



## Welfare Review Submission Template

### Pillar One: Simpler and sustainable income support system

Changes to Australia's income support system over time have resulted in unintended complexities, inconsistencies and disincentives for some people to work. Achieving a simpler and sustainable income support system should involve a simpler architecture, a fair rate structure, a common approach to adjusting payments, a new approach to support for families with children and young people, effective rent assistance, and rewards for work and targeting assistance to need.

#### Simpler architecture

Page 42 to 52 of the Interim Report considers the need for a simpler architecture for the income support system. The Reference Group proposes four primary payment types and fewer supplements. The primary payment types proposed are: a Disability Support Pension for people with a permanent impairment and no capacity to work; a tiered working age payment for people with some capacity to work now or in the future, including independent young people; a child payment for dependent children and young people; and an age pension for people above the age at which they are generally expected to work.

In shaping the future directions for a simpler architecture the Reference Group would like feedback on:

1. What is the preferred architecture of the payment system?
2. Should people with a permanent impairment and no capacity to work receive a separate payment from other working age recipients?
3. How could supplements be simplified? What should they be?
4. What are the incremental steps to a new architecture?

#### Fair rate structure

Page 55 to 60 of the Interim Report considers changes that could be considered to rates of payment for different groups. In shaping the future directions for a fairer rate structure the Reference Group would like feedback on:

5. How should rates be set, taking into account circumstances such as age, capacity to work, single/couple status, living arrangements and/or parental responsibilities?



### **Common approach to adjusting payments**

Page 60 to 64 of the Interim Report considers a common approach to adjusting payments to ensure a more coherent social support system over time. In shaping the future directions for a common approach to maintaining adequacy the Reference Group would like feedback on:

6. What might be the basis for a common approach to adjusting payments for changes in costs of living and community living standards?

### **Support for families with children and young people**

Page 65 to 68 of the Interim Report considers how the payments could be changed to improve support to families with children and young people. In shaping the future directions for support for families with children and young people the Reference Group would like feedback on:

7. How can we better support families with the costs of children and young people to ensure they complete their education and transition to work?
8. In what circumstances should young people be able to access income support in their own right?

### **Effective rent assistance**

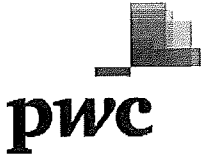
Page 68 to 71 of the Interim Report considers Rent Assistance and suggests a review to determine the appropriate level of assistance and the best mechanism for adjusting assistance levels over time. In shaping the future directions for Rent Assistance the Reference Group would like feedback on:

9. How could Rent Assistance be better targeted to meet the needs of people in public or private rental housing?

### **Rewards for work and targeting assistance to need**

Page 72 to 78 of the Interim Report considers changes to means testing for improved targeting to need and better integration of the administration of the tax and transfers systems to improve incentives to work. In shaping the future directions for rewards for work and targeting assistance to need the Reference Group would like feedback on:

**Note:** The page numbers refer to pages in the PDF version of the Interim Report.



10. How should means testing be designed to allow an appropriate reward for work?
11. At what income should income support cease?
12. What would be a simpler, more consistent approach to means testing income and assets?



## Pillar Two: Strengthening individual and family capability

Reforms are needed to improve lifetime wellbeing by equipping people with skills for employment and increasing their self-reliance. To strengthen individual and family capability changes are proposed in the areas of mutual obligation, early intervention, education and training, improving individual and family functioning and evaluating outcomes.

### Mutual obligation

Page 80 to 85 of the Interim Report considers more tailored and broadening of mutual obligation and the role of income management. In shaping the future directions for mutual obligation the Reference Group would like feedback on:

13. How should participation requirements be better matched to individual circumstances?
14. How can carers be better supported to maintain labour market attachment and access employment?
15. What is the best way of ensuring that people on income support meet their obligations?
16. In what circumstances should income management be applied?

### Early intervention

Page 85 to 88 of the Interim Report considers risk based analysis to target early intervention and investment and targeting policies and programmes to children at risk. In shaping the future directions for early intervention the Reference Group would like feedback on:

17. How can programmes similar to the New Zealand investment model be adapted and implemented in Australia?
18. How can the social support system better deliver early intervention for children at risk?

*QUESTION 17 IS THE PRIMARY FOCUS OF OUR SUBMISSION.*

#### **WHAT IS AN INVESTMENT APPROACH, SIMILAR TO THAT USED IN NEW ZEALAND?**

THE NEW ZEALAND INVESTMENT MODEL DRAWS ON PRINCIPLES DEVELOPED FOR THE INSURANCE INDUSTRY. THESE PRINCIPLES WERE DEVELOPED IN THAT ENVIRONMENT BECAUSE OF THE LONG TERM NATURE OF SOME INSURANCE CONTRACTS AND THE NEED FOR SOUND FINANCIAL MANAGEMENT, TO ENSURE THAT CUSTOMERS CLAIMS COULD BE PAID HOWEVER FAR INTO THE FUTURE THE PAYMENTS MAY OCCUR. AS A RESULT INSURANCE COMPANIES ARE REQUIRED TO UNDERTAKE DETAILED ASSESSMENTS OF THE FUTURE LIFETIME COSTS AND HAVE DEVELOPED CONSIDERABLE EXPERTISE IN UNDERSTANDING THE FACTORS THAT DRIVE SUCH COSTS.

FOR PRODUCTS WHERE THE COVER LASTS MANY YEARS INTO THE FUTURE, PERSON-CENTRED MODELS MAY BE USED TO ASSESS THE FUTURE COSTS. THESE CONSIDER POLICYHOLDERS AS INDIVIDUALS OR AS PART OF COHORTS (GROUPS OF PEOPLE WITH SIMILAR CHARACTERISTICS). THE MODELS THEN EXPLICITLY ALLOW FOR EACH PERSON'S POSSIBLE FUTURE PATHWAYS, ASSESSING THE FACTORS THAT MOST INFLUENCE THEIR TRAJECTORY AND THEN USE PROBABILISTIC APPROACHES TO DEVELOP THE LIABILITIES. SUCH MODELS NORMALLY PROJECT FUTURE PATHWAYS BY CONSIDERING EACH FUTURE TIME PERIOD IN TURN. THIS PROVIDES A WEALTH OF INFORMATION BEYOND THE ACTUAL COST ASSESSMENT; FOR EXAMPLE, DETAILS OF THE PROPORTIONS OF PEOPLE ACCESSING PAYMENTS IN EACH FUTURE TIME PERIOD AND DETAILS OF EXPENDITURE IN EACH FUTURE YEAR. THE INFORMATION PRODUCED IN THIS WAY PROVIDES A TOOL FOR MANAGERS TO USE IN TRACKING THE COHORT EXPERIENCE AS IT MATURES AND USING THE

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LEARNINGS IN MAKING REFINEMENTS AND ADJUSTMENTS ALONG THE WAY.

THERE ARE MANY PARALLELS BETWEEN INSURANCE AND WELFARE: THE LONG TERM NATURE OF THE FINANCES; THE LINK TO INDIVIDUALS' LIFE CIRCUMSTANCES AND RISK PROFILES; THE SYSTEMIC RISKS ARISING FROM DEMOGRAPHIC TRENDS AND THE CYCLICAL IMPACTS OF ECONOMIC FACTORS. THE INVESTMENT APPROACH WOULD ADAPT INSURANCE MODELS TO THE WELFARE SYSTEM, TRACKING COHORTS OF BENEFIT RECIPIENTS AND THE PAYMENTS MADE TO THEM.

AN INVESTMENT APPROACH IS ALREADY BEING USED FOR THE NATIONAL DISABILITY INSURANCE SCHEME (NDIS) WHERE THE LEGISLATION REQUIRES THAT AN ACTUARY UNDERTAKE REGULAR ASSESSMENTS OF FINANCIAL SUSTAINABILITY OF THE SCHEME AND REPORT ON THE TRENDS IN EXPENDITURE AND SUPPORTS BEING PROVIDED. AS DEMONSTRATED IN NEW ZEALAND THIS APPROACH COULD BE USED ACROSS THE WHOLE WELFARE SYSTEM.

#### **WHAT IS THE VALUE IN THIS INVESTMENT APPROACH?**

THE MODEL WOULD PROVIDE INFORMATION ON THE LIFETIME COST OF CURRENT BENEFIT RECIPIENTS; THE FACTORS INFLUENCING THE PATHWAYS PEOPLE TAKE THROUGH THE SYSTEM AND THEIR EXPECTED TRAJECTORIES. AT AN OVERALL LEVEL IT WOULD PROVIDE INFORMATION ON EXPECTED FUTURE BENEFIT UTILISATION AND EXPENDITURE FOR DIFFERENT TYPES OF PAYMENTS. IT WOULD ALSO ASSIST IN IDENTIFYING POLICY PRIORITIES, PROVIDE INFORMATION TO SUPPORT THE DEVELOPMENT OF DIFFERENT POLICY OPTIONS AND A TOOL FOR TRACKING THE EFFECTIVENESS OF POLICIES AS THEY ARE IMPLEMENTED.

THE USE OF A PERSON-CENTRED MODEL OVER A LONGER TIME HORIZON PROVIDES A WEALTH OF INFORMATION THAT IS NOT AVAILABLE AT PRESENT. IN PARTICULAR IT:

- PROVIDES A FRAMEWORK FOR CONSIDERATION AND PRIORITISATION OF COMPETING AREAS OF POLICY FOCUS
- IDENTIFIES THE KEY DRIVERS OF PROGRAM COSTS
- ALLOWS FOR EARLIER IDENTIFICATION OF COST PRESSURES
- SUPPORTS IMPROVED UNDERSTANDING OF THE INTERACTIONS OF DIFFERENT PROGRAMS

THIS INFORMATION CAN BE USED TO ENSURE POLICIES HAVE A STRATEGIC FOCUS AND TO ASSIST WITH BETTER LONG TERM PLANNING OF PROGRAMS.

#### **HOW WOULD AN INVESTMENT APPROACH BE IMPLEMENTED?**

THE WELFARE SYSTEM IS BOTH LARGE AND HIGHLY COMPLEX AND LIKELY TO BE UNDERGOING ONGOING CHANGES OVER THE COMING YEARS. AS SUCH IMPLEMENTING AN INVESTMENT MODEL WOULD NEED CAREFUL PLANNING TO ENSURE THAT THE PROGRAM INTERDEPENDENCIES, DATA AVAILABILITY AND ANY PLANNED PROGRAM CHANGES ARE WELL UNDERSTOOD AND ADDRESSED APPROPRIATELY. WE HAVE DEVELOPED A HIGH LEVEL ROADMAP FOR IMPLEMENTING AN INVESTMENT MODEL AND WOULD WELCOME THE OPPORTUNITY TO DISCUSS IT WITH YOU.

#### **HOW CAN PWC SUPPORT THIS WORK?**

WE BELIEVE THAT PWC COULD BE A VALUABLE PARTNER IN IMPLEMENTING AN INVESTMENT MODEL. WE HAVE STRONG CREDENTIALS:

- WE HAVE SUCCESSFULLY TAKEN INSURANCE PRINCIPLES AND PERSON-CENTRED APPROACHES TO OTHER AREAS BEFORE INCLUDING WORK ON THE NATIONAL DISABILITY INSURANCE SCHEME, NSW LIFETIME CARE AND SUPPORT SCHEME AND WORKERS COMPENSATION SCHEMES THROUGHOUT AUSTRALIA.
- WE HAVE A LARGE TEAM OF TECHNICAL EXPERTS IN AUSTRALIA AND CAN DRAW ON OTHER EXPERTS FROM PWC INTERNATIONALLY. THIS EXPERTISE INCLUDES:
  - THE ACTUARIAL SKILLS NEEDED TO DEVELOP THE INVESTMENT MODEL (WE HAVE OVER 100 STAFF IN OUR AUSTRALIAN ACTUARIAL PRACTICE), AND
  - THE GOVERNMENT, PROJECT MANAGEMENT AND ECONOMIC EXPERTISE NEEDED TO IMPLEMENT THE PROJECT EFFECTIVELY AND FULLY REALISE ITS VALUE.



### Education and Training

Page 89 to 90 of the Interim Report considers the need for a stronger focus on foundation skills in both schools and vocational education and training, and on transitions from school to work. In shaping the future directions for education and training the Reference Group would like feedback on:

19. What can be done to improve access to literacy, numeracy and job relevant training for young people at risk of unemployment?
20. How can early intervention and prevention programmes more effectively improve skills for young people?
21. How can a focus on 'earn or learn' for young Australians be enhanced?

### Improving individual and family functioning

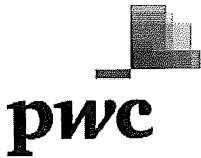
Page 90 to 93 of the Interim Report considers cost effective approaches that support employment outcomes by improving family functioning and the provision of services especially to people with mental health conditions to assist them to stabilise their lives and engage in education, work and social activities. In shaping the future directions for improving individual and family functioning, the Reference Group would like feedback on:

22. How can services enhance family functioning to improve employment outcomes?
23. How can services be improved to achieve employment and social participation for people with complex needs?

### Evaluating outcomes

Page 93 of the Interim Report considers improved monitoring and evaluation of programmes aimed at increasing individual and family capability to focus on whether outcomes are being achieved for the most disadvantaged. In shaping the future directions for evaluating outcomes the Reference Group would like feedback on:

24. How can government funding of programmes developing individual and family capabilities be more effectively evaluated to determine outcomes?



### **Pillar Three: Engaging with employers**

Employers play a key role in improving outcomes for people on income support by providing jobs. Reforms are needed to ensure that the social support system effectively engages with employers and has an employment focus. These reforms include making jobs available, improving pathways to employment and supporting employers.

#### **Employment focus – making jobs available**

Page 95 to 100 of the Interim Report considers what initiatives result in businesses employing more disadvantaged job seekers. In shaping the future directions for making jobs available the Reference Group would like feedback on:

- 25. How can business-led covenants be developed to generate employment for people with disability and mental health conditions?
- 26. How can successful demand-led employment initiatives be replicated, such as those of social enterprises?

#### **Improving pathways to employment**

Page 101 to 107 of the Interim Report considers the different pathways to employment for disadvantaged job seekers such as vocational education and training and mental health support models. In shaping the future directions for improving pathways to employment the Reference Group would like feedback on:

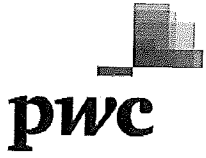
- 27. How can transition pathways for disadvantaged job seekers, including young people, be enhanced?
- 28. How can vocational education and training into real jobs be better targeted?
- 29. How can approaches like Individual Placement and Support that combine vocational rehabilitation and personal support for people with mental health conditions be adapted and expanded?

#### **Supporting employers**

Page 108 to 110 of the Interim Report considers what can be done to support employers employ more people that are on income support including better job matching, wage subsidies and less red tape. In shaping the future directions for supporting employers the Reference Group would like feedback on:

- 30. How can an employment focus be embedded across all employment and support services?
- 31. How can the job services system be improved to enhance job matching and effective assessment of income support recipients?

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32. How can the administrative burden on employers and job service providers be reduced?





### **Pillar Four: Building community capacity**

Vibrant communities create employment and social participation for individuals, families and groups. Investments by government, business and civil society play an important role in strengthening communities. Also, access to technology and community resilience helps communities build capacity. Building community capacity is an effective force for positive change, especially for disadvantaged communities.

#### **Role of civil society**

Page 112 to 116 of the Interim Report considers the role of civil society in building community capacity. In shaping the future directions for the role of civil society the Reference Group would like feedback on:

- 33. How can the expertise and resources of corporates and philanthropic investors drive innovative solutions for disadvantaged communities?
- 34. How can the Community Business Partnership be leveraged to increase the rate of philanthropic giving of individuals and corporates?
- 35. How can disadvantaged job seekers be encouraged to participate in their community to improve their employment outcomes?

#### **Role of government**

Page 116 to 120 of the Interim Report considers the role of government in building community capacity. In shaping the future directions for the role of government the Reference Group would like feedback on:

- 36. How can community capacity building initiatives be evaluated to ensure they achieve desired outcomes?
- 37. How can the income management model be developed to build community capacity?

#### **Role of local business**

Page 121 to 123 of the Interim Report considers the role of local business in building community capacity. In shaping the future directions for the role of local business the Reference Group would like feedback on:

- 38. How can communities generate opportunities for micro business to drive employment outcomes?
- 39. How can mutuals and co-operatives assist in improving the outcomes for disadvantaged communities?

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### **Access to technology**

Page 124 to 125 of the Interim Report considers access to affordable technology and its role in building community capacity. In shaping the future directions for access to technology the Reference Group would like feedback on:

40. How can disadvantaged job seekers' access to information and communication technology be improved?

### **Community Resilience**

Page 125 to 126 of the Interim Report considers how community resilience can play a role in helping disadvantaged communities. In shaping the future directions for community resilience the Reference Group would like feedback on:

41. What strategies help build community resilience, particularly in disadvantaged communities?
42. How can innovative community models create incentives for self-sufficiency and employment?