Making welfare sustainable
Targeting welfare to those who need it most

Dr Mikayla Novak
Senior Research Fellow

November 2015
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About the author

Dr Mikayla Novak is a Senior Research Fellow with the Institute of Public Affairs. She has previously worked for Commonwealth and State public sector agencies, including the Commonwealth Treasury and Productivity Commission. Mikayla was also previously advisor to the Queensland Chamber of Commerce and Industry. Her opinion pieces have been published in The Australian, Australian Financial Review, The Age, and the Courier Mail, on issues ranging from state public finances to social services reform.
Executive Summary

- Australia has a targeted tax-transfer system compared with other developed countries, but on the outlays side there still remains too much welfare spending directed to middle and upper classes (defined here at households in top 60 per cent of income distribution).
- In 2009-10 Australian households in the top 60 per cent of the income distribution (average equalised private incomes at least $1,447 per week, or $75,244 per annum) received on average between 9 and 30 per cent of their final income in the form of government welfare payments and social services.
- Federal and state governments spent up to $23 billion in social services and welfare payments to the top 20 per cent of households (out of a total pool of welfare state spending of $307 billion in 2009-10), mainly in education and health benefits.
- There is also extensive fiscal churn in Australia, with middle income earning households receiving more in benefits ($462 per week) than they pay in taxes ($348 per week) on average.
- Recent data still shows a sizeable redistribution of transfer payments to those well off, with families in the top 30 per cent of the income distribution receiving over $6 billion in federal transfers.
- The federal social security budget is not necessarily well directed to those in genuine need:
  - If the budget was only allocated to people on the poverty line (50 per cent of median income, less housing costs), each person would receive $48,923 per annum.
  - If the budget was allocated to the 6,800 Australians suffering severe homelessness, they would each get $18 million per annum.
  - By comparison, payment levels under the basic rate of Newstart Allowance for jobseekers are only about $13,499 each year, with mutual obligation conditions attached.
- School education and public hospital access is not means tested; middle and upper income earners can receive family-related cash payments; and even wealthy Australians can still receive a part Age Pension.
- It is estimated that tightening means tests for key welfare payments and social services could deliver in excess of $8 billion in budget savings to governments each year, with other discretionary measures (e.g., abolishing FTB B) delivering additional savings.
Too many Australians who don’t need welfare are still getting it

Although many welfare researchers laud the extent of targeting exhibited by the Australian welfare state, statistical analysis from official sources indicates that the coverage of federal and state payments and subsidies is very extensive, with both the rich and poor receiving benefits.

According to Table 1 even households in the top 60 per cent of the income distribution (with equivalised private incomes averaging at least $1,447 per week, or $75,244 per annum) received some form of subsidy, in cash or in kind, through the Australian welfare system. Although some have disputed the existence of middle class welfare, the Table confirms that on average households in the third quintile of the income distribution still received $462 each week ($24,024 per annum) in cash and other benefits (e.g., education and health care services) from governments.

Table 1: Income, benefits and taxes, equivalised household private income quintiles, 2009-10

<table>
<thead>
<tr>
<th></th>
<th>Lowest</th>
<th>Second</th>
<th>Third</th>
<th>Fourth</th>
<th>Highest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private income</td>
<td>170</td>
<td>810</td>
<td>1,447</td>
<td>2,090</td>
<td>3,650</td>
</tr>
<tr>
<td>Total social assistance benefits in cash</td>
<td>435</td>
<td>251</td>
<td>103</td>
<td>35</td>
<td>15</td>
</tr>
<tr>
<td>Total selected social transfers in kind</td>
<td>455</td>
<td>435</td>
<td>359</td>
<td>292</td>
<td>234</td>
</tr>
<tr>
<td>Total income</td>
<td>1,060</td>
<td>1,496</td>
<td>1,909</td>
<td>2,417</td>
<td>3,899</td>
</tr>
<tr>
<td>Total taxes</td>
<td>106</td>
<td>207</td>
<td>348</td>
<td>533</td>
<td>1,029</td>
</tr>
<tr>
<td>Final income (less taxes)</td>
<td>954</td>
<td>1,289</td>
<td>1,561</td>
<td>1,884</td>
<td>2,870</td>
</tr>
<tr>
<td>Social assistance benefits (% of final income)</td>
<td>46</td>
<td>19</td>
<td>7</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Social transfers in kind (% of final income)</td>
<td>48</td>
<td>34</td>
<td>23</td>
<td>15</td>
<td>8</td>
</tr>
</tbody>
</table>

Equivalised household income defined as household income adjusted by an equivalence scale accounting for variations in household size and composition. Social assistance benefits in cash includes pensions and allowances received by the aged, disabled, unemployed and sick persons, families and children, veterans or their survivors, and student study allowances. Social transfers in kind includes goods and services provided free or at subsidised prices by government, such as education, health, housing, social security, welfare services, and electricity concessions and rebates.


When accounting for the estimated numbers of households for each quintile of the income distribution, and grossing up the weekly benefits amount to an annual basis, we see that households in the top 20 per cent of incomes received up to $23 billion in 2009-10, mainly in the form of schooling and health benefits (Figure 1). It should be noted this is something of a conservative estimate, given the ABS does not allocate all social expenditures to households.

Social assistance benefits in cash includes pensions and allowances received by the aged, disabled, unemployed and sick persons, families and children, veterans or their survivors, and student study allowances. Social transfers in kind includes goods and services provided free or at subsidised prices by government, such as education, health, housing, social security, welfare services, and electricity concessions and rebates.


Australian Bureau of Statistics figures suggest that there has been a slight reduction in the share of cash transfers to households within the lowest twenty per cent of the income distribution, certainly since the GST reform in 2000 when households were specifically compensated for higher indirect taxes with more generous welfare payments. Specifically, in 2003-04 cash transfers accounted for 34.5 per cent of the gross income of households in the lowest income quintile, falling to 32.1 per cent in 2009-10.\(^2\)

There is also an excessive degree of ‘fiscal churn’ in which households pay taxes, only to receive some, if not all, of that money back in the form of cash transfers and welfare services. The average household in the middle quintile of the income distribution, for instance, receives more in total benefits each week ($103 in cash payments, and $359 of education, health, and other services) than it pays in total taxes each week ($348). On average this household cohort receives roughly a third in taxes back in cash transfers alone from the state.

\(^2\) ABS, Government Benefits, Taxes, and Household Income, Australia, 2009-10, cat. no. 6537.0, Data Cubes Table 2.
In October 2015, the Productivity Commission provided an update on the distribution of transfer payments (excluding subsidies for services) such as pensions, allowances, supplementary payments and family payments.³

Presenting data applicable to 2014-15, the Commission shows that families earning $100,000 or more in private income received approximately $3.4 billion in federal government transfers. Family payments totalled about $2.9 billion (85 per cent of total transfers for families earning $100,000 or more), followed by carer payments ($314 million, or nine per cent of total) and disability payments ($106 million, or three per cent).⁴

The same study provided estimates of total federal transfer payments receivable by families across declines within the income distribution in 2014-15. It is notable that families in the top three deciles (private incomes ranging from $80,824 per annum to $3.8 million per annum) received about $6.4 billion in transfers from the commonwealth.

Another way to consider the potential gains from better welfare targeting is to contemplate how much Australians living in poverty today would receive if they were eligible for a per capita share of the federal welfare budget.

In 2011-12 commonwealth expenses for social security and welfare purposes (less general administration) amounted to approximately $123 billion.⁵ If that budget was redistributed on an equal per capita basis to those comprising the high-end estimates of Australian poverty (defined at 50 per cent of median income, after housing costs),⁶ each person would receive an income of $48,923. For a household of four people this allocation would have amounted to $193,173 in total, representing a scenario in which such a household would assuredly be lifted out of dire poverty.

A more credible estimate of the magnitude of poverty in this country would be reflected by the numbers of Australians who are homeless and ‘sleeping rough’ in our streets and other public spaces. In 2011, it was estimated that 6,813 people were in improvised dwellings, tents, or sleepers out. Allocating the social security and welfare budget to those experiencing acute homelessness would have meant they would each receive a sum of over $18 million, thus putting each recipient under this scheme firmly within the top one per cent of the Australian income distribution.⁷

Despite statements lauding the efficacy of our ‘well targeted’ welfare regime, the reality is that the Australian welfare state could be reformed to significantly improve its capacity to direct funding to individuals and families in genuinely arduous circumstances, especially those living in circumstances of absolute poverty.

⁴ Based on analysis of Figure 4.9 (page 63) in Productivity Commission report.
⁵ This figure excludes the additional expenditures by the commonwealth in the functional areas of education, health care, and housing.
⁷ The economist and politician Andrew Leigh estimated that the minimum income threshold for a person in the top one per cent of the Australian income distribution would have been $194,365 in 2009. See http://andrewleigh.org.
Middle class welfare happens because governments designed it that way

From relatively modest beginnings, at least from the standpoint of what exists today, the Australian welfare state now consumes a substantial proportion of government budgets. The welfare state is conventionally defined to include education, health, and social security transfers, as they represent functions by government specifically designed to promote the well-being of society as a whole.

Commonwealth and state government welfare state expenditures have exploded, as a share of gross domestic product (GDP), from about one per cent at the turn of the twentieth century to 23 per cent in 2013-14. Figure 2 illustrates the trend growth in the Australian welfare state, which in itself represents an ever-greater burden upon the national economy.

**Figure 2: Commonwealth and state welfare state expenditure, percentage of GDP**

![Graph showing the trend of welfare state expenditure as a percentage of GDP from 1901 to 2011.](image)

Welfare state expenditure includes commonwealth and state general government spending on education, health care, and social security transfers.


The fiscal burden of the welfare state is not only contingent upon demographic and economic factors affecting the number of eligible beneficiaries, but also reflects the legacy of deliberate policy design with regard to the establishment of payment rates and application of means tests.

Table 2 indicates that a wide range of payment rates are accorded to people deemed eligible to receive certain commonwealth social security payments, and different income and assets tests apply
to each payment stream. These provisions are directly influenced by government policy, through legislation or expressed in policy determinations or guidelines, and are subject to change by current or future governments.
<table>
<thead>
<tr>
<th>Payment/program</th>
<th>Funding ($m) (2013)</th>
<th>Beneficiaries (no.) (2013)</th>
<th>Income test threshold</th>
<th>Asset test threshold</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age Pension</strong></td>
<td>36,425</td>
<td>2,356,226 (including DVA pensions)</td>
<td><strong>Singles</strong></td>
<td><strong>Couples</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>&lt;= $162 pf (full payment)</td>
<td>&lt;= $288 pf (full payment)</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>$1,882.40 pf (part payment cut off)</td>
<td>$2,881.60 pf (part payment cut off)</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Disability Support Pension</strong></td>
<td>14,856</td>
<td>821,738</td>
<td><strong>Singles</strong></td>
<td><strong>Couples</strong></td>
</tr>
<tr>
<td>(a)</td>
<td></td>
<td></td>
<td>&lt;= $162 pf (full payment)</td>
<td>&lt;= $288 pf (full payment)</td>
</tr>
<tr>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Carer Payment (tests for care receiver)</strong> (b)</td>
<td>3,565</td>
<td>221,954</td>
<td><strong>$107,219</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program</td>
<td>Individuals</td>
<td>Family Size</td>
<td>Singles</td>
<td>Couples</td>
</tr>
<tr>
<td>---------------------------------</td>
<td>-------------</td>
<td>-------------</td>
<td>-------------------------------------------</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td>Newstart Allowance</td>
<td>7,609</td>
<td>660,673</td>
<td>&lt;=$102 pf (full payment) $1,007.00-$1,530.25 (part payment cut off)</td>
<td>&lt;=$102 pf (full payment) $921.50 (part payment cut off)</td>
</tr>
<tr>
<td>Family Tax Benefit Part A(c)</td>
<td>14,308</td>
<td>1,578,201</td>
<td>$51,027 pa (full payment cut off) $101,872-$242,598 pa (part payment cut off)</td>
<td>Nil</td>
</tr>
<tr>
<td>Family Tax Benefit Part B</td>
<td>4,529</td>
<td>1,357,341</td>
<td>$100,000 pa (part payment cut off)(d)</td>
<td>Nil</td>
</tr>
<tr>
<td>Schoolkids Bonus</td>
<td>1,407</td>
<td>1,250,479</td>
<td>$100,000 pa</td>
<td>Nil</td>
</tr>
<tr>
<td>Paid Parental Leave (Parental Leave Pay)</td>
<td>1,447</td>
<td>131,307</td>
<td>$150,000 pa</td>
<td>Nil</td>
</tr>
<tr>
<td>Child Care Benefit(e)</td>
<td>2,530</td>
<td>930,570</td>
<td>$43,727 (full payment limit) $152,147 (part payment limit, one child attending child care) $157,654 (part payment limit, two children attending child care) $178,023 (part payment limit, three children attending child care, + $33,671 for each child after third)</td>
<td>Nil</td>
</tr>
<tr>
<td>Child Care Rebate</td>
<td>2,131</td>
<td>n/a</td>
<td>Nil</td>
<td>Nil</td>
</tr>
</tbody>
</table>

Means testing arrangements for couples separated due to illness and other factors are not included in this Table. (a) Does not include income and assets tests for DSP recipients under 21 years of age with no children. (b) Income and assets tests for care givers similar to other payments. (c) Including FTB Supplement. (d) Income test limits vary for two-parent families (with limit of primary earner at $100,000 per annum), depending upon secondary earner’s income. (e) Figures related to approved care. There are no income and assets tests applicable in the case of registered care.

**Source:** Department of Education, Employment and Workplace Relations, Portfolio Budget Statements 2013-14; Department of Families, Housing, Community Services and Indigenous Affairs, Portfolio Budget Statements 2013-14; Department of Human Services website; Department of Social Services, *Income Support Customers: A Statistical Overview* 2013.
Drawing from the information provided in Table 2, it is evident that households earning well above $80,704 per annum (reflecting the average household income for the third quintile in the income distribution in 2013-14)\(^8\) may access part-payments for the likes of Family Tax Benefit A and B, as well as the Schoolkids Bonus,\(^9\) Paid Parental Leave, Child Care Benefit, and Child Care Rebate.

This welfare system over-generosity is the result of generous income means testing arrangements. For example, a family with a combined income up to $242,598 (depending on the number and age of children) can still access FTB Part A before the entire benefit is withdrawn, which is incompatible with the policy objective of assisting low income families with the cost of raising children.

Although the income test for the Age Pension is relatively generous, it is the definition of the asset test - which excludes the principal place of residence from the list of assessable assets - which ensures that many asset-rich households can access Age Pension payments, even if in part. The 2014 National Commission of Audit report noted the iniquities conceivably arising from the exemption of the family home from the Age Pension assets test:

Exempting the principal residence from the means test is inequitable as it allows for high levels of wealth to be sheltered from means testing. For example, under current rules a single person who owns a $400,000 house and has $750,000 in shares ($1.15 million in total assets) would not be eligible for the pension, while a similar person with a principal residence worth $2 million and $100,000 in shares ($2.1 million in total assets) would be able to claim a pension at the full rate.\(^10\)

As noted in a study by Simon Cowan and Matthew Taylor, 75 per cent of age pensioners own their own home, which is slightly lower than the percentage of homeowners among all those of pension age, and that most of these people have more equity in their home than the average homeowner since most no longer have a mortgage to repay.\(^11\)

The report also noted that there are sizeable numbers of coupled full-rate pensioners with net worth in excess of $600,000, as well as part-rate pensioners with net worth more than $800,000.\(^12\)

The Australian welfare state also consists of various social services provided in-kind, that are intended to promote the general well-being of the community.

For instance, state governments own (or are leased from private landlords) and manage public housing dwellings intended to provide affordable rental accommodation,\(^13\) with some variation in eligibility criteria meeting income and asset limits (Table 3). In practice, the means testing arrangements in most jurisdictions to ensure that public housing stock is effectively reserved for

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\(^8\) ABS, Household Income and Wealth, Australia, 2013-14, cat. no. 6523.0.

\(^9\) Payments under the Schoolkids Bonus are to cease at the end of the 2016 financial year.


\(^12\) Ibid.

\(^13\) Public housing is distinguished from community housing, commonly defined as rental housing provided for low to moderate income and/or special needs households, and managed by community-based organisations receiving a capital or recurrent subsidy from government.
people earning lower incomes, although the South Australian provisions stand out as more generous than those maintained in other jurisdictions.

It is in the areas of (acute) health care and school education that middle and upper income earners maintain their ability to access zero-priced or heavily subsidised government services, in a contravention of the longstanding Australian welfare state design principle that benefits be concentrated toward those in genuine need.

Under the National Healthcare Agreement which specifies the terms and conditions of Medicare subsidies, the states and territories are obliged to maintain free public hospital accommodation and treatment (including emergency services care). Under the Medicare scheme other medical services, provided by general practitioners and specialists, are subject to significant subsidisation, as are the cost to patients of a wide range of prescription medicines.

State governments own and manage government schools, with funding support provided by the commonwealth government. Enrolments in these schools are open to students from all families, including those on middle to high range incomes, subject to school capacity and zoning catchment area limitations. Although many government schools ask families to make voluntary contributions to the costs of schooling their children, the latest available information suggests revenue raising from these contribution streams are minimal compared with total public sector funding to government schools.\(^{14}\)

Some studies have indicated that the uptake of public hospital and schooling services by wealthier Australians is not inconsequential in magnitude. In a paper commissioned by the Australian Centre for Health Research, it was estimated that ten per cent of all patients in public hospitals were private patients (who would, presumably, tend to be wealthier).\(^{15}\) In relation to schools, Barbara Preston estimated that on average 21 per cent of national student enrolments in government schools are from high income families (earning $130,000 and above annually).\(^{16}\)

\(^{14}\) In 2012-13, total recurrent funding for government schools directly from parents ($1.7 billion) was dwarfed by funding from commonwealth and state governments ($36.9 billion). Independent Schools Council of Australia, ‘Independent Schooling in Australia Snapshot 2015’.


\(^{16}\) Barbara Preston, 2013, ‘The social make-up of schools: Family income, Indigenous status, family type, religion and broadband access of students in government, Catholic and other nongovernment schools’, May.
<table>
<thead>
<tr>
<th>State</th>
<th>Funding ($m) (2013)[a]</th>
<th>Beneficiaries (no. of households) (2013)</th>
<th>Income test threshold</th>
<th>Asset test threshold</th>
</tr>
</thead>
<tbody>
<tr>
<td>NSW</td>
<td>1,515</td>
<td>110,074</td>
<td>$585pw (single adult) + $225pw (each additional adult) + $285pw (first child) + $95pw (each extra child)</td>
<td>Assessable assets include residential or commercial real estate.</td>
</tr>
<tr>
<td>Vic</td>
<td>673</td>
<td>62,582</td>
<td>$528pw (single) $913pw (couple, no dependents) $947pw (family with one dependent child) + $89pw (each extra child under 13 years) / $120pw (each extra child 13-17 years)</td>
<td>$30,000 (general households) $60,000 (households needing major or full disability modifications)</td>
</tr>
<tr>
<td>Qld</td>
<td>902</td>
<td>50,938</td>
<td>$609pw (single) $755pw-$1,121pw (combinations of single people with children, couples with or without children, and co-habiting singles)</td>
<td>$88,625 (single) $110,125 (two or more household members)</td>
</tr>
<tr>
<td>WA</td>
<td>897</td>
<td>32,248</td>
<td>$430pw-$1,440pw[b]</td>
<td>$38,400 (single) $63,800 (couple) $80,000 (singles or couples aged 60 years or over) $100,000 (people with disabilities)</td>
</tr>
<tr>
<td>SA</td>
<td>572</td>
<td>38,754</td>
<td>$970pw (single) $1,268pw-$1,790pw (singles with children) $1,268pw (couples without children) $1,417pw-$2,014pw (couples with children)</td>
<td>$348,000 (single) $433,000 (couple)</td>
</tr>
<tr>
<td>Tas</td>
<td>147</td>
<td>10,819</td>
<td>$501pw (single) $868pw (couples, no dependents)</td>
<td>$35,000 (household)</td>
</tr>
<tr>
<td></td>
<td>AWE</td>
<td>AWE+ &amp; AWE for each extra person</td>
<td>Funding per dwelling</td>
<td>Source</td>
</tr>
<tr>
<td>-------</td>
<td>-----</td>
<td>---------------------------------</td>
<td>----------------------</td>
<td>--------</td>
</tr>
<tr>
<td>ACT</td>
<td>142</td>
<td>60% average weekly earnings (single) 75% AWE (two person household) 75% AWE + 10% for each extra person (more than two person household)</td>
<td>$40,000</td>
<td>Productivity Commission, Report on Government Services 2015; State and territory public housing authority websites.</td>
</tr>
<tr>
<td>NT</td>
<td>100</td>
<td>$755pw-$1,637pw</td>
<td>$54,057-$122,158 (new applicant households and existing tenants under 55 years) $194,396-$273,509 (existing tenants over 55 years)</td>
<td></td>
</tr>
</tbody>
</table>

Funding per dwelling includes the cost of capital, but excludes payroll tax. (a) Total state and territory government expenditure on social housing. (b) Other income and asset limits apply to homeless people. (c) Based on household size and geographic area. For households with more than four people and at least one person with a disability add $145 per additional person. (d) Based on income limits for Commonwealth Health Care Card. (e) Based on household sizes ranging from one person to six people.
The prevalence of welfare state design features in mature democracies, such as Australia, reflects the prospect that a great bulk of decisive voters in electoral contests (especially in marginal seats) would tend to be, themselves, middle income earners. In order to secure their votes, aspirant political candidates therefore must offer them a suite of attractive benefits at reasonable ‘tax-prices.’ This suggests that the phenomenon of middle class welfare, and its accompanying welfare-tax churn as described above, emerges as a deliberate feature of the democratic fiscal process.
Strategies to better target welfare for those most in need

It is generally accepted by the Australian community that governments should play a role in redistributing finances and resources to assist individuals and families in maintaining decent and dignified lives. The perennial question surrounds what the threshold point at which taxpayers are expected to fund welfare payments and social services, given the significant costs of maintaining the welfare state and the risks of dependency arising from the long term receipt of benefits.

The proposition put forward in this paper is that the Australian welfare state is presently excessive in its coverage, and this is supported by the available statistical evidence and policy design guidelines indicating that certain individuals and families keep receiving cash and in-kind benefits from the state, despite themselves attaining healthy incomes through markets.

Consistent with this, a number of options strategies are suggested to help reduce the extent of unnecessary welfare provision to those who are reasonably well-off in our community.

- **Means test the Child Care Rebate:** Based on previous reports that 65,000 high income families received more than $259 million in child care subsidies, a conservative estimate would be that means testing the CCR would save the budget some $250 million per annum.

- **Enable government schools to set their own fees:** One proposal suggested each government school student from high-income families be charged $1,000 per annum, which could deliver budget savings for governments of at least $250 million per annum.

- **Ensure that insured patients are treated in private hospitals:** State governments receive revenues from private health insurance funds for treating private patients in public hospitals, but this comes at a cost to the commonwealth budget. Encouraging private patients to use private hospitals is estimated to save the commonwealth roughly about $650 million per annum, allowing the public hospital waiting list backlog to be reduced more quickly.

- **The family home could be brought into the Age Pension system:** Depending on their income, householder over 65 years of age can still qualify for a part-pension even if they possess $1 million in assets in addition to their residence. It has been estimated that including the family home in the Age Pension assets test could deliver budget savings in the order of $7 billion per annum, with this change potentially subject to a transitional process whereby existing recipients can maintain the pension under current arrangements whereas the tightened asset test applies to pensioners after some date in the future.

Other measures could be pursued to ensure that welfare spending becomes more sustainable, and is better directed to those individuals and families who are most deserving of taxpayer support.

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Family Tax Benefit Part B has been the subject of intense scrutiny over recent years for the fact that parents earning up to $100,000 per annum, which can safely be construed as a middle class income level, may still receive a benefit under the program. Based on information provided by the Department of Social Security, abolishing FTB B is likely to save about $4.2 billion in this financial year and about $13.9 billion over the forward estimates.\footnote{Department of Social Security, 2015, \textit{Portfolio Budget Statements 2015-16}, Commonwealth of Australia, Canberra.}

Medicare provides subsidised access to various health care services for Australians, regardless of their means. Yet with over 80 per cent of general practitioner services bulk-billed, it is most likely that some beneficiaries of the scheme include those on reasonable incomes who can afford to pay the full cost of their GP visits.

It has been estimated that measures to ensure merely one per cent of all GP services were not claimed on Medicare by well-off low-use patients could save taxpayers $50 million per annum.\footnote{Terry Barnes, 2015, ‘Bill the wealthy to keep Medicare healthy for all’, Herald Sun, 8 April.} Others have estimated far greater budgetary savings, running into the billions of dollars annually,\footnote{David Leyonhjelm, 2014, ‘A budget for a real liberal’, The Australian Financial Review, 12 May.} if more comprehensive measures to means test Medicare ensuring that those of lesser means can retain access to the likes of subsidised GP health care treatment.
Conclusion

By comparative international standards, Australia has the most highly targeted redistributive system in the developed world. A combination of means testing arrangements for social security payments, and a highly progressive income tax regime, has ensured that Australia maintains the highest proportion of transfer payments flowing to the bottom quintile of the income distribution.24

However, this does not mean there is no room for further improvement so that welfare funding compulsorily acquired from taxpayers most effectively flows through to those in genuine need.

Alongside the fact that most public sector education and health services are subject to little or no means tested access arrangements, some social security payments by the commonwealth are redirected toward middle income, and in some cases even higher income earners. People on middle and high incomes have a far greater capacity to look after their own needs and priorities, and so the case for welfare provision for them is weak.

With little sign that economic growth rates will substantially improve to reduce welfare dependency rates, and long term intergenerational accounts pointing to severe fiscal pressures arising from projected new demands for welfare payments, it is imperative that governments better manage growth in spending.

An important element to this expenditure-led fiscal consolidation will be to prioritise welfare spending to more effectively achieve its fundamental objective of redistributing in favour of those in circumstances of genuine hardship and need.

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