Melbourne Institute Information Sheet 1/2012
Based on reports under the 2005-2009, and 2010 SPRS agreement

Dynamics of Income Support/Employment

Brief overview of key results

The findings regarding the theme of Dynamics of Income Support/Employment, as researched under the 2005-2009 and 2010 Social Policy Research Services Contract, are summarised in the overview in Appendix Table 1. In the 2005-2010 period, a large number of studies examining the dynamics of income support and/or employment were undertaken. The majority of studies concerned themselves with income support (13 reports), eight projects studied issues related to employment (six of these projects were also in the first category examining income support), and two reports analysed geographical mobility of the income support population and the general population.

Discussion of the results

Dynamics of income support

Starting with the findings regarding the dynamics of income support, the first observation is that there is a fair amount of mobility between different payment types. This is particularly obvious when considering the inflow on Disability Support Pension (DSP). Nearly 60 per cent of DSP inflow have come directly from other income support payments, with unemployment-related benefits the most likely source (Cai, Vu and Wilkins, 2006). Two other important sources for women are Partner Allowance and Parenting Payment Single. Of those who did not enter directly from another income support payment, one third received some income support in the seven years prior to DSP entry. In the period of analysis, the age of eligibility for Age Pension was increasing from 60 to 64 for women. As a result, more women aged 60 to 64 entered DSP, indicating that taking away one option increases the number who choose alternative income support options. Fok and McVicar (2011) observe a similar phenomenon when examining exit rates from Parenting Payment after the Welfare to Work reforms of July 2006 were enforced from July 2007. They note that part of the impact on the grandfathered group of low income parents – some of their estimates suggest around one half – has been driven by a shift from Parenting Payment to other Income Support payments. This shows that a change in one part of the income security system has impacts on other parts of the income support system.

Buddelmeyer and Vu (2007) find that most new entrants (those who have not been on income support in the previous 3.5 years) enter income support on unemployment benefits. Those who entered on NewStart and were still on income support after five years were more likely to have moved on to other income support payments, particularly if they were female (Cai, Ghantous and Wilkins, 2006). Over 30 per cent of women had moved to a parenting payment and 14 per cent moved to DSP, while 19 per cent of men also moved to DSP and a further 10 per cent of men and women moved to a range of other payments.
The Welfare to Work reforms of 2006 introduced new measures and tightened eligibility requirements for various groups of Income Support (IS) recipients, including new claimant principal carer parents. Fok and McVicar (2011) analyse the effects of the new eligibility requirements arising from this reform – engaging in 15 hours per week of paid work or work-related activity – on a sample of grandfathered Parenting Payment (PP) recipients who are tracked for all IS episodes from the beginning of the episode which was ongoing on 30th June 2006 until 30th June 2009. Since 1 July 2007, parents from this group with a youngest child aged 7 or more have been required to meet the new participation conditions. This activation had the anticipated effects. That is, a typical grandfathered low-income parent was more likely to exit PP; more likely to switch from PP to another IS payment; more likely to exit IS altogether; more likely to enter paid employment if remaining on PP; more likely to increase working hours to 15 hours per week or more if already working and if remaining on PP; and perhaps more likely to engage in job-search or search-related activities (although there was somewhat mixed evidence on job search impacts). Possibly due to a partner's employment or support in caring responsibilities (facilitating the primary carer's job search/employment), larger effects are found for those in receipt of PP Partnered (PPP) than for those in receipt of PP Single (PPS). The reforms appear to have been working for low-income parents, at least in terms of reducing welfare dependence and increasing workforce participation, but based on the research so far, no statement can be made regarding welfare or income of affected families, or on the benefits of the reforms net of the costs of the reform.

Two aspects of income support have received considerable attention: income support reliance (the proportion of income that comes from income support) and persistence of income support dependence. From 1995 to 2004, the extent of welfare reliance has decreased, potentially due to tightening the eligibility criteria and, for pensions and Parenting Payment Single, an increased capacity to combine income support and earnings (Black, Oguzoglu and Wilkins, 2006). On average, two thirds of income is from income support. Welfare reliance is shown to be persistent from one period to the next for around half of all income support recipients, with reliance increasing with the duration of the income support spell. DSP recipients have high welfare persistence whereas recipients of Parenting Payment Partnered have low welfare persistence. NewStart and Youth Allowance, and Parenting Payment Single have medium level persistence. The type of income support is also associated with different welfare reliance levels. DSP recipients have high welfare reliance whereas recipients of NewStart and Youth Allowance have low welfare reliance. Parenting Payment Partnered and Single have medium level welfare reliance (Mavromaras, Lee and Black, 2006).

The persistence of income support was analysed in a number of studies. Cai, Ghantous and Wilkins (2006) examined duration of the income support spell as well as the probability of being on income support for at least five years. Recipients of pensions or Parenting Payment Single have the lowest exit rates (and thus the longest durations) while those on unemployment benefits exit quickest. Similar to Black, Oguzoglu and Wilkins (2006), they find that current earnings increase the probability of an exit from income support, but if the time with earnings as a proportion of total time on income support is larger (especially when earnings are low) then the exit probability decreases again. In general, recent positive experiences such as securing employment while on income support increase the exit rate while recent negative experiences indicating past difficulty in the labour market decrease the exit rate. Leigh, Wilkins and van Zijll de Jong (2008) find that encouraging positive labour market experiences through Working Credits increases employment and earnings.
while on income support, and subsequently increases the probability of exit (at least in the short term). A particularly disadvantaged group is the group of mothers who had their first child as a teenager. Jeon, Kalb and Vu (2008) report that this group, compared to mothers who had their first child at an older age, experienced very high persistence of income support, once they are on income support.

Cai, Ghantous and Wilkins (2006) find that the group that is at risk of long-term income support receipt experiences less duration dependence; that is, the exit rate does not decrease with duration to the same extent as for other income support recipients (since it is low from the start). Similar to the result for all income support recipients, the probability to exit income support is high early in the spell of new entrants to income support and rapidly declines over time, faster at first and bottoming out after one or two years (Buddelmeyer and Vu, 2007). The same time pattern is also found for the probability to return to income support conditional on having exited. That is, the longer a person has been off income support, the more likely it is he/she remains off. Compared to all income support recipients (see Tseng et al., 2004), new entrants are much more likely to have a single short income support spell. Nevertheless, following recipients after they have left income support for the first time, about 30 per cent have returned to income support after a year since exiting income support, rising to about 40 per cent after two years, and 50 per cent after three years. Finally, one of the strong predictors for successfully staying off income support is to have exited early in the first spell.

Kuehnle and Scutella (2011) focus on the duration off income support during the Global Financial Crisis (GFC) in their analysis, rather than on the duration on income support which was the focus of analysis in most of the reports. Starting with those in employment just before the GFC starts, they find that shorter durations off income support are experienced by: men, independent of where they are in their spell off income support; those with low levels of education; those who are single, without children or whose partner is not employed; those who had previous income support spells/more time on income support; those who experienced a major financial change or personal life event; employees in casual jobs; employees with less tenure at start of the period; low-paid women; and employees without flexible working conditions. To a large extent these appear to be similar to the factors that extend the time spent on income support. Although recipients of unemployment-related payments have been shown to exit income support more quickly than other income support recipients, this analysis shows that this group is also more likely to return to income support.

One study endeavours to examine the effects of attitudes, social support networks and activities undertaken in job search on the probability of leaving income support for employment (Lee and van Zijll de Jong, 2010). In the descriptive analyses and the cross-sectional multivariate analyses these factors are found to be associated with successful exit from income support into employment. However, once state dependence and unobserved heterogeneity are accounted for using the panel aspect of the data, none of these factors show any statistically significant influence on the exit into unemployment. Perhaps these factors are determined by the same (unobserved) characteristics that determine the probability of exit into employment.

Worsening labour market conditions as measured by a decreased employment rate have an increasing effect on unemployment-related benefit receipt rates of men and women, DSP receipt rates of men and Parenting Payment Single receipt rates of women (Cai, Mavromaras and Vu, 2008).
This occurs through an increase in inflow on income support and a decrease in outflow from income support. Due to the low outflow from DSP (as mentioned above), these effects are longest lasting on DSP. Related effects arising from economic circumstances were also found by several of the other reports. Black, Oguzoglu and Wilkins (2006) conclude that higher unemployment rates increase income support reliance within 6 months of the increase by 0.5 percentage points per 1 percentage point increase in the rate. Again in Cai, Ghantous and Wilkins (2006), it is found that higher unemployment rates decrease the exit rate, in particular for those with job search requirements. Buddelmeyer and Vu (2007) mention that due to good economic circumstances, the number of new income support entrants has decreased between 1995 and 2005. Furthermore they conclude that macroeconomic conditions, as measured by the local unemployment rate, matter. Lower unemployment leads to more opportunities to find jobs and to exit income support. Similarly, Kuehnle and Scutella (2011) find that the Global Financial Crisis had an effect on the employment retention of former income support recipients. From the third quarter of 2008 to the first quarter of 2010, the probability of returning to income support was higher than before the Global Financial Crisis. This was the case for casual and non-casual types of employment.

*Dynamics of employment*

The two studies on household joblessness have similar findings (Headey and Verick, 2006; and Hérault et al., 2009). Single persons (e.g. single parents), those with poor health, those with poor education and older persons (of working age) are more likely to live in a jobless household. The probability of living in a jobless household increases if the individual lived in a jobless household last year. Income support recipients who lived in a jobless household were much more likely to remain on income support. This is consistent with the findings by Cai, Ghantous and Wilkins (2006), Black, Oguzoglu and Wilkins (2006), and Leigh, Wilkins and van Zijl de Jong (2008) who found that earnings through employment while on income support increased the probability of exit from income support. Hérault et al. (2009) extended the analysis from three to seven years and formally estimated the state dependence of living in a jobless household. Again, they find that the probability of living in a jobless household now increases if the individual lived in a jobless household last year. Although household joblessness decreased over the period of analysis, the decreasing unemployment rate over the same period does not appear to be responsible for this decline.

One of the concerns regarding household joblessness is the relatively large proportion of children growing up in these households. This concern not only regards the direct financial and other disadvantage that the household joblessness may cause for this group, but also the effect it may have on these children in the future. Similar to intergenerational studies for other countries, Hérault and Kalb (2008) find strong correlations between labour market outcomes across generations. To a substantial extent this is due to the intergenerational correlation of education outcomes. Given the large impact of education on labour market outcomes, this indirectly affects the children’s labour market outcomes in addition to the direct effect of parents’ labour market outcomes on the children’s labour market outcomes.

A study of transitions between the four states of being employed with and without income support, and not being employed with and without income support, shows that qualifications and health are the two most important categories of explanatory variables (Cai et al., 2008). Work experience is also relevant and has a positive effect, but after a certain level more work experience decreases the
probability of being in employment and off income support. A positive work attitude is shown to have a weak but statistically significant positive effect on being in employment and off income support. However, Lee and van Zijl de Jong (2010) show that this effect disappears after controlling for unobserved heterogeneity and state dependence using a dynamic panel data approach. Cai et al. (2008) show that previous work experience and higher qualifications facilitate movements into employment and improves the employment stability of those already in employment. For those with the lowest levels of education, retaining employment without income support is difficult. The latter is also found by Kuehnle and Scutella (2011). Little effect was observed from participating in mutual obligation requirements and activities.

Finally, Oguzoglu and van Zijl de Jong (2009) show that taking up low-paid employment may be worthwhile, since the wage penalty estimated for the previously low paid is 7 per cent, while the wage penalty estimated for the previously unemployed is 10 per cent. Not everyone benefits as much. Low-paid men with an undergraduate degree or higher have larger growth than the low paid with the lowest education levels. However, the wage progression of low-paid workers with disabilities is similar to those without disabilities at approximately 30 per cent as long as the disability is not work-limiting (when it drops to around 25 per cent). Public sector and large firms offer more opportunities for low-paid workers, facilitating wage progression. The availability of on-the-job training is estimated to increase wage growth by 10 percentage points. Despite these positive effects for some among the low-paid workers, those who are persistently low paid are not much better off than the persistently unemployed, with an approximate wage penalty of 25 per cent. In addition, being previously low paid is also associated with higher exit rates from employment. The latter is only found for women by Kuehnle and Scutella (2011). For men, being in a low-paid job does not appear to matter. Kuehnle and Scutella find that being in a casual job is associated with higher returns to income support for men and women. There is positive duration dependence with those who have been in employment for a longer period of time being more likely to remain off income support (and presumably in employment). The latter cannot be observed using the administrative data.

**Geographical mobility**

Two reports under the 2005-2009 contract examined the mobility of income support recipients and the general population, and its potential effect on re-employment. Although income support recipients appear more mobile than individuals in the general population, this is due to observable characteristics which differ between the two populations (Black, Kalb and McGuinness, 2008). Once these are controlled for income support recipients are no more or less likely to move. The factors that are associated with moving are the same for the two populations. Someone who has moved once is found to be more likely to move a second time.

Many people move for non-labour market related reasons and the number of benefit recipients who move to areas with lower unemployment rates (compared to the original location) is about the same as the number of benefit recipients who move to areas with higher unemployment rates, whereas non-benefit recipients are slightly more likely to move to areas with lower unemployment rates. Therefore, no major effect of mobility on employment is to be expected. For income support recipients, a very small positive significant effect of moving on the probability of employment can be found, when a range of interaction effects are also included. That is, a large negative effect from
moving on the probability of employment arises when people who are employed move location. People moving to an area of higher unemployment (which may have lower costs of living) are also less likely to be employed due to the move. However, for others, there appears to be a very small positive effect associated with moving.

In the second report, two additional years of data on the general population and three extra years of data on income support recipients were included. The replicated analyses provide the same results to a large extent as in the first report. Again, people move for a variety of reasons including family, lifestyle and economic reasons (Black, Kalb and Kostenko, 2009).

Not surprisingly (due to lower costs), income support recipients are found to be more likely to live in (and move to) low SEIFA (Socio-Economic Indexes for Areas) regions. Unfortunately, low SEIFA areas have some unfavourable attributes. Therefore, even though living in a low SEIFA area per se has no direct impact on labour market outcomes, it has an indirect impact through fewer vacancies and lower accessibility. Contrary to the finding in the previous report, mobility in itself has no positive effect on labour market outcomes. In fact, after controlling for the endogeneity of mobility, the direct effect appears negative, with any positive association caused by the fact that the characteristics of individuals who move also make it more likely for these individuals to find employment (independent of whether they move or not). Nevertheless, economic circumstances (as reflected by the number of vacancies and unemployment rate) have been found to be important in all analyses. That is, mobility to an area with a higher number of unskilled job vacancies and a lower unemployment rate may improve an individual’s probability of re-employment or increased earnings.

Contribution to knowledge on this topic

- Within income support there are substantial numbers of transitions between payment types. The most common entry point is the category of unemployment-related payments. Most DSP recipients have been on other income support before entering DSP.
- Income support reliance has decreased in recent years.
- There are groups with highly persistent income support dependence.
- Earnings from employment while on income support have a positive effect on the probability of exit from income support.
- Many former income support recipients re-enter income support after the first exit (up to 50 per cent after three years).
- Early exit improves chances of staying off income support.
- Activation policies appear to have been working for low-income parents, at least in terms of reducing welfare dependence and increasing workforce participation. Further investigation into welfare or income of affected families, or on the benefits of the reforms net of the costs of the reform may be worthwhile to assess the overall impact.
- A decreased aggregate employment rate has an increasing effect on unemployment-related benefit receipt rates of men and women, DSP receipt rates of men and Parenting Payment Single receipt rates of women. These effects are longest lasting on DSP.
- The GFC had a negative effect on the employment retention of former income support recipients.
• Household joblessness is fairly persistent over time.
• No strong relationship between unemployment rate and household joblessness rate has been found.
• Intergenerational correlation of education and labour market outcomes are present, with correlation of education reinforcing correlation of labour market outcomes.
• Education/qualifications are central in gaining and retaining employment.
• Low pay may lead to higher pay, and is better than being unemployed for future wage prospects. Nevertheless there is a group on low pay who are persistently in low-paid employment or who fall back in unemployment.
• Low-paid men do not appear to return to income support at a higher rate than other men who have been on income support previous to their employment spell.
• Many people (including income support recipients) move for non-labour market related reasons (family, lifestyle and economic reasons, such as cost of living).
• Mobility in itself has no positive effect on labour market outcomes. In fact, after controlling for the endogeneity of mobility, the direct effect is negative.
• Nevertheless, economic circumstances of the destination location (as reflected by the number of vacancies and unemployment rate) have been found to be important in all analyses.

Potential policy implications

• In the earlier work under the 2005-2009 SPRS contract, much attention has been paid to income support dynamics, providing evidence of the effects of policy changes in one area of social security on other areas of social security. This has led to the important realisation that you cannot look at one area of income support in isolation when introducing policy changes.
• A substantial proportion of income support recipients need long-term assistance to improve their circumstances. They will be long-term recipients or they will “churn” in and out of income support.
• It is the most vulnerable workers that are most likely to be affected by an economic downturn. They may need additional training, or in-work support to help them to retain employment and eventually move into higher quality employment.
• Education/training is important for recipients of all ages.
• To reduce intergenerational transfer of poor labour market outcomes, ensure education is accessible for all, and youth receive encouragement to continue education and advice regarding their options independent of their background.
• There are limitations to encouraging individuals to move in or out of particular regions, since location choice is to a large extent determined by factors other than labour market considerations.

Reference list of 2005-2010 projects


Related references

### Table 1 Summary Table of Reports Relating to Dynamics of Income Support/Employment

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<th>Authors</th>
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| Black, D., Oguzoglu, U. and Wilkins, R. (2006) *Reliance on Income Support in Australia: A Dynamic "Income-Based" Analysis Using Payments’ Administration Data* | Sample from FaCS Longitudinal Data Warehouse 1995-2004 | Descriptive analysis, and dynamic fixed effects models and dynamic random effects models. Dependent variable: TPI = income support reliance (average fortnightly proportion of income from welfare over a six-month interval) | • Decline in proportion of men and women in receipt of income support (IS) over the period, but on average longer duration on income support (shift to longer-term payments). This is consistent with change in macro-economic conditions.  
• Increased extent of reliance on welfare income for welfare recipients with duration of income support spell (on average around 2/3 of total income is from welfare). Persistent from one year to next for about half of the recipients. This decreases with time but does not disappear completely.  
• Share of total income from welfare is increasing with age, indigenous background, outside of city location, renting public housing, number of children (to a larger extent for women and older youngest child), being single, being a women with a partner on income support, receiving Disability Support Pension, length of time on IS (strongest for allowances)  
• Each percentage point increase in unemployment rate in the ABS labour force statistical region in which the individual resides increases the TPI within the first six months of the increase by approximately 0.5 percentage points.  
• An almost monotonic decrease in reliance from 1995 to 2002 is observed, with this decrease maintained in 2003 and 2004. This is consistent with tightening of eligibility criteria over the period and, for pensions and Parenting Payment Single (PPS), the increased capacity to combine income support receipt with earnings.  
• There are indications that the July 2000 tax and welfare reforms acted to decrease the TPI of persons on unemployment benefits, but not persons on other payment types. The estimates imply the reforms acted to increase reliance among PPS recipients and female recipients of other pensions and allowances (except unemployment benefits).  
• Those that combined earnings with IS in previous years are less reliant on welfare now |
| Cai, L., Vu, H. and Wilkins, R. (2006) *Previous Income Support Receipt of Entrants to the Disability Support* | LDS 1995-2004, 10% sample | Descriptive analysis, and multinomial logit and competing risks duration model. Dependent variable: exit to DSP or exit out of any IS | • Inflows of females aged 60-64 years increased over the period, consistent with the increases in the minimum age of eligibility for the Age Pension in the period.  
• 56% of male DSP inflows and 60% of female inflows are direct transfers from other IS payments, with unemployment benefits the most common source. For women, Partner Allowance and PPS are also significant payment type origins  
• 1/3 of those that enter DSP from outside of IS have been on IS at some stage in the |
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<td><strong>Pension</strong></td>
<td>from non-DSP IS; and outcome five years after commencement of a non-DSP income support spell (possible outcomes are: an individual is on DSP, on another income support payment or off income support altogether)</td>
<td></td>
<td>previous 7 years. Overall ¾ of new entrants have received IS in the previous 7 years • Of males that enter non-DSP IS, 1.8% are on DSP one year later, 4.2% three years later and 7.9% eight years later. For females the figures are around half those for males. • These transfer-to-DSP rates increase with age, being native-born (for men only), renting public housing, having a partner on IS (for men only), being on an incapacity-related or unemployment payment and decrease with having a child aged under 13 (more so for women) and with earnings while on IS • The duration model results show an increasing risk of making the transition to DSP as spell duration increases up to approximately two years, and then stabilises. • Musculoskeletal and connective tissue conditions, followed by psychological and psychiatric conditions are the most predominant among DSP entrants</td>
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<td>Mavromaras, K., Lee, W. and Black, D. (2006) <em>An Examination of Welfare Transitions Using the First Three Waves of the HILDA Survey</em></td>
<td>HILDA 2001-2003</td>
<td>Descriptive analysis, and multinomial logit model and panel fixed effects regression. Dependent variable: Welfare reliance and payment type.</td>
<td>• Reliance on welfare payments is measured by computing total income from all different welfare payments as a proportion of income from all sources. • The proportion of income that comes from welfare does not seem to correlate with the over time persistence of welfare, despite the high level of observed mobility between payment types. • Over time persistence in any given type of welfare payment and welfare reliance differ by welfare payment type, even after observed differences between recipients of different welfare payments have been taken into account. • DSP has high welfare reliance and high persistence • NewStart/Youth Allowance have low welfare reliance and average persistence • PPS has average welfare reliance and average persistence • PPP has average welfare reliance and low persistence • Health status changes and marital status changes were the only life events that had an impact on welfare receipt. This may be due to relatively short panel and infrequent occurrence of life events.</td>
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<td>Headey, B., and Verick, S. (2006) <em>Jobless Households: Longitudinal Analysis of the Persistence and Persistence of Joblessness</em></td>
<td>HILDA 2001-2003</td>
<td>Descriptive analysis, and logit and ordered probit modelling. Dependent variable: joblessness of household</td>
<td>• 14% of working age (15-64) individuals live in jobless households each year in 2001-03 • In the three years, 19.3% were jobless for at least one year and 8.2% were ‘persistently’ jobless (i.e. all 3 years) • Percentages were 10%, 14.5% and 5.4% respectively for 25-54 year olds • Single persons (e.g. single parents), those with poor health, those with poor education</td>
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| Determinants of Joblessness Using HILDA for 2001-03                    | and the persistence of household joblessness (jobless in 0 to 3 years) | and the persistence of household joblessness (jobless in 0 to 3 years)    | and older persons (of working age) are more likely to live in a jobless household  
  • The risk of living in a jobless household declined slightly by 0.5 percentage point from 2001 to 2003 (smaller than the decrease in unemployment)  
  • 73.3% of the children who lived in jobless households for three years running were in lone parent households  
  • The report compares the propensity of three groups of IS recipients — those receiving NewStart, PPS and DSP — to remain on IS in 2001-03. Jobless households were much more likely to remain on all three types of payment than non-jobless households.  
  • Being in a jobless household one year strongly increases the chance of being in a jobless household the next year  
  • In all types of household the main proximate cause of entering and exiting joblessness was the household reference person gaining or losing his/her job. Far fewer entries and exits were due to changes in a partner’s labour force status, or other household members getting or losing work.  
  • Joblessness is associated with a wide range of negative consequences. Controlling for a range of other factors: married/partnered people in jobless households are 1.7 times more likely to break up than other people; non-partnered people have only about half the chance of finding a partner if they live in a jobless household. Jobless households are also at far higher risk of income poverty, welfare reliance and financial stress, worse physical and mental health, and significantly lower life satisfaction. |
| Buddelmeyer, H. And Vu, H. (2007) The Dynamics of Income Support Receipt among "new" Income Support Recipients | 10%-sample from FaCS Longitudinal Data Warehouse 1995-2004            | Descriptive analysis, and multinomial logit and duration approach. Dependent variable: dynamic patterns of churning (moving in and out of IS) and transferring to other IS payment (five possible outcomes: Neither churn nor transfer, and total time off IS is less than 50%; Neither churn | • Looks at the subgroup of IS entrants who had not been on IS during the previous 3.5 years (as a proxy for first-time entrants)  
  • due to good economic circumstances number of new entrants has dropped over time  
  • most enter IS on unemployment benefits  
  • following recipients after they have left IS for the first time, about 30% have returned to IS after a year since exiting IS, rising to about 40% after two years, and 50% after three years  
  • estimation results were very similar to those obtained in previous research for all recipients by Tseng et al. (2004)  
  • except that new customers are much more likely to have a single short IS spell  
  • effects of covariates in general are larger, suggesting that although new recipients are... |
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| Cai, L., Ghantous, S. and Wilkins, R. (2006) *Duration Analysis of Income Support Spells Initiated by Unemployment* | Sample from FaCS Longitudinal Data Warehouse 1995-2004 | Descriptive analysis, and probit and duration modelling. Dependent variable: incidence of very long-term income support receipt (five or more years of continuous receipt) and duration of income support receipt | in many ways identical to all other customers they are also more responsive  
  * time path of the probability to exit IS is high early in the spell and rapidly declines over time, faster at first and bottoming out after one or two years.  
  * The same time pattern is also found for the probability to return to IS conditional on having exited. That is, the longer a person has been off IS, the more likely it is he/she remains off.  
  * One of the strong predictors for successfully staying off IS is to have exited early in the first spell.  
  * macroeconomic conditions, measured by the local unemployment rate, matter. Lower unemployment means more opportunities to find jobs and to exit IS  
  * Those with an elevated risk of long-term receipt are: mature-age persons (aged 50 or more years); persons with a work incapacity; indigenous persons; immigrants from non-English speaking countries; persons residing in high unemployment regions; persons residing outside the major cities of Sydney, Melbourne, Brisbane, Perth, Adelaide, Canberra, Hobart and Newcastle; and persons with a partner on income support.  
  * Characteristics found to be associated with an elevated risk of a long-term spell are generally found to be associated with increased spell duration as well.  
  * Current earnings on balance act to increase the likelihood of exit from the income support spell. Thus, greater attachment to the labour market decreases spell duration.  
  * However, it is also the case that the greater the proportion of the current spell the individual has had earnings, the less likely is exit, particularly if earnings in the spell have on average been quite low.  
  * As might be expected, being on unemployment benefits and required to search for work is associated with the highest conditional probability of exit, all else equal.  
  * Pension and PPS receipt is associated with the lowest conditional probability of exit.  
  * Recent experience of work incapacity is associated with a slower exit rate.  
  * The local unemployment rate decreases the exit rate, more so for persons required to search for employment.  
  * Location also matters to spell duration in terms of whether a person lives in one of the major cities, with those living in major cities about 9-12% more likely to exit in any... |
• A recent (3.5-year) history of income support receipt is associated with longer current spell durations, and ‘more history’ is generally associated with longer spell durations.
• Variables for past difficulty in the labour market (being on unemployment benefits and required to search for employment) are predictors of a lower hazard rate (particularly if they were recent).
• Conversely, a recent history of securing employment while remaining on income support, which can be interpreted as a measure of past labour market success, is associated with an increased hazard rate for the current spell.
• Increased duration on income support does not of itself lead to reductions in the likelihood of exit to the same extent for groups identified by observable characteristics to be at greater risk of long-term spells.
• Education effects are larger for women and tend to be weakest for mature-aged persons, persons with an incapacity early in the spell, persons with earnings for more than 10% of the income support spell and persons with a substantial history of income support receipt prior to the current spell.
• Destination 5 years after commencing unemployment benefit spell:
  • over 70% of males and 42% of females were still on unemployment benefits.
  • 19% of males transferred to DSP.
  • 25% of females goes on to PPS, while 14% were on DSP and 9% were on PPP.

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• NewStart recipients that move appear no more likely to be in work the following year than those that do not move.
• Similar characteristics affect mobility in both the LDS and HILDA data sets. Women are less likely to move, young and single individuals are more likely to move, as are individuals from Aboriginal or Torres Strait Islander descent. Migrants from non-English speaking backgrounds, homeowners, government renters (only available in LDS), recipients who receive earned or unearned income, and households with older (school-aged) children appear less likely to move.
• In both data sets, those who have moved before are more likely to move in the current... |
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<tr>
<td>Leigh, A., Wilkins, R. and van Zijl de Jong, M. (2008) Working Credits - A Low Cost Alternative to Universal Earned Income Tax Credits?</td>
<td>10% sample from the LDS 1995-2005</td>
<td>Descriptive before/after analysis, differences-in-differences, and regression-adjusted differences-in-differences. Dependent variables: employment rate, earnings, and exits from income support</td>
<td>• Working Credits, introduced in 2003, are accumulated during periods of zero/low earnings and allow temporary retention of IS benefits after recipients start work. • Their introduction increased employment rates, earnings and exits for those on IS, at relatively low cost. • Only relatively short-term outcomes (around one year) could be examined with the data. Therefore no conclusions about the effectiveness of the policy at achieving enduring changes in employment patterns.</td>
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<td>Cai, L., Mavromaras, K. and Vu, H. (2008) How Does the Level of Employment Affect the Level of Income Support Receipt?</td>
<td>Aggregate data from publications of social security administrative authorities and ABS</td>
<td>Descriptive analysis, and ordinary least squares and (fixed effect) logits. Dependent variable: receipt rate of unemployment related benefits, Disability Support Pension and Single Parent</td>
<td>• Labour market conditions affect unemployment benefit receipt rate for all, DSP receipt rate for males and PPS receipt rates for females. • These effects are longest lasting on DSP rolls. • Stock-flow estimation results suggest that an improvement in labour market conditions, as measured by an increase in the employment rate, is likely to reduce the inflow and increase the outflow of the typical recipient. • The estimated effects derived from the stock-flow model of the employment rate on the receipt rates are much smaller than the effects derived using the aggregate data</td>
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<td>Pension</td>
<td>• This is possibly due to insufficient variation in the labour market conditions. Would need longer period of flow data to test this.</td>
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<td>Hérault, N. and Kalb, G. (2008) Intergenerational Correlation of Labour Market Outcomes</td>
<td>HILDA 2001-2005</td>
<td>Descriptive analysis and simultaneous tobit - ordered probit model. Dependent variable: labour market outcomes (a - proportion of time in unemployment since leaving full-time education, and b - proportion of time not in work over the 5 available HILDA waves); and education outcomes.</td>
<td>• Labour market outcomes and education levels are correlated across generations. • Men's labour market outcomes are correlated with those of their fathers. • For women, time spent out of work is strongly correlated with mother’s labour market outcomes. • Men do better at school if their father has higher education; both parents’ education levels impact on women’s school performance. • Positive and significant effect of education on good labour market outcomes. • Thus there is a direct effect of parents’ labour market outcomes on their children’s labour market outcomes but also an indirect effect through parents’ education. • For youth (aged 15-22), self assessed high school achievements are not affected by the parents’ labour market outcomes but they are affected by parental education. • Men do better at high school if their father has a diploma or a university degree. • There is a positive effect of both parents’ education levels on women’s achievements at high school.</td>
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<td>Oguzoglu, U. and van Zijl de Jong, M. (2009) Factors Affecting the Wage Progression of the Low Paid</td>
<td>HILDA 2001-2005</td>
<td>Descriptive analysis and panel fixed effects regressions. Dependent variable: natural logarithm of the real hourly wage rate</td>
<td>• Low pay is defined as an hourly wage rate of less than 2/3 of the median wage in the selected sample ($11.05 per hour in Wave 1 to $13.19 per hour in Wave 5). • A wage penalty estimated for the previously low paid is 7%, which is lower than the wage penalty of 10% estimated for the previously unemployed. • Taking a longer-term view suggests that the persistently low paid and the persistently unemployed are equally affected, with an approximate wage penalty of 25%. • Replicates earlier findings on the persistence of low pay by Buddelmeyer et al. (2007). • Being previously low paid is also associated with higher exit rates from employment. • Low-paid men with an undergraduate degree or higher exhibit a median annual wage growth of 53% compared to 26% growth for the low paid with the lowest education</td>
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Wage progression of low-paid workers with disabilities is similar to those without disabilities at approximately 30% as long as the disability is not work-limiting. For work-limiting disabilities, the wage growth is somewhat lower at around 25%.

Public sector and large firms offer more opportunities for low-paid workers, facilitating wage progression. Low pay in the public sector is associated with a wage growth of around 8 percentage points more than low pay in the private sector.

The availability of on-the-job training is estimated to increase wage growth by 10 percentage points.

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Education of more recent birth cohorts of women has increased compared to earlier birth cohorts but not for those who became teenage mothers
In a comparison of women who had their first child as a teenager and women who had their first child at a later age, it is found that state dependence (effect of welfare participation in the previous period on current welfare participation) is more important for teenage mothers. Health status is more important for teenage mothers (poor health increases welfare participation), while marital status is more important for older mothers (being married decreases welfare participation). |
| Cai, L., Mavromaras, K., Zakirova, R. and Fok, Y.K. (2008) Human Capital and the Patterns of Employment and Welfare Receipt | HILDA 2001-2006 | Descriptive analysis, and multinomial logit and competing risks duration model. Dependent variable: four combinations of employment (yes/no) and welfare receipt status (yes/no), and changes in these combinations. | Of 4 main categories of explanatory variables (Qualifications; Work Experience; Health; Individual and Family characteristics), strongest results for Qualifications and Health.
More qualifications decrease the probability to be in not-Employed + Welfare.
In the case of Employed + non-Welfare the opposite holds.
Work experience increases the probability of being Employed + non-Welfare and decreases the probabilities of all other alternatives up to a level of work experience, beyond which the relationship is reversed.
Worse health is strongly and positively associated with being not-Employed + Welfare, and better health is strongly and positively associated with being Employed + non-Welfare.
Family status and children in the family influence employment-welfare outcomes, but... |
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| Black, D., Kalb, G. and Kostenko, W. (2009) | HILDA 2001-2006 and RED 2002-2008 (1% and 10% sample) | Descriptive analysis, and conditional logit, simultaneous probit and ordered probit models. Dependent variable: Whether individual changed postcode, SEIFA in area of residency, employment and earnings outcome, and location choice (from 57 ABS Statistical Regions) | • IS recipients are more likely to live in (and move to) low SEIFA areas, especially for those from Non-English Speaking Background and Aboriginal and Torres Strait Islanders.  
• Area characteristics which appear important in relation to the SEIFA level: public transport appears to be of better quality in high SEIFA areas, a larger number of skilled job vacancies and a smaller number of unskilled job vacancies in high SEIFA areas, capital cities are more likely to contain high SEIFA areas.  
• Living in a low SEIFA area per se has no direct impact on labour market outcomes, but has an indirect impact through fewer vacancies, lower accessibility and own characteristics.  
• People move for a variety of reasons: family, lifestyle and economic  
• Mobility in itself has no positive effect on labour market outcomes. In fact, the direct |
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- Single persons (e.g. one parents), those with poor health, those with poor education and older persons (of working age) are more likely to be in a jobless household  
- The risk of living in a jobless household declined from 12% in 2001 to 8% in 2007, but falling unemployment rates do not appear to be a major cause of this. This decline is no longer found after controlling for a range of observed characteristics  
- Living in a jobless household in one year strongly increases the chance of being in a jobless household the next year. |
| Lee and van Zijll de Jong (2010) *Successful and Unsuccessful Pathways to Employment* | LPS Cohort 1 (5 six-monthly waves) linked to data from RED | Descriptive analysis, and OLS regressions and random effects dynamic panel probit model. Dependent variable: transition off income support into employment (defined as a "success") | - Attitudes appear important for some groups of income support recipients in descriptive analyses and multivariate cross-sectional analysis.  
- However, there is a high level of state dependence – that is, current “success” is highly correlated with past “success”.  
- Once state dependence and unobserved heterogeneity are accounted for in the dynamic panel regression models, attitudes, social support networks and activities undertaken do not show any statistically significant influence on “success”. |
| Fok, Y.K. and McVicar, D. (2011). *Activation and Welfare Dependency* | RED (10% sample) and LPS | Descriptive analysis and duration and probit analyses Dependent variables: exit from Parenting Payment, and exit from Parenting Payment to | - Welfare to Work reforms of 2006 introduced new measures and tightened eligibility requirements for various groups of Income Support (IS) recipients, including new claimant principal carer parents  
- Sample of analysis are all grandfathered Parenting Payment (PP) recipients as of 30th June 2006 –tracked for all IS episodes from the beginning of the episode which was ongoing on 30th June 2006 until 30th June 2009  
- Since 1st July 2007, parents from this group with a youngest child aged 7 or more |
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| Kuehnle, D. and Scutella, R. (2011). Employment Retention in an Economic Downturn | RED, LPS and ERA survey (longitudinal survey of a group of disadvantaged jobseekers placed in employment in 2008) | Descriptive analysis and duration and probit analysis. Dependent variables: Return to income support (within two years), time off income support | have been required to meet the new participation conditions—that is, engage in 15 hours per week of paid work or work-related activity – in order to remain eligible for PP  
• After being activated, a typical grandfathered low-income parent was:  
  • more likely to exit PP;  
  • more likely to switch from PP to another Income Support payment;  
  • more likely to exit Income Support altogether;  
  • more likely to enter paid employment if remaining on PP;  
  • more likely to increase working hours to 15 hours per week or more if already working and if remaining on PP;  
  • perhaps more likely to engage in job search or search-related activities (somewhat mixed evidence on job-search impacts);  
  • larger effects for those in receipt of PP Partnered (PPP) than for those in receipt of PP Single (PPS), possibly due to partner’s employment and support in care;  
• reforms appear to be working for low-income parents, at least in terms of reducing welfare dependence and increasing workforce participation;  
  • No statement can be made regarding welfare or income of affected families, or on the benefits net of costs.  
• part of the impact on the grandfathered group of low income parents – some estimates suggest around one half – has been driven by benefit shift from PP to other IS payments.  
• Individuals most likely to return to income support (of those who were off income support in May/June 2008, i.e. just before the Global Financial Crisis) are:  
  • men, at any time during their spell off income support  
  • those with low levels of education  
  • those who are single, without children or whose partner is not employed  
  • those who had previous income support spells/more time on income support  
  • those who experienced a major financial change or personal life event  
  • employees in casual jobs, employees with less tenure at start of the period, low-paid women, employees without flexible working conditions  
  • those previously on an unemployment-related payment (38%), whereas those
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<td>previously on Parenting Payment Single are least likely to return (19%)</td>
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<td>• GFC raised the hazard of returning to income support for those in non-casual and casual employment compared to the pre-GFC hazard of returning</td>
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<td>• probability of returning to income support increased from the 3rd quarter of 2008, peaked in the 1st quarter of 2009, and returned to pre-crisis levels in the first quarter of 2010</td>
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