

Some of the budget changes on welfare appear to be about sending the message that receiving welfare is undesirable. Whether these changes actually reduce social security spending and encourage independence to any significant extent remains to be seen. While the 2014 rhetoric of “lifters” and “leaners” may have been dispensed with, the dichotomy between “them” and “us” remains an underlying signal.

There’s actually [little current evidence](#) of an unsustainable growth in spending on social security and welfare. So it begs the question as to why these measures are needed.

One of the areas attracting the most controversy is the focus on payments for people of working age, particularly the unemployed and lone parents. Some of these measures appear to be more about signalling a stigmatising approach to welfare than identifying what works most effectively.

For example, “a commitment to reduce social harm in areas with high levels of welfare dependency,” will continue through the expansion of the Cashless Debit Card to two new locations and an extension of Income Management for a further two years to June 2019. As academic Eva Cox has pointed out, the [official evaluations of Income Management](#) didn’t find evidence of significant changes as a result of the policy, even on some its key objectives including

[hanging people’s behaviours](#)

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Then there’s a new approach to compliance for job seekers, a demerits points phase will be followed by a “three strikes” phase to engage with welfare recipients early and prevent them from incurring financial penalties for not meeting their obligations.

The government has also signalled that it will promote “self-reliance before welfare” through changes to the liquid assets test. Currently, there is a waiting period for people making a new claim for Newstart Allowance, Sickness Allowance, Youth Allowance, or Austudy of between one and 13 weeks. It applies if claimants have funds that are equal to or more than A\$5,500 for single people with no dependants, or A\$11,000 for those who are partnered or single with dependants.

From September 2018, the maximum Liquid Assets Waiting Period will double from 13 to 26 weeks when a claimant's liquid assets are equal to or exceed \$18,000 for singles without dependants or \$36,000 for couples and singles with dependants - that is, people with savings above these levels may have to wait up to six months before receiving payment.

Stigmatising welfare recipients, but at what cost?

The government appears to be implementing a number of the substantive recommendations of the [2015 McClure Review of the Welfare System](#). In particular, from March 2020, the government will introduce a new, single "JobSeeker Payment", which will progressively replace a number of payments such as the Newstart Allowance, Sickness Allowance, Wife Pension and Partner Allowance.

While this is presented as simplifying the system, over 99% of people will have no change to their payment rates. The government expects there will be around 800,000 people receiving Newstart at the time of the change and between 15,000 and 20,000 receiving all other payments, to be combined into the new payment.

Work requirements for the unemployed will also increase. Jobseekers will also have to spend more time looking for work or working for the dole – around 270,000 people aged between 30 and 49 years of age will be forced to spend 50 hours a fortnight. That's 20 hours more than they do currently. This is despite a recent [OECD report](#) finding that Australia already has the heaviest set of obligations on the unemployed of seven countries.

In the government's new approach to job seekers, they accrue demerit points for failing to turn up or being intoxicated. Once four demerit points are incurred over a six-month period, they will be assessed for the next phase. This involves escalating financial penalties for each additional failure; with the first strike leading to a loss of 50% of a fortnightly payment, the second strike leading to a loss of 100% of a fortnightly payment, and the third strike resulting in the cancellation of payment with a four-week exclusion from re-applying.

The rhetoric of "three strikes" (and you're out) is clearly derived from changes in criminal sentencing.

Another of the more striking initiatives in the budget was the announcement that from 2018, 5,000 Newstart Allowance and Youth Allowance claimants, in two trial locations, may be subject to randomised drug testing for cannabis, methamphetamine and ecstasy, as a precondition of their welfare payment.

Job seekers who test positive will be placed on welfare quarantining to reduce the cash available to spend on drugs. After an initial positive test, the recipient would have further random drug tests, a penalty will only be applied for failing to comply with a test request. It's notable that the cost of this measure is classified as commercial-in-confidence in the budget papers and has not been published.

In a related initiative, the government will close "loopholes" which allow welfare recipients to be exempt from job seeker requirements solely due to drug or alcohol abuse. The [government estimated](#) that because of this 11,000 exemptions annually would no longer be granted. This measure will cost A\$28.8 million to implement over four years.

From July 1, 2017, people will also no longer be able to qualify for Disability Support Pension on the basis of their substance abuse alone. It's estimated by the government that 450 fewer people will be granted Disability Support Pension each year due to this measure, saving about A\$22 million over five years.

But the testing of welfare recipients doesn't end there, from January 2018, a stronger "relationship verification process" for existing single parents will ensure people are not getting higher income support payments by claiming to be single when they are not. From September 2018, people applying for the Parenting Payment (single) or single parents claiming Newstart Allowance will be required to have a third party sign a new form verifying that they are in fact single. Penalties of up to 12 months in prison may be applied to referees - presumably families or friends - who provide a false declaration.

There doesn't seem to be much concrete evidence for the effectiveness for all these types of measures.

An [Australian Institute of Health and Welfare report in 2013](#) did report that use of illicit drugs

was more prevalent among the unemployed. It reported people who were unemployed being 1.6 times more likely to use cannabis, 2.4 times more likely to use meth/amphetamines and 1.8 times more likely to use ecstasy than employed people.

But the same report notes that people with the highest socio-economic status were more likely to consume alcohol in risky quantities and to have used ecstasy and cocaine in the previous 12 months than people with the lowest socio-economic status. It also appears these figures don't control for differences in the demographic profile of the unemployed and those in paid work.

Welfare quarantining policies of this sort have been tried in the United States in recent years. [According to the National Council of State Legislatures](#) at least 15 American states have passed legislation regarding drug testing or screening for public assistance applicants or recipients.

Reports of the effectiveness of this testing vary widely.

In the United States, a 2011 review by the federal [Department of Health and Human Services](#) estimated the prevalence rate of substance abuse among US welfare users ranged between 4% and 37%. However, a [review by US academics in 2005](#) found substance abuse disorders are less common among welfare recipients there than other serious barriers to self-sufficiency (such as physical health, poor academic skill and transportation difficulties, among a range of factors). These academics argued widespread substance abuse is not a major cause of continued economic dependence.

[Earlier research](#) pointed out that in the results of drug testing of welfare recipients there was a large group of "false positives" with no apparent disorder; and that drug-testing could not distinguish "false negatives" who may be alcohol dependent or experiencing psychiatric disorders and need assistance.

There have also been a number of court cases in the US about the constitutionality of these drug tests when applied randomly, and it has been noted that similar proposals in Great Britain may violate EU based rights to privacy.

It's worrying that the budget papers do not identify the costs of the proposal nor the expected savings. Overall, it's difficult to escape the conclusion that this proposal is symbolic, rather than designed to have a positive impact on the well-being of those to be tested.

Budget spending on welfare continues to increase

Social security and welfare remains the largest single component of government spending, and is projected to increase from A\$164 billion in 2017-18 to A\$191.2 billion in 2020-21, or from 35.3% to 36.6% of total expenses.

Overall social security and welfare spending is projected to grow by 0.22% of GDP over the projection period. Spending on the National Disability Insurance Scheme (NDIS) is projected to grow by 0.46% of GDP, compared to other measures such as the spending on child care by 0.07% of GDP and spending on unemployment and related benefits by 0.05% of GDP. Most other components of social security and welfare expenditure are projected to fall over this period, with the largest impact being on spending on Family Tax Benefits.

The development of the NDIS is clearly the most significant source of new social spending in this year's budget. The additional 0.5% increase in the Medicare Levy to guarantee funding for the project will apply from July 1, 2019 and will raise an extra A\$3.55 billion in revenue in its first year, rising to A\$4.25 billion in 2020-21. There are also positive initiatives in continued funding for valuable longitudinal surveys, such as [HILDA](#) and the Parents Next Programme.

The main area of savings is in the area of Family Tax Benefits, where savings are to be used to fund changes in child care – although the savings over the period are more than twice as great, as the increased spending on child care. These savings of A\$1.9 billion over five years are made possible by not indexing payment rates to inflation until July 2019.

In addition, a further A\$415 million will be saved over five years through adjustments to the rate at which Family Tax Benefit A is income-tested when family incomes exceed the higher income threshold of around \$94,000 of joint family income. As a result, around 24,900 families will lose access to Family Tax Benefit Part A, and around 71,800 families will see a reduction in their family payments.

Overall, the 2017-18 budget has abandoned many of the most regressive welfare measures that have led to their blocking in the Senate since 2014. However, it remains the case that the freezing of payment rates for Family Tax Benefit will have the largest proportional effect on low income families with children, since these payments form a larger proportion of their disposable incomes.

There are projected increases in spending on income support and services for the aged as a result of the ongoing and predictable ageing of the Australian population. There's also smaller increases in income support for parents and for the unemployed – perhaps partly due to the simplification of support for working age recipients – but these are more than offset by reductions in other areas of welfare spending.

To a large extent, the challenges facing government in providing the services and benefits that the Australian population values are predictable and manageable, so there is a need to base policies on evidence and not myths or stereotypes.

Peter Whiteford has received funding from the Australian Research Council and the Department of Social Services. He is affiliated with the Centre for Policy Development.

Read more <http://theconversation.com/budget-2017-welfare-changes-stigmatise-recipients-and-are-sitting-on-shaky-ground-77394>