

# Work and well

## The evolving role of income support

In recent decades there have been significant changes in the Australian labour market and in the distribution of employment. **JOCELYN PECH** and **JOHN LANDT** discuss how the income support system has adapted to these changes.

**T**he Australian income support system<sup>1</sup> was originally designed to provide a substitute for income from paid work, rather than a complement to such income. In a world where almost all jobs were full-time, women commonly withdrew from the workforce when they married and male wages were considered sufficient to support a family, there was little need for the social income support to top up earnings on an ongoing basis.

Over time, however, general living standards rose relative to minimum wages, non-standard (especially part-time and intermittent) employment became more common, and the two-income family became the social norm. In the world we now inhabit, it is much more common for individuals and families to find themselves with insufficient income from paid work to fully meet their needs. It is in this context that the Australian social security system has evolved to provide a comprehensive safety net of employment-related support for a significant proportion of the population.

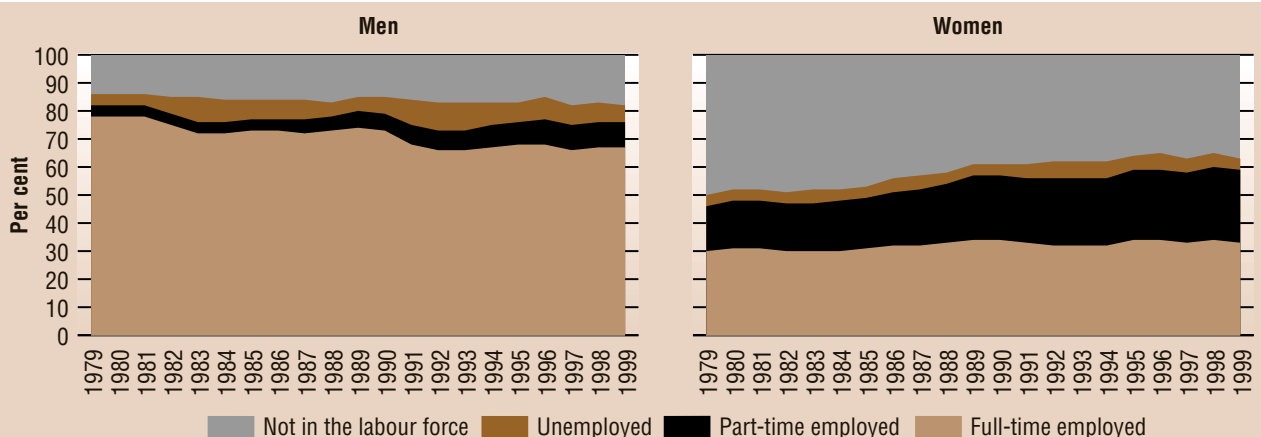
The income support system still fulfils its traditional role of facilitating movement between jobs as economic and personal circumstances change. Where employment is part-time, short-term and/or insecure, it helps to smooth the movement between jobs, and allows some people to better balance work and other priorities. It also supports the acquisition of skills by people entering the labour market for the first time and by those who find that their existing skills are no longer in demand.

### Patterns of labour force participation

There is now a higher proportion of people of working age<sup>2</sup> in employment than at the start of the 1980s, with the August 2000 employment rate of 69 per cent the highest recorded. However, fewer people are employed full-time and more jobs are casual<sup>3</sup> and/or low-paid (Dunlop 2000).

Over the past 20 years, the labour force experience of men and women has been quite different, as illustrated in Figure 1. In aggregate, the male labour force

**Figure 1** Labour force status of men and women aged 15–64, as ratios of population, 1979 to 1999



Source: ABS, Labour Force Australia (Cat. Nos. 6203.0 & 6204.0), 1979 to 1999.

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Picture: Don Whyte

participation rate<sup>4</sup> fell from 86 per cent in 1979 to 82 per cent in 1999, while the female labour force participation rate increased from 50 per cent to 64 per cent. This halved the gender gap in labour force participation.

Other important developments over the same period included:

- increasing proportions of both men and women in part-time employment, such that 12 per cent of male employment and 44 per cent of female employment is now part-time;
- significant increases in underemployment, with more than a quarter of men and almost one in five women who worked part-time in 1999 wanting to work longer hours; and
- an increased incidence of long-term unemployment, with men now unemployed for an average of 59 weeks and women for an average of 44 weeks.

Figure 2 shows that different family status subgroups have also been differentially affected over the past twenty years. Employment rates of partnered men with

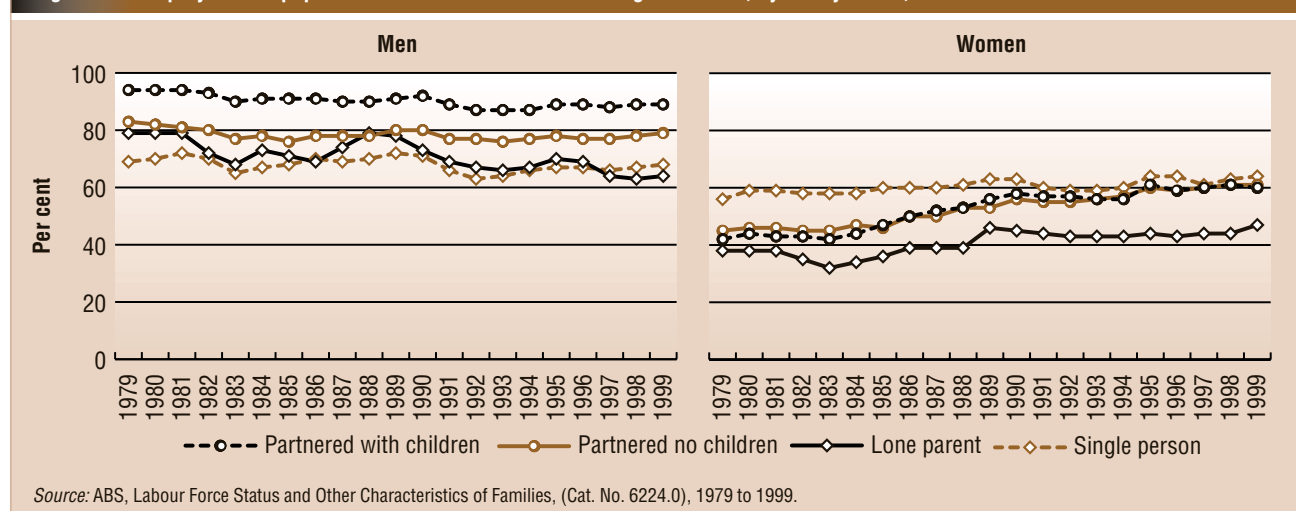
and without children followed steady downward trajectories, while the employment rate of single men without children fluctuated with the economic cycle. Among men, the experience of male lone parents stands out – their employment rate fell by 15 percentage points from 79 per cent in 1979 to 64 per cent in 1999.

The employment rates of partnered women, with and without children, remained similar throughout the period, each group showing an increase of over 15 percentage points. These groups now have almost the same rate of employment as single women without children (and not much lower than single men). Female lone parents experienced rapid employment growth during the latter half of the 1980s, but the employment gap between them and partnered women has widened.

## Impacts on families and children

Figure 3 demonstrates the net impact of these trends on the distribution of employment among family income units. Consistent with the trend to increasing

Figure 2 Employment to population ratios of men and women aged 15 to 64, by family status, 1979 to 1999.

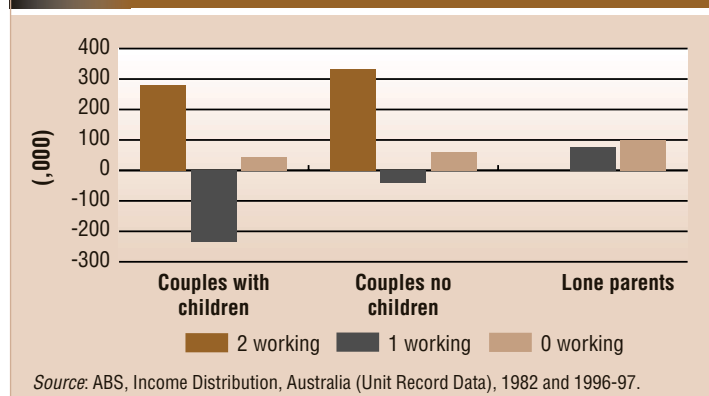


employment among partnered women, there were significant increases in the numbers of two-earner couples, both with and without children, between 1982 and 1997.

At the same time, the numbers of jobless families increased. Among couples, this was largely a consequence of increased joblessness among men, combined with a tendency of their wives also to be jobless (Miller 1997; Bradbury 1995). There was a large increase in the number of jobless lone-parent families, alongside a smaller increase in the number of lone parents in paid work.

These changes in the distribution of employment have meant that more children now live in families with two parents working, and in jobless families (Gregory 1999). In June 1999 more than two in every five Australian children were living with two employed parents, while more than one in six were living in jobless families. International comparisons show that joblessness affects a larger proportion of families with children in Australia than in most other industrial nations (Oxley et al. 1999).

**Figure 3** Change in number of family income units aged 15–64, by number of employed adults, 1982 to 1997



**Table 1** Labour force status of 15–69 year olds, February 1999 and year to February 1999

Labour Force Status (% of population)	In February 1999	During the year to February 1999	
		Whole year	At some time
Employed	65.4	48.1	72.2
Unemployed	6.0	2.0	13.6
Not in the labour force	28.6	22.8	44.6

Source: ABS, Labour Force Experience (Cat. No. 6206.0), February 1999

**Table 2** Changes in labour force status between July and August 1999

Labour force status, August 1999 (%)	Employed full-time	Employed part-time	Unemployed	Not in the labour force	Total
Employed full-time	93.7	4.1	0.7	1.4	100
Employed part-time	10.1	79.5	2.3	8.1	100
<b>Employed</b>	<b>95.7</b>		<b>4.3</b>		<b>100</b>
Unemployed	7.5	11.3	60.6	20.6	100
Not in the labour force	1.2	2.8	3.1	93.0	100
<b>Jobless</b>	<b>5.5</b>		<b>94.5</b>		<b>100</b>

Source: ABS, Labour Force Australia, Cat. No. 6203.0, August 1999

## Dynamics of labour force experience

Point-in-time estimates of the number of people who are employed, unemployed or jobless do not capture the full picture of people's attachment to the labour force. Table 1 compares people's labour force status in February 1999, with the proportions of the population who had experienced that same status for the whole of the previous year and at some time during the previous year.

Fewer than half the population had been employed for the whole of the previous year, but almost three in four had been employed at some time during the year. Whole-year unemployment was uncommon, but about one in seven people had been looking for work at some time during the year. Moreover, almost 45 per cent had been outside the labour force (that is, neither in paid work nor looking for work) at some time. These data show that over time unemployment and joblessness affect far greater proportions of the population than is indicated by the point-in-time unemployment rate. They also suggest considerable labour force turnover and diversity of labour force experience.

Even from month to month, significant numbers of Australians change their labour force status. Table 2 shows that between July and August 1999 about 4 per cent of people who had been employed lost or left their jobs and over 5 per cent of people who had been jobless gained employment. There were significant movements of people from unemployment to employment (most often to part-time work) and from part-time to full-time work.

This increasing diversity of labour market experience is paralleled by increasing diversity of income support receipt. The availability of part-time employment has provided opportunities for people to supplement their income support with earnings. On the other hand, widespread underemployment and casualisation have meant that many people who in previous times might have been independent of the income support system have had to rely on it to top up their inadequate earnings. In the next part of this paper, we examine this interaction in more detail.

## Income support trends

Income support payments can be divided into three main groups: unemployment payments; payments made on the grounds of caring activity and/or presumed financial dependence on a current or former partner (the largest subgroup among these is lone parents); and payments for illness or disability. Figure 4 shows how the proportion of working-age people receiving these forms of income support almost doubled between 1980 and 1998. Recipient numbers increased in each of these major groups over the 1980s and 1990s, with the largest overall increase occurring among people receiving unemployment payments.

All of these payment categories have been affected by the changes in the labour market, as well as demographic trends and changes in income support policy, but the character of the changes varies from group to group.

The main factors contributing to the large increase in unemployment payment receipt have

been the increases in aggregate unemployment and underemployment and changes to income support provisions. The increased availability of part-time and casual work and changes to income tests that allow recipients to keep more of their earnings have acted to substantially increase the proportion of unemployment payment recipients who declare earnings from employment. Eligibility has also been broadened to include people who are undertaking activities other than job search (such as short-term training) and people who are temporarily unable to look for work because of illness.

These trends and changes have meant that people who would not be defined strictly as unemployed (that is, not employed and available for and actively seeking work) now comprise a significant proportion of people receiving unemployment payments. Table 3 shows that fewer than two-thirds of people receiving these payments in May 2000 were unemployed in the technical sense.

The principal factor behind the significant increase in lone-parent recipients has been the increased incidence of lone parenthood in the general population (from 13 per cent of families with children in 1980 to 21 per cent of families with children in 1998). This growth in lone parenthood has been a significant contributor to the overall growth in family joblessness discussed earlier.

Recipients of payments in the "Other parents, carers, partners" category are mainly women, many of whom are in older age groups. Most receive income support because of their relationship to people in other payment groups (for example, wives and carers of people with disabilities and partners of unemployed people). As those groups have grown in size, so has this one.

Factors contributing to the increase in disability payments (primarily Disability Support Pension (DSP)) include the overall increase in unemployment, changes in income support policy and, more recently, population ageing.

### Patterns of income support receipt

Longitudinal administrative data suggest that there are a number of distinct patterns of income support receipt (FaCS 2000, Appendix 3). These tend to vary considerably both within and between payment categories. Of the recipient categories discussed above, the most stable population is people receiving disability payments. People who receive DSP tend to stay on that payment until they reach Age Pension age or die. Very few ever leave payment for employment.

At the other extreme, there is considerable turnover in the population receiving unemployment payments. Many people receive this payment only for short periods of time, but many also alternate periods of employment with periods of income support receipt. As previously shown in Table 3, about one in six reports income from employment in any given fortnight. The long-term unemployed person who is entirely dependent on payment for many years is a rare individual.

People who receive lone parent payments are likely to stay on payment for at least two years, and

net population turnover is relatively low. Some leave payment because of re-partnering, others for employment and a substantial group simply moves onto another payment when their eligibility for Parenting Payment Single expires. This payment group is the most likely to combine employment and income support on an ongoing basis.

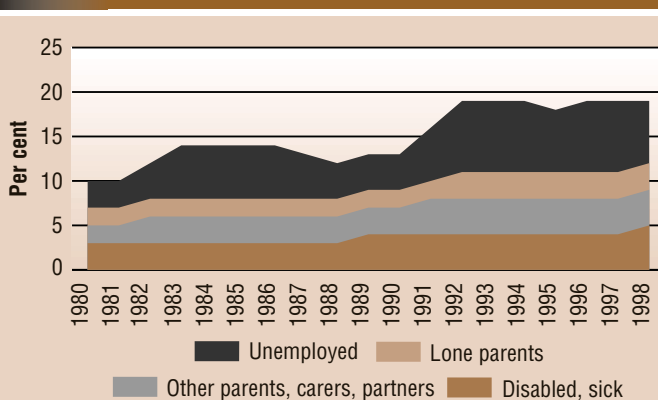
The experience of people on the remaining payments is varied. Some (Wife Pension, widow payments) show patterns of receipt similar to those of DSP, others (Carer Payment, Partner Allowance) are more like Parenting Payment Single, while Parenting Payment Partnered is most like the unemployment payments.

### Participation in employment and education

Administrative data show that the proportion of income support recipients receiving a part-rate payment because of other income has increased significantly. At the beginning of the 1980s very few working-age income support recipients were on a part-rate payment. By June 1998 around 18 per cent of recipients received a part-rate payment. In the great majority of cases, people receive a part-rate payment because of income from employment<sup>5</sup>.

Data from ABS income distribution surveys<sup>6</sup> illustrate this trend. Figure 5 shows that employment among people receiving income support increased significantly between 1982 and 1996.

**Figure 4** Main groups of working-age income support recipients as proportions of the working-age population, 1980 to 1998

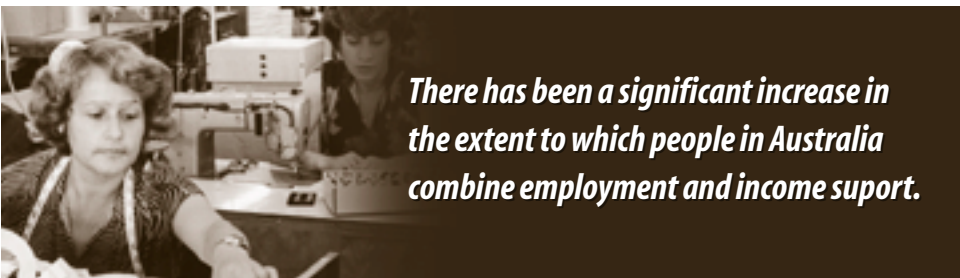


Source: Department of Family and Community Services (formerly Department of Social Security) Annual Reports.  
 Note: As partners of recipients only received payments in their own right from September 1994, the earlier data are adjusted to include partners of recipients in the 'Other parents, partners, carers' category.

**Table 3** Composition of the unemployment payment population, May 2000

Customer sub-group	No	% of total
Had earnings from employment	84,800	12.4
Did not receive a payment because of casual income	36,700	5.4
Other activities	34,600	5.1
Incapacitated	71,000	10.4
Other temporary exemption from activity test	14,400	2.1
Unemployed (ie not employed and seeking work)	441,000	64.6
<b>Total</b>	<b>682,500</b>	<b>100.0</b>

Source: Centrelink, Labour Market and Related Payments Monthly Profile, May 2000



*There has been a significant increase in the extent to which people in Australia combine employment and income support.*

Consistent with administrative data, lone parents had the highest employment rates at each point in time. Employment rates of women with children increased strongly in the late 1980s, whereas employment rates increased more strongly for men during the 1990s.

These data confirm that over the last 15 to 20 years there has been a significant increase in the extent to which people in Australia combine employment and income support. Marsh (1997) found similar significant levels of employment amongst income support recipients in Britain. However, comparing these trends with those identified earlier for the population as a whole (Figure 2) suggests that quite different processes may have been operating in the male and female income support populations.

Among women, employment of income support recipients increased alongside the general increase in female employment, while the employment of male income support recipients increased as male employment was falling. This suggests that the increased employment of female income support recipients represents an increase in aggregate labour supply, whereas for men it represents a decrease in aggregate labour supply (that is, a net movement from full-time to part-time employment), of which at least part is due to underemployment.

Our analysis tends to support Marsh's (1997) finding that the income support system can and does play a significant role in supporting people already in employment, particularly those whose work is intermittent or poorly paid. It seems clear that many employed men, in particular, now need to fall back on the income support system to a greater extent than previously. This is also consistent with longitudinal research in Australia,

covering the 1994 to 1997 period, which describes the extent to which some workers cycle in and out of low-paid work (Dunlop 2000).

The income support system has yet another role to play in the labour market – to support people while they acquire the skills they need to enter employment. ABS income survey data show that education participation doubled among female income support

recipients between 1986 and 1996 (from about 3 per cent to 7 per cent), but did not increase among men. Survey data (Pech and Pawagi 1999) show that female lone parents are the income support group with the highest rate of participation in education.

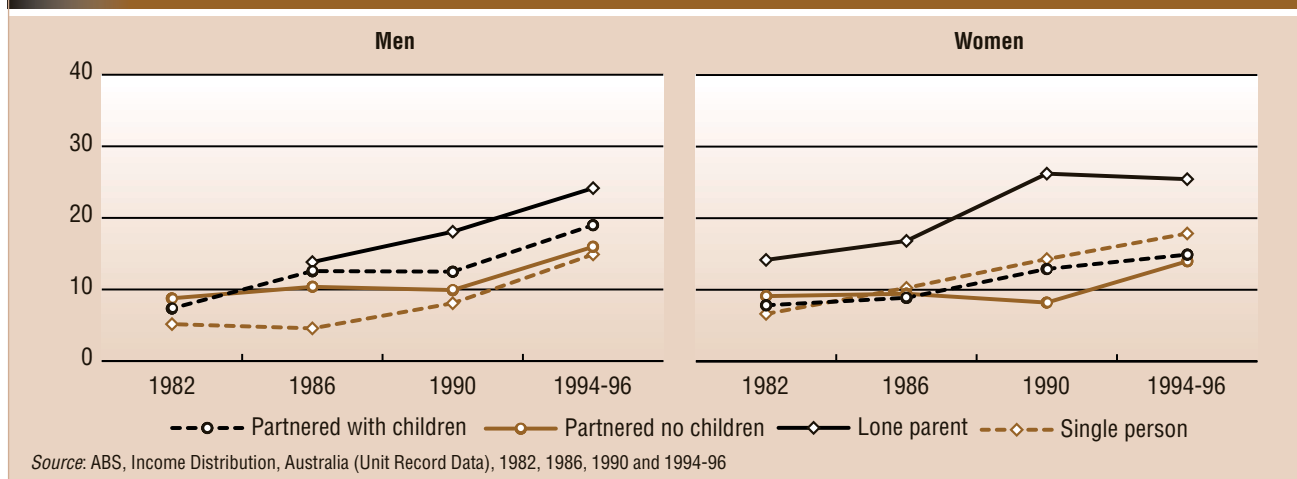
Thus, it appears that increasing proportions of women on income support are deciding that time spent improving their skills is a worthwhile investment. Research on lone parents from both the United States (Harris and Edin 2000) and Canada (Barrett (2000) has confirmed the value of education for the employment prospects of female income support recipients.

### *Income support as an "in-work" supplement*

Some people might interpret the increased incidence of employment among income support recipients as indicating a tendency for more people to adopt a lifestyle of permanent part-time work supplemented by income support. Pension arrangements are more conducive to this than allowance arrangements. While the allowance income test ensures that eligibility is lost if a person takes a substantial part-time job, the pension income test may allow people in low-paid full-time work to continue to receive a partial income support payment.

However, administrative data show that very few income support recipients exhibit this pattern of income support reliance. Over the period from April 1996 to March 1999, an estimated 38,000 people (fewer than one per cent of the total recipient population) had a cumulative income support duration of more than five years and private income that averaged more than \$150 a week. Over half of this group were lone parents on Parenting Payment<sup>1</sup>. Table 4 confirms that long-duration income

**Figure 5** Proportions of working-age income support recipients in employment, by gender and family status, 1982, 1986, 1990 & 1994-96



support recipients are less likely than short-duration income support recipients to have significant private income. Parenting Payment Single recipients are however much more likely than people on other payments to have these higher levels of private income, regardless of income support duration.

## Conclusion

The Australian social security system continues to play a central role in facilitating employment mobility in Australia and in supporting people whose position in the labour market is insecure. It does this in a number of ways: by supplementing income from earnings, by providing income between jobs, and by providing support to those who are undergoing training or education. Viewed from this perspective, it provides a comprehensive range of work-related supports.

Our analysis has shown that over the past 20 years increasing numbers of people have come to rely on income support to supplement their earnings. The data suggest that the proportion of working-age recipients combining employment and income support more than doubled between the early 1980s and mid 1990s. We have argued that this trend reflects both increased participation in employment by people on income support and a reduction in the availability of secure full-time jobs, especially for men. There has also been an increasing proportion of income support recipients, particularly among women, undertaking full or part-time study.

It seems likely that the trend to increasing diversity of labour market attachment and experience will continue into the future. If this is so, it will be crucial to ensure that the income support system and related programs continue to provide appropriate support for people who are doing their best to participate in a labour market that is increasingly insecure for many.

## Endnotes

1. In this paper the term "income support" refers to the pensions and allowances that are payable to people aged 16 and over who are deemed to have insufficient income to meet their own needs. The term "social security system" is slightly broader – as well as the basic income support payments, it includes payments for families with children.
2. For income support purposes, the working-age population is broadly defined as people aged at least 16 but less than the qualifying age for Age Pension (65 years for men and currently 61 years for women). Unless otherwise specified, data used in the paper and sourced from the Australian Bureau of Statistics (ABS) refers to men and women aged 15–64 years.
3. The ABS defines casual employees as those employees who are entitled to neither paid holiday leave nor sick leave.
4. The labour force includes everyone who either has paid work or is actively seeking and available for paid work (that is, unemployed). Thus the labour force participation rate of a particular population is the proportion of individuals in that population who are either employed or unemployed.
5. This figure captures only those people with earnings and other income of more than the relevant income test free area (currently \$31 a week for people on allowance payments, \$53 a week for single pensioners, \$65.30 a week for lone parents with one child, and \$94 a week for pensioner couples).
6. We have used data from these ABS surveys to examine trends over the 1980s and 1990s because there is no reliable time series of administrative data on the employment of income support recipients. However, one limitation of using these data is the sample size, which can result in incomplete

**Table 4 Private income per week by cumulative duration category, selected payment types, all income support recipients April 1996 to March 1999**

Payment type	Private income* per week by cumulative duration# (%)					
	Less than \$50		\$50-150		More than \$150	
	Short	Long	Short	Long	Short	Long
Disability Support Pension	80	91	13	7	8	2
Carer Payment	74	85	15	14	11	1
Parenting Payment Single	60	67	17	18	24	15
Parenting Payment Partnered	80	87	14	10	6	3
Newstart Allowance	71	81	19	13	11	5
All payments	76	83	16	11	9	6

Source: Department of Family & Community Services, Longitudinal Dataset, 1% sample file.  
 \* Income from employment, investments, etc. averaged over the entire period of income support receipt (does not include child support payments).  
 # Short duration is less than 2 years, long duration 5 years or longer.

coverage of some sub-groups in the income support population. For instance, in Figure 5, there are insufficient records to show data for male lone parents in 1982.

7. They comprised 4.5 per cent of the total population of lone parents receiving Parenting Payment.

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