

# From the Editor

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## Welfare Reform

**T**HE Howard Government has embarked on another most important journey—the reform of the welfare state.

Because the welfare system is unsustainable, the need for reform, as outlined by Michael Warby (*Making Welfare Sustainable*, page 13), is overwhelming.

Welfare spending grew by an average of over eleven per cent per year over the 1990s. Even during the latter half of the decade, when the unemployment rate declined, welfare spending grew by over seven per cent per year. This growth rate is set to continue over the next decade, with the Commonwealth forecasting that its own outlays on welfare will grow by 24 per cent over the next four years.

Growth in welfare spending is being driven by the growing dependence of working-age and workable people—particularly the long-term unemployed, lone parents and the disabled. Growth in aged pensions is a contributing factor, but it is not the main driver. Over the 1990s, the number of lone-parent pensioners increased by over 50 per cent and the number of disability pensioners grew by 90 per cent. Indeed, on current projections, in about two years' time, disability pensioners will outnumber people on the dole and there will be more people on lone-parent and disability pensions than on aged pensions. The growth in disability pensions is not being driven by a wave of debilitating epidemics but rather by the fact that it is a higher paying, less onerous alternative to the dole.

Importantly, once people are on welfare, they tend to remain on it—often for life. From the available data, there is a 97 per cent probability that



once a person is on a disability pension, they will remain dependent on some form of welfare for the remainder of their life and that most will have no contact with the workforce. Also, once on the lone-parent pension, a large and growing proportion tend to stay for the duration of their children's childhood. And the average duration of unemployment for the long-term unemployed (people unemployed for more than two years) now stands at six years and is growing.

As is now well known, welfare dependency is not only associated with a host of social and individual pathologies but tends to perpetuate itself through future generations.

Of course, welfare reform is not new. Governments have been tinkering with the welfare system almost continuously over the last two decades: the Hawke Government introduced better targeting and asset tests; the Keating Government introduced the concept of reciprocity or mutual obligation and also introduced case management; and the Howard Government has streamlined the benefits system and reduced poverty traps, reinforced and expanded the concept of mutual obligation through its work-for-the-

dole programme and cracked down on fraud and abuse.

Part of the broad task lies in completing tasks already begun. Although Australia has one of the most tightly targeted welfare systems in the OECD, there are still areas where too much of the welfare dollar still goes to middle-to-high-income earners. For example, families with incomes in excess of \$110,000 per year (or almost 4 times median household income) are still eligible for the childcare rebate. As outlined by Alan Moran (*The 'R' Files*, page 16) there is also an urgent need to rein in the childcare industry, which is rapidly regulating childcare beyond the reach of needy parents and the funding capacity of the state.

As Ken Phillips shows (*Welfare Reform*, page 14) a further extension of case management and the concept of reciprocity lie at the heart of successful reform. More specifically, the task is to break down the barriers in the system that treat the disabled, lone parents and the mature unemployed differently, provide them with the same tailored services, and require of them the same responsibilities to work as are applied to people on the dole.

This will require more money in the short term, but not nearly as much as many in the welfare industry hope. The Australian welfare system is very generous to those it helps, as shown by the 30 per cent increase in real income achieved by the lowest income households over the last 20 years—thanks largely to a generous and well-targeted welfare system.

The task is to deliver this largesse more to those who need it most and this is best done by using all possible means to get those who are able to work—whether they are old, partially disabled or with children—back to work.

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