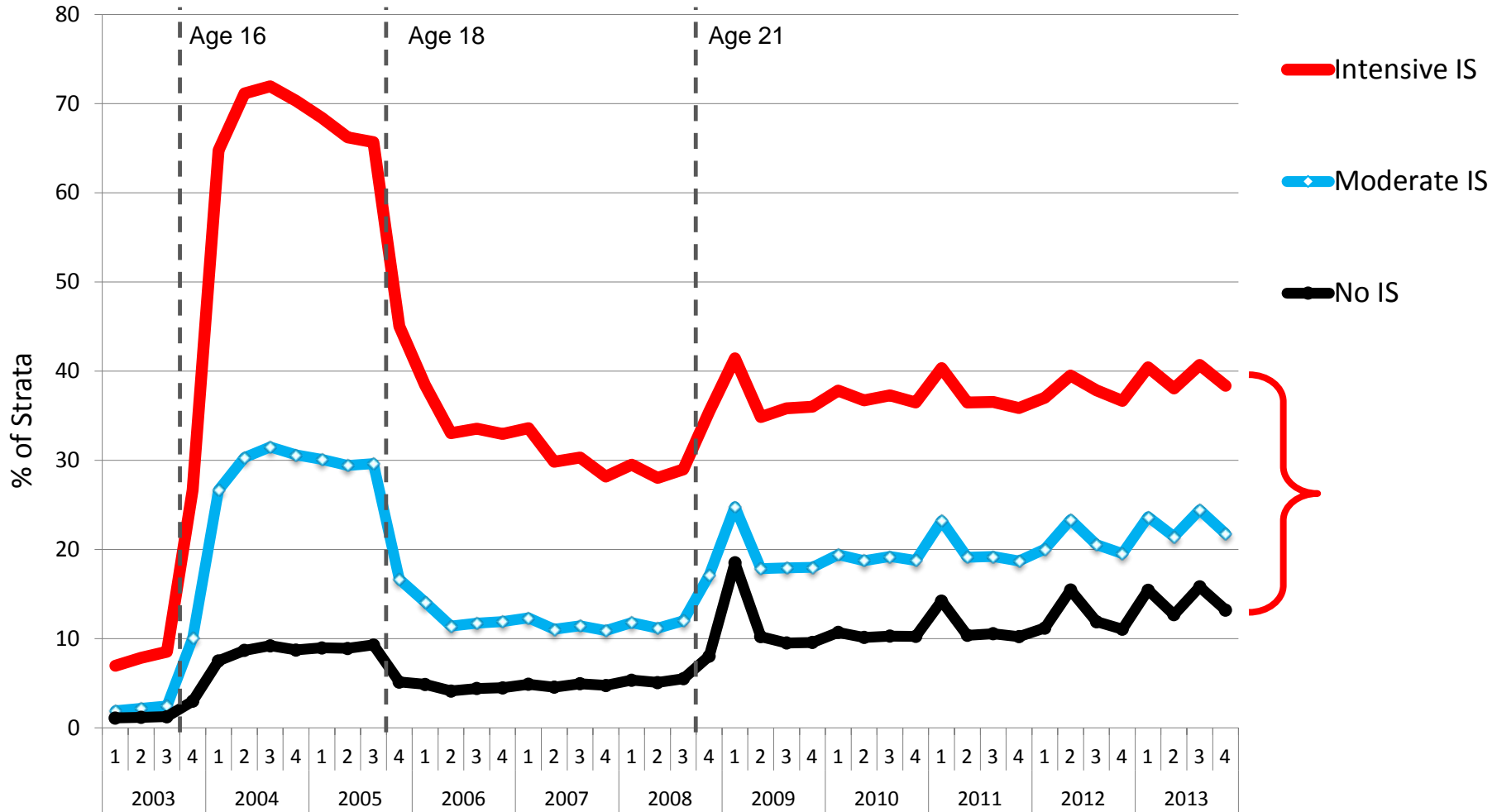
Source: Youth in Focus Project -- Transgenerational Data Set (TDS2)

Newstart Allowance



Source: Youth in Focus Project -- Transgenerational Data Set (TDS2)

Overall Income Support (excluding FTBA and YA)



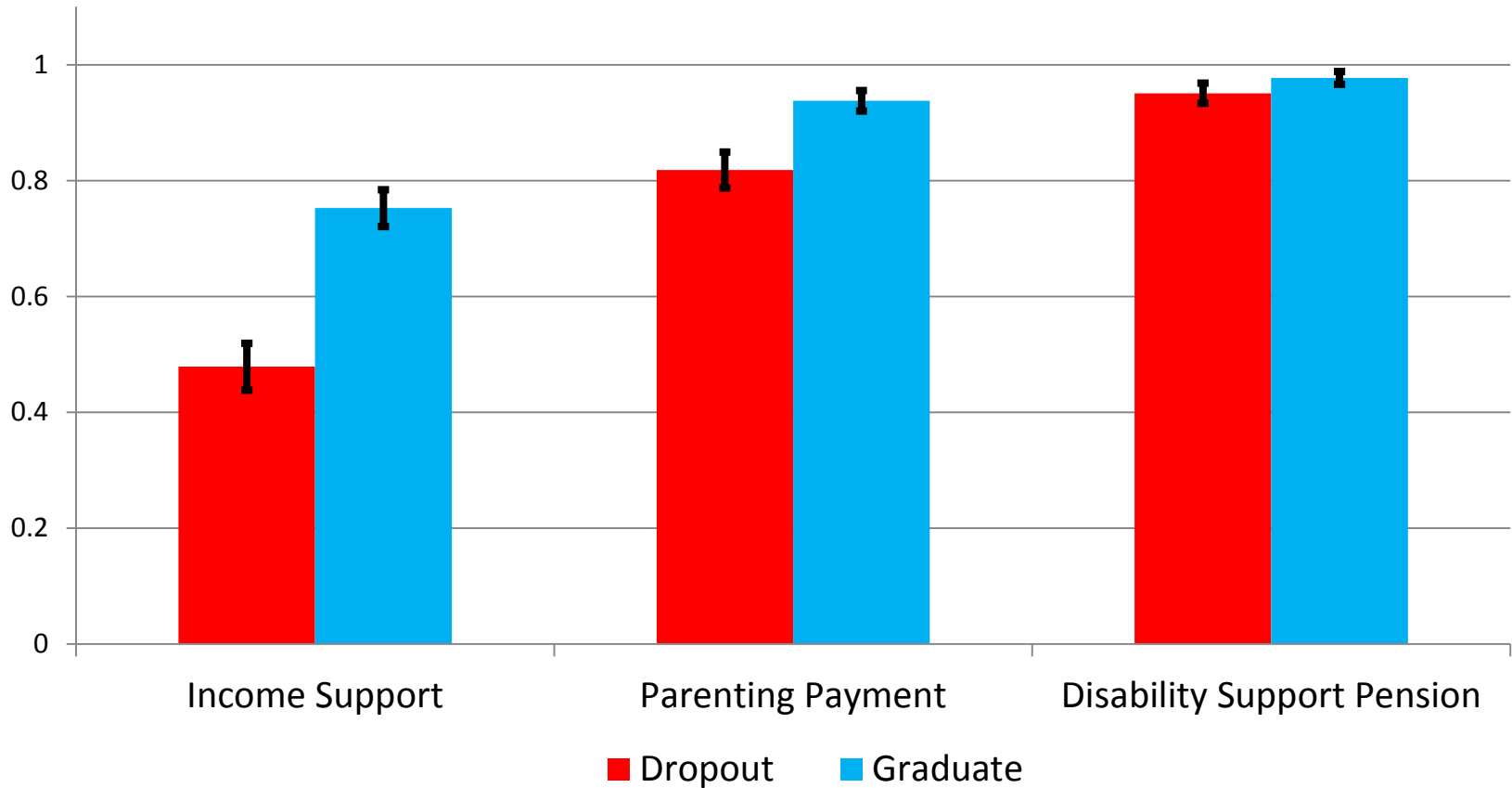
Source: Youth in Focus Project -- Transgenerational Data Set (TDS2)

Who escapes disadvantage?



High School Graduate

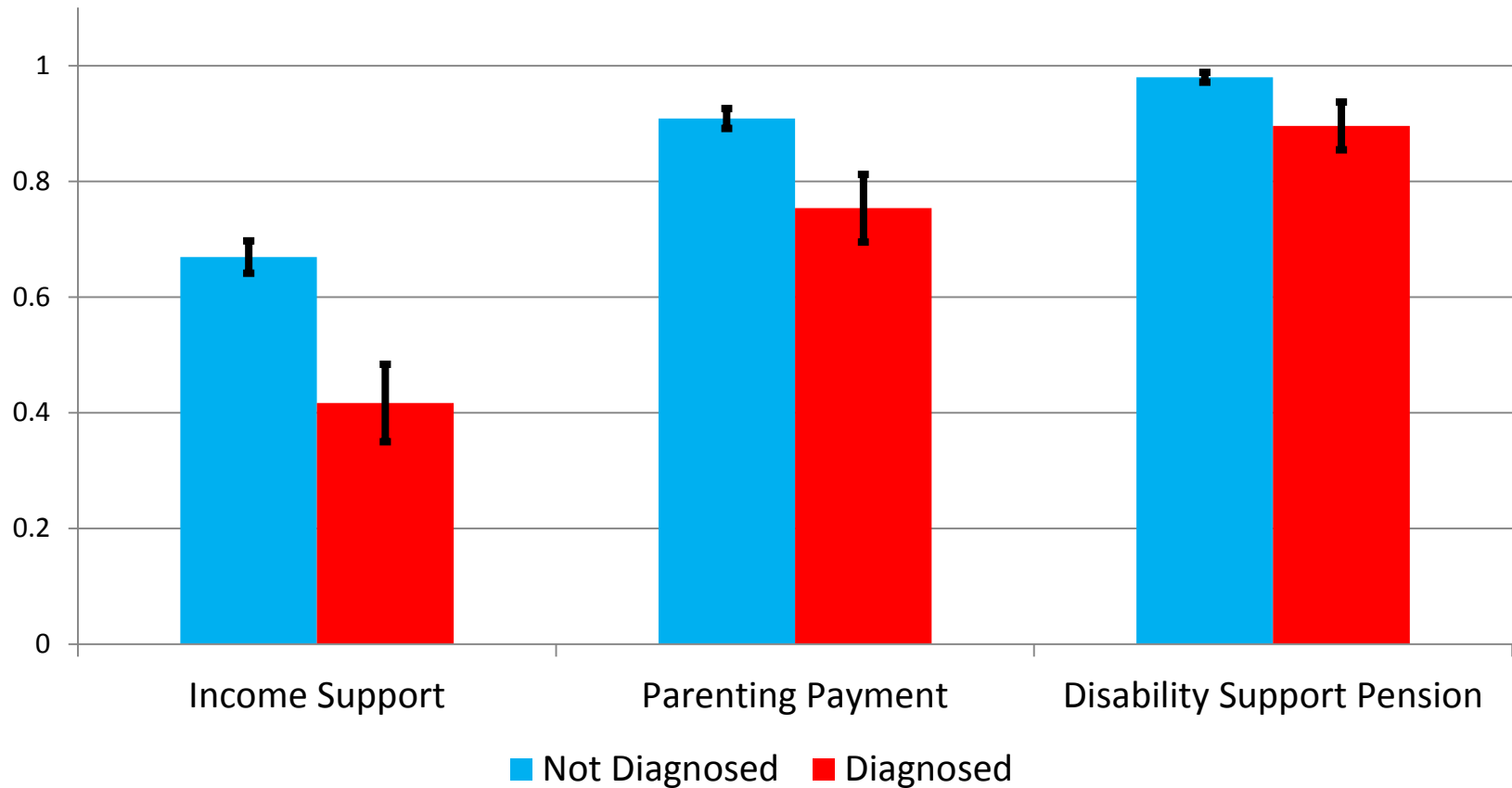
Probability of Escaping Disadvantage
by Youth's High School Education Status



Source: Youth in Focus Project -- Transgenerational Data Set (TDS2)

Mental Health

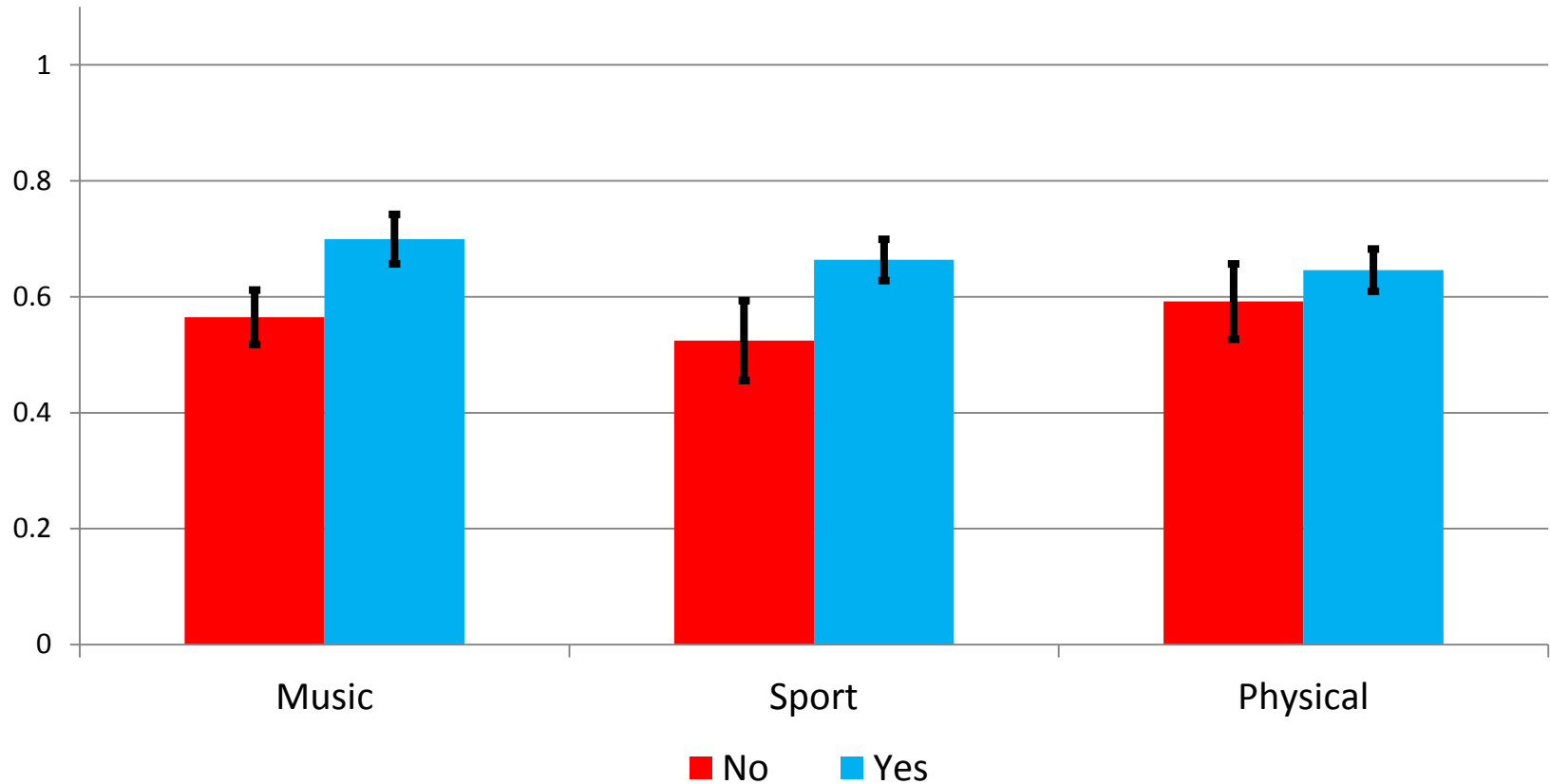
Probability of Escaping Disadvantage
if Youth has been diagnosed with depression/anxiety



Source: Youth in Focus Project -- Transgenerational Data Set (TDS2)

Activities

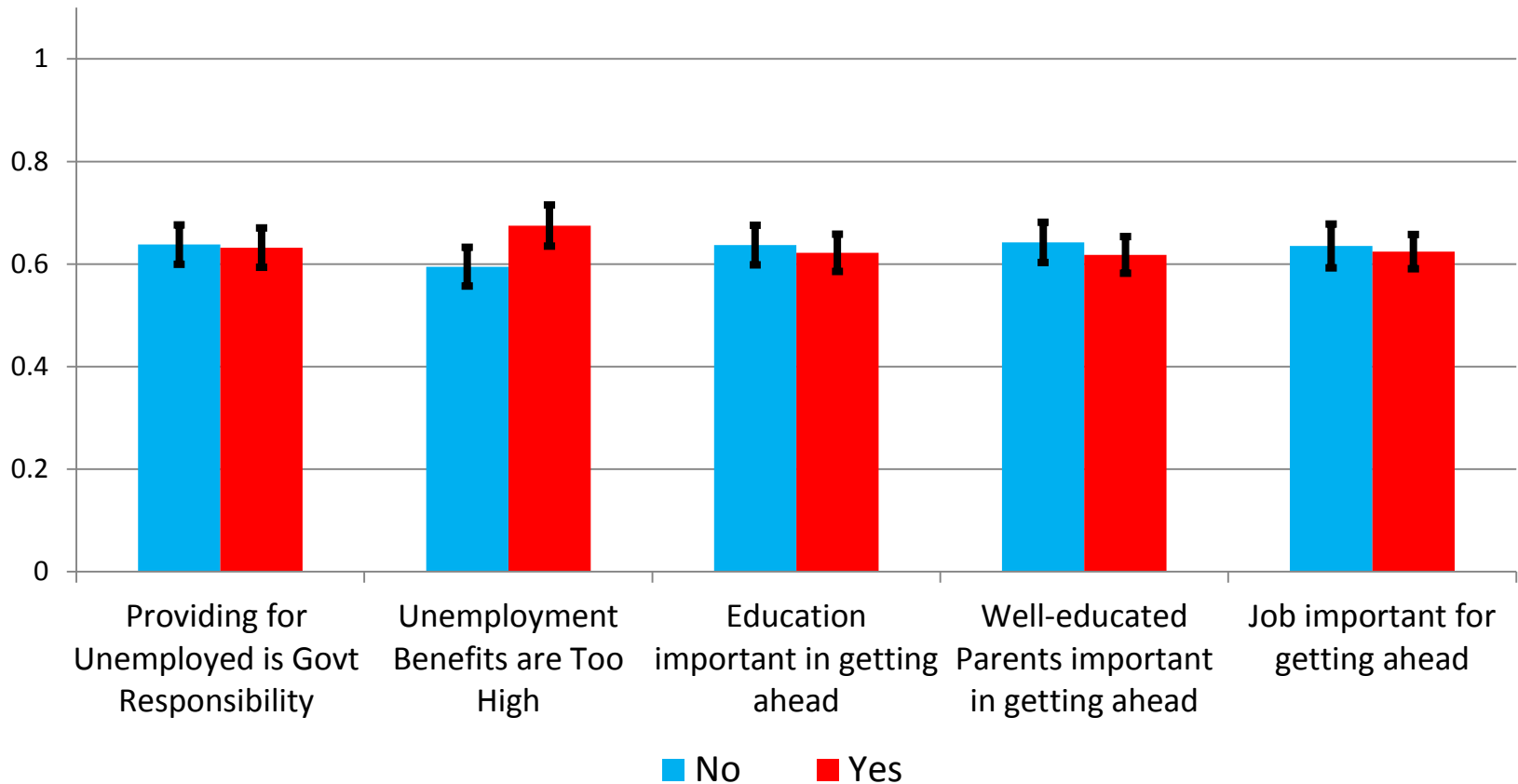
Probability of Escaping Disadvantage:
Youth's Involvement in Activities and Income Support



Source: Youth in Focus Project -- Transgenerational Data Set (TDS2)

A 'Welfare Culture'?

Probability of Escaping Disadvantage:
Youth's Attitudes and Income Support

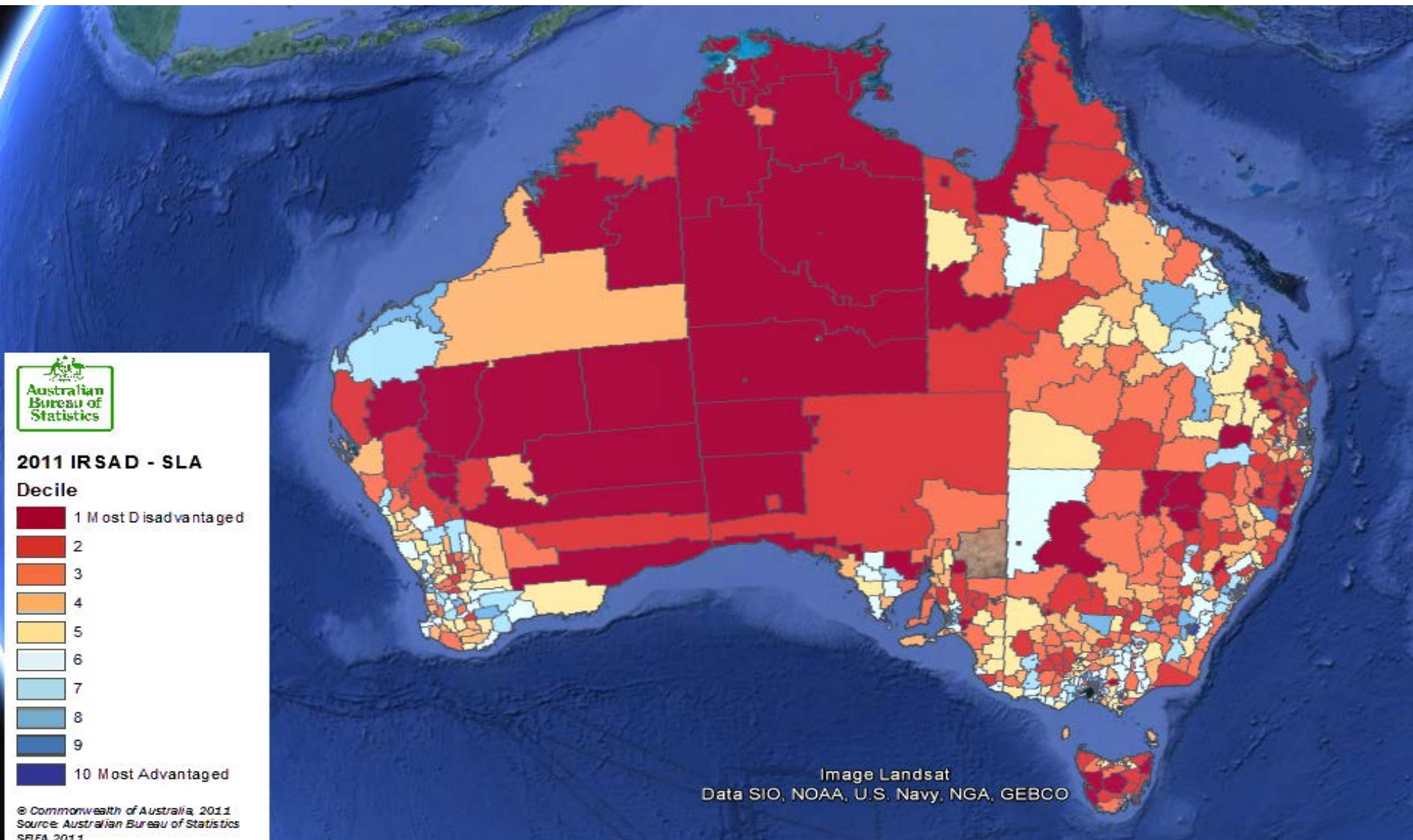


Source: Youth in Focus Project -- Transgenerational Data Set (TDS2)

What do we do now?



We need a regional solution



Source: ABS. Census of Population and Housing: Socio-Economic Indexes for Areas (SEIFA) (cat. No. 2033.0.55.001), Australia, 2011

www.melbourneinstitute.com

Unfortunately, it is not all about money ...

“There is little support for the claim that **untargeted income transfer policies** to poor families significantly boost child outcomes.” Heckman & Mosso (2014)

“The capacity of children to become self-sufficient and successful adults is compromised not only by monetary poverty, but by **poverty of experience, influence, and expectation.**” Corak (2006)

Strengthen individual & family capability

Identify and invest in groups that have the capacity for self reliance, but are at the greatest risk of remaining on income support long term.

- adopt an actuarial approach to identify groups at risk of long term income support reliance;
- develop a broad range of services to support people on their path to self reliance through work;
- invest in those who are at significant risk of long term income support reliance and have the capacity for self reliance through work.

“Sound policy development should be built on an **evidence-based understanding of the nature, depth and persistence of disadvantage and the **costs it imposes** on individuals and the broader Australian community.”**

McLachlan, Gilfillan, & Gordon (2013)

The bottom line for me ...

- Intergenerational fairness is also a motivation for reform;
- Hard to escape the idea we need to invest in kids & youth;
- “Capacity” is important ... but we need to think much more broadly about the full range of human capabilities;
- What families – parents – do is extremely important. We need to be smarter about how to support them;
- The Achilles heel is likely to be our weak evidence base;

If we are smart about reform, we may reduce the risk that disadvantage is passed from one generation to the next.



Thank You

References

- Corak, M. (2013) Income Inequality, Equality of Opportunity, and Intergenerational Mobility. *The Journal of Economic Perspectives*, 27(3), 79-102.
- Heckman, J.J. and Mosso, S. (2014) The Economics of Human Development and Social Mobility. *IZA Discussion Paper* 8000, February.
- Martinez, A., Western, M., Tomaszewski, W., and Rampino, T. (2015) Should We Be Concerned about Income Inequality in Australia? An Empirical Investigation of Inequality of Opportunities. *LCC Working Paper Series: 2015-19*
- McClure Report (2015) A New System for Better Employment and Social Outcomes, Department of Social Services.
- McLachlan, R., Gilfillan, G. and Gordon, J. (2013) Deep and Persistent Disadvantage in Australia, rev., *Productivity Commission Staff Working Paper*, Canberra.
- Mendolia, S. and Siminski, P. (2015) New Estimates of Intergenerational Mobility in Australia. *IZA Discussion Paper* 9394, September.