For some time, the largest single component of federal government spending has been social security and welfare. In the last federal budget it made up an estimated 35.2% of total expenses and this was projected to rise to 37.5% by 2019-20. Given this, it’s not surprising that it’s also has been a prominent target for expenditure cuts.

However, if you look at past budgets, the proposed cuts in social security programs are disproportionate to the amount the government spends. For example, in the first budget of the Abbott Government in 2014-15, out of total projected expenditure cuts of A$29.4 billion between 2014–15 and 2017–18, A$15.4 billion, or 52%, would have come from programs of the Department of Social Services.

Even more strikingly, around 10% of that budget’s proposed cuts would have come from unemployment benefit recipients under the age of 30 years – who account for less than 1% of total government spending.

Government and commentators alike argue spending is growing in this area at an unsustainable rate. But if you look at inflation and this spending as a percentage of Gross Domestic Product (GDP), these claims seem less convincing.

How much is spent

Spending on social security is forecast to increase from A$153 billion to A$192 billion between 2015-16 and 2019-20. This appears to be attributable to a large growth in spending on the aged – from A$60 billion to A$73 billion. This is coupled with very large increases in spending on people with disability – from A$29 billion to close to A$53 billion.

However, it’s important to note that the spending and revenue figures in the budget papers are in nominal dollars – that is, they do not take account of inflation or the growth of the economy. In this sense, they provide the most dramatic picture of trends that is possible, since adjusting by inflation will generally reduce the apparent rate of growth, potentially significantly.

To understand changes in welfare spending we also need to factor in changes in the context in which welfare dollars are spent. For example, population growth, the impact of an ageing population and changes in government policies and welfare categories, will all influence this.

A better way to look at this is comparing spending over time, expressed as a percentage of GDP.

Overall, total social security and welfare spending is projected to increase from just under 9.3% of GDP to just over 9.6% of GDP, an increase of about 2.8% compared to an increase in nominal spending of more than 25%. It’s also apparent that spending on many sub-programs, such as the Age Pension, Veteran Affairs pensions, Disability Support Pension, Family Tax Benefit, Paid Parental Leave and Parenting Payments are all projected to fall as a percentage of GDP.

It’s worth noting that these are estimated from the last federal budget, and many of the proposed changes in spending in this and earlier budgets were blocked in the Senate and have not proceeded. These are the so-called “zombie measures” , estimated to have been worth around A$10.7 billion over four years.

More recently a number of these measures have been passed by the Senate, but the increase in child care spending will not be as substantial as proposed in last year’s budget and the cuts in Family Tax Benefits will not be as significant.

However, in effect all of the increase in spending on social security and welfare is due to the introduction of the National Disability Insurance Scheme (NDIS), spending for which is projected to increase from A$1.1 billion to more than A$21 billion by 2019-20, or by close to 1% of GDP.

Who receives these payments?

With the exception of the year immediately before the global financial crisis, data for 2016 shows we’re currently at the lowest rate of receipt of income support in the last 20 years. Overall, at 30 June 2016 27.5% of the adult population were receiving an income support payment.

In total, there are around 2.7 million people receiving either an Age Pension or a Department of Veterans Affairs Service Pension, and around 2.6 million people receiving other "working age" income support. In addition, there are around 1.54 million families with nearly 3.0 million children receiving either or both Family Tax Benefit Part A or Family Tax Benefit Part B. Although 680,000 of these families are also receiving an income support payment and 855,000 are receiving the Family Tax Benefit only.

This shows number of recipients of the main income support payments at 30 June 2016, derived from administrative data from the Department of Social Services and data from the Department of Veterans Affairs.

Since the 1990s, overall rates of receipt for the adult population have fallen from 34.1 per cent in 1996, while rates for the working age population have fallen from 24.9% to 16% and for the population aged 65 and over from 84.2 % to 76.1%.

Moreover, the number of children for whom Family Tax Benefit Part A are paid has fallen from around 3.5 million in 2006 to just over 2.9 million in 2016. This is while the number of children less than 15 years of age has increased from 4.0 million in 2006 to 4.5 million in 2016. This means that the "coverage rate" of Family Tax Benefit Part A has fallen from around 85% to closer to 65%.

Overall, it is difficult to reach the conclusion that the share of the population receiving social security payments has been increasing significantly, or that spending has been growing at an unsustainable rate relative to the size of the economy. The future ageing of the population will put pressure on social spending and the NDIS will need to be paid for, but these are largely predictable and not the result of a "welfare blow-out".

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