

The following is a summary of research findings by The National Foundation for Australian Women. The research was undertaken with funding by the Don Chipp Foundation and the findings below were presented at an open forum hosted by the Don Chipp Foundation in Melbourne on September 29th, 2006

The Distributional Impact of the Welfare-to-Work Reforms Upon Australians with Disabilities

Research by the National Centre of Social and Economic Modelling

Overview

In the May 2005 Budget the Federal Government announced a range of proposed welfare to work measures, to take effect from 1 July 2006. Against the backdrop of projected slower rates of workforce growth in the future due to population ageing, the government is keen to encourage labour force participation. In addition, reducing welfare dependency and increasing employment is seen as likely to improve the lifetime incomes and economic well-being of welfare recipients, as well as boosting economic growth for Australia as a whole.

Among the numerous measures announced in the Budget were significant changes for Australians with disabilities. Concerned about the potentially disproportionate impact these changes would have on Australian women 64 women's organisations came together under the What Women Want umbrella. Through the auspices of the National Foundation of Australian Women (NFAW) and with the generous financial support of the Don Chipp Foundation this group of women's organisations commissioned the National Centre for Social and Economic Modelling (NATSEM), University of Canberra to investigate the impacts of the changes on Australians with disabilities.

This research analysed the impact of the proposed changes upon the disposable incomes and effective marginal tax rates of those affected. It shows that the disposable incomes of people with disabilities can be up to about \$120 a week lower under the proposed new system than under the current system. It also finds that effective marginal tax rates will be sharply increased under the proposed new system, over a reasonably wide range of earned income.

The Government's proposed welfare to work reforms will not directly affect the disposable income or effective marginal tax rates (EMTRs) of those Australians who are already in receipt of Disability Support Pension (DSP) on 1 July 2006 and who remain on that payment.

However, those persons with disabilities who begin receiving income support after 1 July 2006 will be placed on Newstart Allowance if they are assessed as being able to work 15 to 29 hours a week at award wages. The Newstart Allowance *maximum payment rate* for single adults in 2006-07 is \$46 a week lower than that of DSP, resulting in an immediate loss of this amount of income for those placed on Newstart Allowance rather than DSP. The gap between DSP and Newstart Allowance will increase further in future years, as DSP is indexed to movements in average weekly earnings, while Newstart Allowance is indexed to the (generally lower) Consumer Price Index.

The Newstart Allowance *income test* is also much less generous than the DSP income test, and its payment is also less than that of the DSP. Taken together, these mean that the losses in take-home income can be as high as \$122 a week for single people with disabilities and around \$390 per week of private earnings who are placed on Newstart Allowance rather than DSP.

It can be argued that all potential job seekers should be treated in the same way and placed on Newstart Allowance. However, this assumes that, for example, a single 34 year old able bodied person with no dependent children has the same capacity to undertake paid work as a 34 year old person with a substantial disability or with two young dependent children. This appears a strong assumption, given the long-term caring responsibilities associated with being a sole parent, and the long-term difficulties encountered by those with substantial disabilities.

In addition, it cannot always be assumed that the problems faced by women with disabilities are the same as those faced by men with disabilities. For example, many would believe that a single 34 year old woman with disabilities, assessed as qualifying for the Newstart Allowance, would have the same capacity to undertake paid work as her male counterpart. However, under current conditions, despite their apparent equal capacities for work, the actual outcomes for women with disabilities are often poorer. For example, in 2003, 47 per cent of women with a disability were participating in the labour force compared with 59 per cent of men with a disability (HREOC, 2005, p. 3).

There is some evidence that the differentials between women and men with disabilities continue even when employment has been found. Women with disabilities are half as likely to find full-time employment and twice as likely to be in part time employment. A recent Senate Committee report concluded that in either case they are affected by the lower wages paid to women relative to men and have a greater likelihood of being in casual jobs with poor job security. Overall the findings of this research suggest that further research is needed to examine the impact which gender differences will have under the new welfare-to-work reforms.