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Social security and welfare spending in Australia: Assessing long-term trends

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Summary

This Policy Brief:

- summarises trends in spending on social security cash transfers and services in Australia since 1980.
- examines trends in the proportion of the population receiving different social security payments and
- compares Australian social security spending with other OECD countries.

Overall, social security spending has increased, but this trend is explained to a large extent by improvements to the comprehensiveness of the data. This Brief draws mainly on OECD data from 1980-2014 and on Australian Bureau of Statistics (ABS) data about social security payments to households. When spending trends are adjusted for data improvements, it can be estimated that spending on social security increased from 6.1% of GDP in 1980 to a peak of 8.1% of GDP in 1993. The peak is due to the effects of the deep recession at the time. Spending on social security then fell back to 6.2% of GDP immediately before the Global Financial Crisis (GFC) in 2007-08. Since then, spending has increased to 7.2% of GDP in 2014.

The proportion of the population receiving social security benefits has declined since the mid-1990s. This reflects the sustained improvement in labour market conditions up to the time of the GFC, as well as major changes in social security policy, started under the Hawke and Keating governments during the 1980s and extended by the Howard and later governments in the 1990s and 2000s. Some social security programmes, in particular Disability Support Pension (DSP) and Carers Payment, have seen an increase in number of recipients as a share of the population. This is partly due to demographic change, particularly the ageing of the population. A separate factor is a shift of recipients from programmes that have been phased-out, with the fall in the share of the – mainly female - population on these payments being much greater than the numbers on growing payments.

Deep reliance on cash social security benefits, indicated by ABS statistics on social security receipt as a share of income of Australian households, has fallen substantially. Complete "independence" from benefits of individuals or households has increased substantially since the 1990s.

Overall, Australia is a low social spender compared to other high income countries in the OECD. The main reason is that Australia is one of the lowest spenders on Age Pensions, even though it is our largest social security programme. Australian spending on support for the unemployed is well below the OECD average. This is because our cash benefit spending is below the OECD average and because Australian spending on active labour market programmes to assist the unemployed and those outside the labour market into employment is very low compared to other high income countries.

Our low level of social security spending reflects the fact that the basis for entitlement to social security in Australia differs markedly from that in most other countries apart from New Zealand. Our system is not based on contributions and is income-tested to a greater extent than any other OECD country. This design means that Australia targets a higher proportion of its (lower) spending to low income households than any other country. On this measure, Australia is the most efficient in the OECD in reducing inequality for each social security dollar that is spent. A consequence is that an across-the-board reduction in social security spending in Australia would increase income inequality more than in any other OECD country.

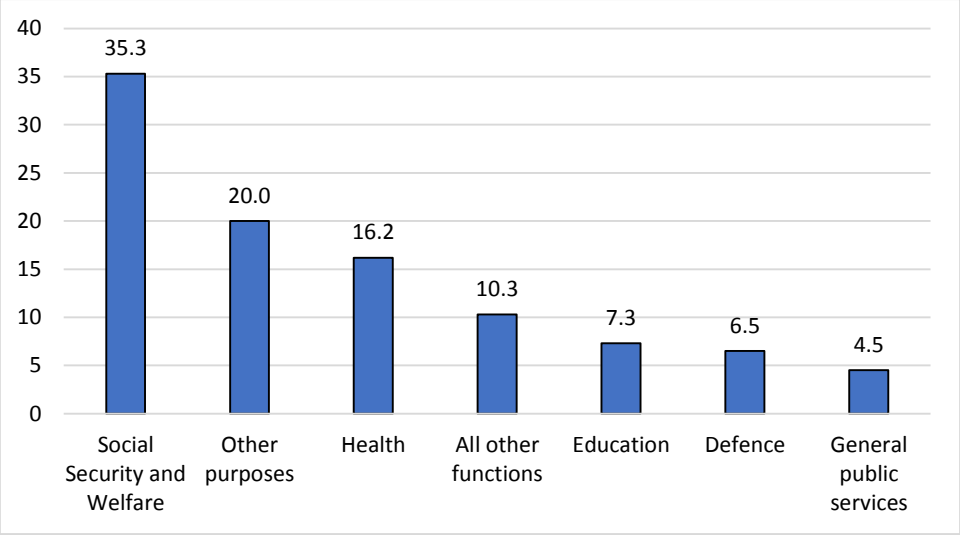
This poses challenges in assessing options for reducing social security expenditure so as to achieve "budget repair". Proposals that would reduce real social security payment levels are likely to have the largest regressive impact on the poorest households. Proposals that do greater targeting of benefits may be less regressive but raise concerns about incentives for self-support.

1. Introduction

For some time, the largest single component of Commonwealth Government spending in Australia has been "Social Security and Welfare", estimated at 35.3 % of total expenses in 2017-18 (shown in Figure 1).

Given that it is the largest component of Commonwealth Government spending, it is not surprising that "Social Security and Welfare" has been a prominent target for expenditure cuts. Apart from the fact that social security and welfare is the largest single component of Commonwealth Government spending, the rationale put forward by successive Ministers is that this area of spending has grown and will grow at an unsustainable rate (Jabour, 2014; Meers, 2015; Ireland, 2015).

Figure 1: Components of Commonwealth Government Spending, 2107-18, % of total



Source: Department of the Treasury, 2017-18 Budget, Budget Paper No.1, Statement 6, Chart 1.

Commentators outside of government have also pointed to costs of social security and welfare as putting pressure on future government budgets. For example the Shepherd Review commissioned by the Menzies Research Centre argues that "significant spending on non-revenue generating payments (such as social security welfare, defence and health) is forecast to grow faster than GDP" pointing to the ageing of the population (pages 8-9), the complexity surrounding income support and incentives to work, and "the ever growing rise in eligibility for entitlement" (page 17).

This Policy Brief has been prepared to provide a summary and analysis of the current structure of the main social security and welfare spending programmes in Australia, as well as trends in spending and recipient numbers. The Brief also looks at a number of indicators of how the Australian system compares with

those in other high income countries belonging to the Organisation for Economic Co-operation and Development (OECD), particularly in relation to levels of spending and how spending is distributed.

Section 2 analyses trends in spending over the longer run from 1980 up to 2014 using data from the OECD. The Brief uses these data as they are the most accessible long-run statistical series on social spending in Australia and other high income countries. The Brief also shows how improvements in the comprehensiveness of OECD data affects recorded levels of spending over time and compares estimates of spending that adjust for these data improvements.

The third section of the Brief then provides an analysis of trends in the number of people and households in Australia receiving social security benefits over the past twenty years or so, to address the question of how reliance on social security has changed and discusses a number of causal factors behind these changes. This analysis is based on administrative data published by the Department of Social Services as well as survey data from the Australian Bureau of Statistics on the incomes of Australian households. This section also looks at trends in numbers receiving specific payments, focusing on the largest spending areas – support for older people, support for families with children, support for people with disability, support for the unemployed and other areas of income support policy.

The fourth section of the Brief then provides a wide range of information about how spending on social security and welfare – or spending on cash benefits and "non-cash" services – compares between OECD countries for the most recent year available (2014). This section of the Brief concentrates on identifying how Australia differs from other high income countries in terms of how spending patterns differ according to areas of spending. The section also discusses the distribution of welfare spending across different income groups and its implications for proposals for spending cuts.

The Brief concludes with a discussion of the implications of this analysis for future Budget and social policy initiatives.

2. How much is spent?

The Australian income support system consists of a range of different pensions and benefits designed to provide a minimum level of income support, each with its own eligibility criteria and, where applicable "looking for work or other "activity" requirements. People must fall into specified categories to be eligible for assistance. At a point in time, people are only entitled to one income support payment, but over the course of a year or longer it is possible to be entitled to differing payments.

There are two main payments for people of retirement age – the age pension and the service pension for people who have qualifying war service. There are around 14 different categories of payment for people of working age: e.g. people with a disability, their carers, and primary carers of dependent children, the unemployed and full-time students.

There is an extensive system of additional payments for children, which is also income-tested. The same system covers children in families in work as those in families that are unemployed or outside the workforce, with higher rates of payment for lower

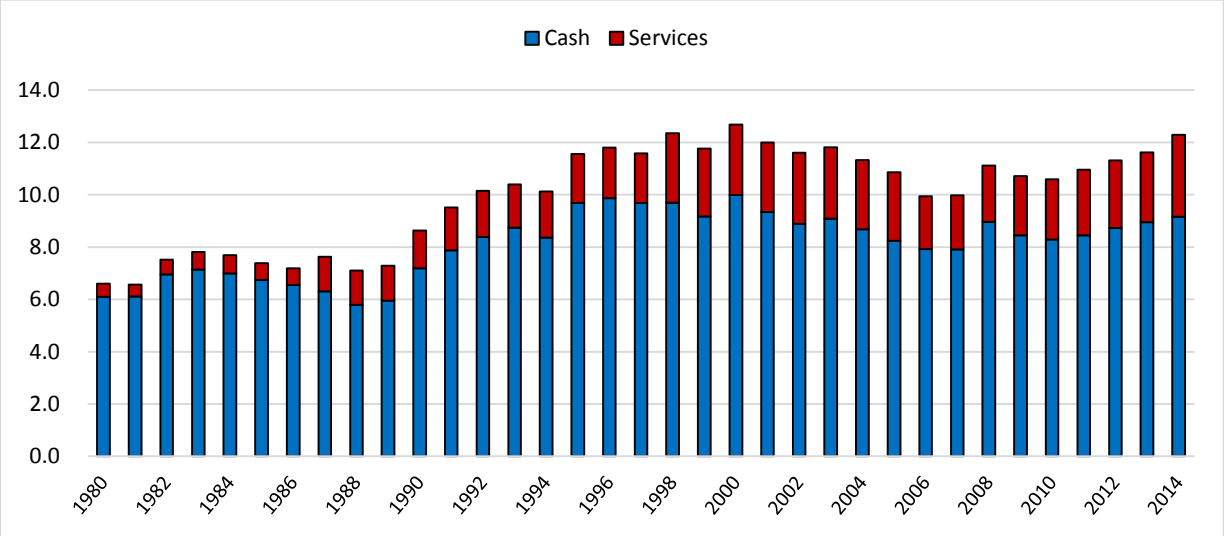
income families. There is also a wide range of supplementary payments to assist in covering additional costs such as housing costs, expenses associated with living in remote areas, and telephone and pharmaceutical costs for example.

Figure 2 shows trends in spending on social security cash benefits and welfare services in Australia from 1980 up until 2014. The data underlying this figure are given in Table A of the appendix to this Brief. The data come from the OECD Social Expenditure database, which provides the longest time series of readily available data on social spending.

It should be noted, however, that this encompasses more than Federal Government spending on social security, and includes State government spending, notably on workers' compensation (from 1990 onwards) as well as spending by State governments on age and disability services. Spending on pre-schools (close to $11 billion in 2014) is also included in the OECD data on spending on family services, but is not included in "Social Security and Welfare" (SSW) in the Commonwealth Budget Briefs. Similarly, spending on active labour market programmes (ALMPs) and related employment services are included in the OECD figures, but not under SSW. As a result, the levels of spending in OECD figures will be higher than spending as measured in Commonwealth Government Budget papers.[1]

[1] In addition, there are some inconsistencies in OECD spending figures over time, due to additions and improvements, for example, the inclusion of data on spending on State workers' compensation schemes from 1990.

Figure 2: Trends in spending on social security cash benefits and welfare services, Australia, 1980 to 2014 (% of GDP)



Source: OECD Social Expenditure database, Data extracted on 30 Apr 2017 from OECD.Stat, http://stats.oecd.org/Index.aspx?DataSetCode=SOCX_DET#

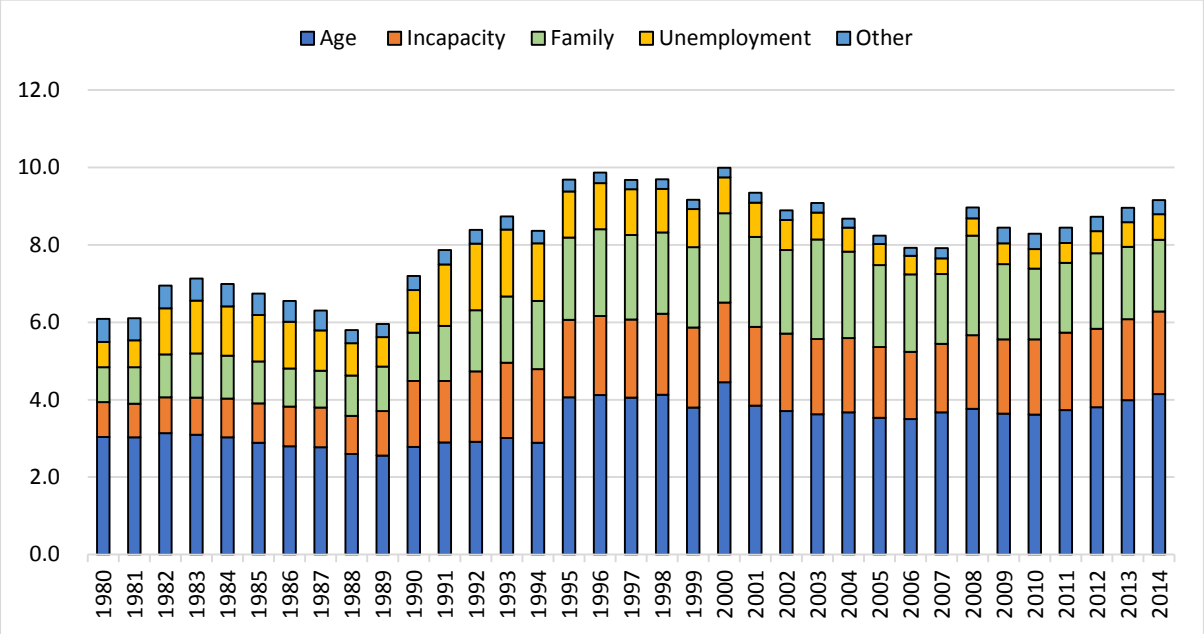
Figure 2 shows spending on cash benefits increased from 6.1% of GDP to peak at 10.0% of GDP in 2000 (as a result of the increased spending on the "compensation package" accompanying the introduction of the Goods and Services Tax (GST)); spending then declined to 7.9% of GDP in 2007, jumped to 9.0% in 2008 as a result of the stimulus package at the time of the Global Financial Crisis (GFC); it then fell up to 2010 before rising to 9.2% of GDP in 2014.

Spending on welfare services was well under 1% of GDP up until 1986, but then apparently increased significantly – partly as a result of more comprehensive reporting of data. Spending on welfare services has exceeded 2% of GDP since 1998 and reached 3.1% of GDP in 2014.

Figure 3 shows trends in spending on cash benefits by programme area over the same time frame. Spending on cash benefits for older people – the largest component of spending on cash benefits - rose from 3.0 to 4.1% of GDP over this long period. A significant part of this increase is explained by the inclusion of spending on public service pensions and lump sums from 1995, estimated to total $22.7 billion in 2014. Excluding this area of spending – which is not included in Social Security and Welfare in the Commonwealth Budget – means that spending on all other cash benefits for older people fell from 3.0% to 2.8% of GDP over this period, with a very slight fall in spending on age pensions and a more substantial decline in spending on service pensions.

Spending on incapacity cash benefits rose from 0.9% of GDP in 1980 to 2.1% in 2014. However, this is affected by improvements in the comprehensiveness of OECD data, with the inclusion of workers' compensation spending from 1990 onwards, much of which is at the State government level and is estimated to be $8.5 billion in 2014. Excluding workers' compensation, spending on incapacity cash benefits rose from 0.9% to 1.6% of GDP over this period. A range of factors influencing these trends is discussed later in this Brief.

Figure 3: Trends in spending on social security cash benefits by program area, Australia, 1980 to 2014 (% of GDP)



Source: OECD Social Expenditure database, Data extracted on 30 Apr 2017 from OECD.Stat, http://stats.oecd.org/Index.aspx?DataSetCode=SOCX_DET#

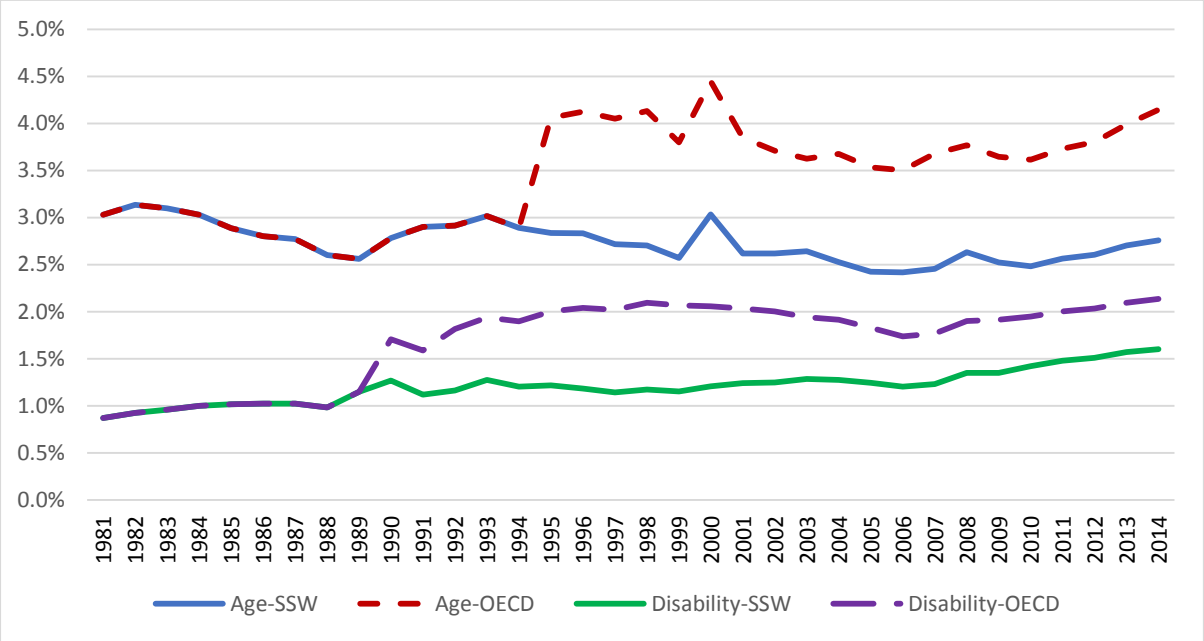
Spending on family cash benefits – mainly what is now Family Tax Benefit Part A, but also including parenting payments for lone parents and couples and Parental Leave Pay – increased from 0.9 % of GDP to a peak of 2.6% of GDP in 2003. It has subsequently declined to 1.9% of GDP in 2014, although with a temporary spike back to 2.6% of GDP in 2008, as a result of stimulus payments at the time of the GFC. Most of the increase in spending on family cash benefits occurred in the period of the Hawke-Keating governments with spending increasing from 1.1% of GDP in 1983 to 2.2% in 1996. This was a result of the increased generosity of payments for children as part of the Hawke government's anti-child poverty policies, and the growth in the share of jobless families following the recession of the early 1980s and again in the early 1990s. There were further increases under the Howard Government up until 2003, with falls thereafter – reflecting the rapid growth in GDP at this time – followed by further falls after 2009, due to policy changes.

Spending on the unemployed has varied significantly over time, largely reflecting broader labour market trends. Spending doubled from around 0.7% of GDP to 1.4% between 1980 and 1983 as a result of the recession in this period. It then fell back to 0.8% of GDP in 1989 as a result of economic recovery, but more than doubled to 1.7% of GDP by 1993, when unemployment reached 10.8 %. The sustained recovery – and the fact that payment rates are only indexed to the CPI - saw spending fall to 0.4% of GDP by 2007. Following the GFC, spending went back up to 0.7% of GDP by 2014, but this increase also reflected policy changes to eligibility for Parenting Payment Single and the Disability Support Pension, discussed below.

The final category is other spending, which has fallen from around 0.6% of GDP in the early 1980s to below 0.4% of GDP in recent years. Virtually all of this spending in 2014 was on income support for students – Youth Allowance (Students), AUSTUDY and ABSTUDY.

In order to show the effects of the improvements in OECD data over the period since 1980, Figure 4 compares the original OECD data in the Aggregate Social Expenditure database with figures calculated by deducting the major areas of cash benefits that are not included in the Commonwealth Budget Papers' definition of spending on Social Security and Welfare – that is spending on public service pensions and lump sums in spending on the aged, and spending on workers' compensation payments in spending on incapacity benefits. (The dollar figures for these are available at the programme level in the OECD Detailed Social Expenditure database.)

Figure 4: Comparison of OECD data on spending on Age and Incapacity and adjusted spending, Australia, 1980 to 2014



Note: OECD series are those given in the OECD Social Expenditure Database; SSW figures for Age are total OECD spending minus spending on public service pensions and lump sums; SSW figures for Disability are total OECD spending on incapacity cash benefits minus spending on workers compensation. Source: OECD Social Expenditure database, Data extracted on 9 May 2017 from OECD.Stat, http://stats.oecd.org/Index.aspx?DataSetCode=SOCX_DET#

The figure shows the break in each series associated with the data improvements made to the OECD database by the inclusion of workers' compensation from 1990 and public sector superannuation from 1995, with the latter having the most significant effect – boosting recorded spending from 2.8% to 4.1% of GDP. This difference has remained broadly stable over time, but has increased in relative terms since 2010. The gap in spending

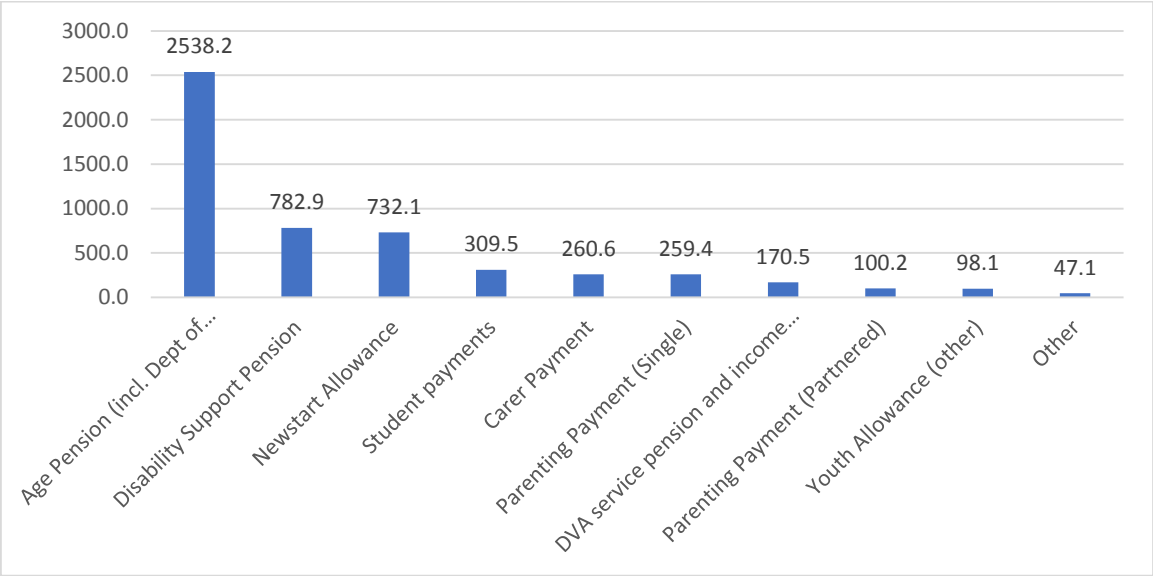
on incapacity cash benefits associated with the inclusion of workers' compensation peaked in the late 1990s and has reduced over time since then

3. How many people receive payments?

Figure 5 shows the number of recipients of the main income support payments at 30 June 2016, derived from administrative data from the Department of Social Services (https://data.gov.au/dataset/dss-payment-demographic-data) and data from the Department of Veterans Affairs.

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 (defined as from age 16 to 64). In addition, there are around 1.54 million families with nearly 3 million children receiving either or both Family Tax Benefit Part A or Family Tax Benefit Part B. About 680,000 of those families are also receiving an income support payment and 855,000 are receiving only a Family Tax Benefit.

Figure 5: Recipients (000s) of main income support payments, June 2016



Source: DSS Payment Demographic data https://data.gov.au/dataset/dss-payment-demographic-data

Table 1 shows the number and share of recipients by gender at 30 June 2016. Overall, 56.2% of all recipients of payments from the Department of Social Services were women.

There are five payments where women are less than 50% of recipients – Sickness Allowance, special Benefit, Disability Support Pension, Youth allowance (Other) and Newstart Allowance, with women being a majority of the recipients of all other payments.

Table 1: Recipients by payment type by gender, June 2016

Payment type	Male	Female	Total	% female
Sickness Allowance	4,149	3,559	7,708	46.2%
Special Benefit	2,851	2,484	5,335	46.6%
Disability Support Pension	416,380	366,511	782,891	46.8%
Youth Allowance (Other)	51,713	46,387	98,100	47.3%
Newstart Allowance	382,005	350,095	732,100	47.8%
Austudy	23,051	25,859	48,910	52.9%
Age Pension	1,147,349	1,390,812	2,538,161	54.8%
Youth Allowance (Student and Apprentice)	99,301	127,214	226,515	56.2%
ABSTUDY (Living Allowance)	3,647	5,224	8,871	58.9%
Carer Payment	80,016	180,576	260,592	69.3%
Parenting Payment Partnered	9,806	90,404	100,210	90.2%
Partner Allowance	215	3,737	3,952	94.6%
Parenting Payment Single	13,696	245,738	259,434	94.7%
Widow B Pension	-	388	388	100.0%
Wife Pension (Partner on Disability Support Pension)	-	5,697	5,697	100.0%
Wife Pension (Partner on Age Pension)	-	5,818	5,818	100.0%
Widow Allowance	-	18,245	18,245	100.0%
Total	2,234,179	2,868,748	5,102,927	56.2%

Source: DSS Payment Demographic data https://data.gov.au/dataset/dss-payment-demographic-data

Table 2 shows the age distribution of recipients by payment type at June 2016. The recipiency rate is somewhat higher for people aged 16 to 24 years than for other age groups up to the age of 54 years. This is due to the fact that people receiving assistance as students are likely to be in this younger age group.

If students are excluded, then the proportion those aged 16 to 24 years receiving a social security payment drops from 17.7% to just over 10%. Rates of income support receipt therefore tend to rise with age, being around 20% for those aged 55 to 64 years and much higher for those aged 65 years and over.

Table 2: Recipients by payment type by age group, June 2016

	16-24	25-34	35-44	45-54	55-64	65 and over	Total
Number	509,478	482,053	452,959	460,253	563,227	2,633,490	5,102,927
Rate	17.7	13.5%	14.0%	14.6%	20.2%	71.5%	26.4%
Share	10.0	9.4%	8.9%	9.0%	11.0%	51.6%	100.0%

Source: DSS Payment Demographic data https://data.gov.au/dataset/dss-payment-demographic-data

4. Trends in receipt of payments

To understand changes in welfare spending we need to factor in changes in the context in which welfare dollars are spent – population growth and the impact of an ageing population, for example, and changes in government policies and welfare categories.

One approach draws on the fact that in any year, by definition, the total amount of money spent on a social security program is equal to the number of people receiving the payment multiplied by the average amount of money they are paid. Using this simple arithmetic, it's possible to look at the factors that determine the number of people receiving benefits and identify what influences the amounts they are paid (Saunders, 2017; McCashin, 2012).

The *number of people* receiving payments reflects interactions between Australia's growing population and changes in the age composition of the population. In this context, Table 3 shows changes in the size of the total population, the size of the working age population, and of the population 65 years and over between 1980 and 2016, as well as from just before the GFC.

Table 3: Changes (%) in the size of the Australian population by age composition, 1980 to 2016

	Total population	Working Age (16-64)	Pension age (65+)
1980 to 2016	+64.2	+67.6	+160.6
2007 to 2016	+15.8	+13.5	+34.8

Source: Calculated from Australian Bureau of Statistics (2017), Australian Demographic Statistics, June 2016, Cat. No. 3101.0

Since 1980, the total Australian population has grown by nearly two-thirds (1.8% per year) and the size of the working age population grew by a little more than this (1.9% per year); the population of age pension age has grown by just over 160% (4.5% per year). Since the GFC, the total population has grown by 15.8% (1.8% per year), the working age population by 13.5% (1.5% per year), and the pension age population by 34.8% (3.8% per year).

Other important factors affecting the number of people receiving social security payments include trends in the job market and in family structure, and the impact of government decisions about who is eligible for payments, as well as changes in other parts of the

welfare system. The way individuals respond to changing incentives within the welfare system also affects patterns of payment.

The *average level of payments* will mainly reflect government decisions about benefit levels and income tests. (It's important to remember that Australia's income testing of benefits means that the average level of payments will always be lower than the basic rate of entitlements.)

One of the more important decisions governments make is which indexing approach they will use to ensure that payments reflect changes in community living standards. A number of major payments – the age pension, the disability support pension, and the carer payment – are currently indexed to wages, while most other income-support payments and family payments are indexed to prices. As long as real wages are rising, payments indexed to earnings will rise in real terms – as will the overall cost of those payments, but even if payments are indexed to prices, the overall cost will rise, assuming the population isn't falling. In these circumstances, the only ways to avoid the payment's overall cost rising faster than inflation is either to cut the *proportion* of the population receiving the payment (for example, by changing eligibility rules) or to cut average benefits *in real terms*. This would involve either cutting rates of payments – which would most disadvantage the lowest income groups – by tightening income tests – which may be counter-productive if recipients reduce their incomes due to greater disincentives to work – or by enabling greater work effort through employment growth.

We also need to look at the system as a whole, and not just its parts. This is particularly important because Australia has a *categorical* system of income-support payments. To be eligible for a payment, an individual needs to fall into a defined group – by being over the age of 65, for example, or having a disability, or caring for someone with disability, or being unemployed or sick, or studying, or caring for children. There is also a payment – special benefit – for low-income people who don't satisfy the criteria for any of the other categories.

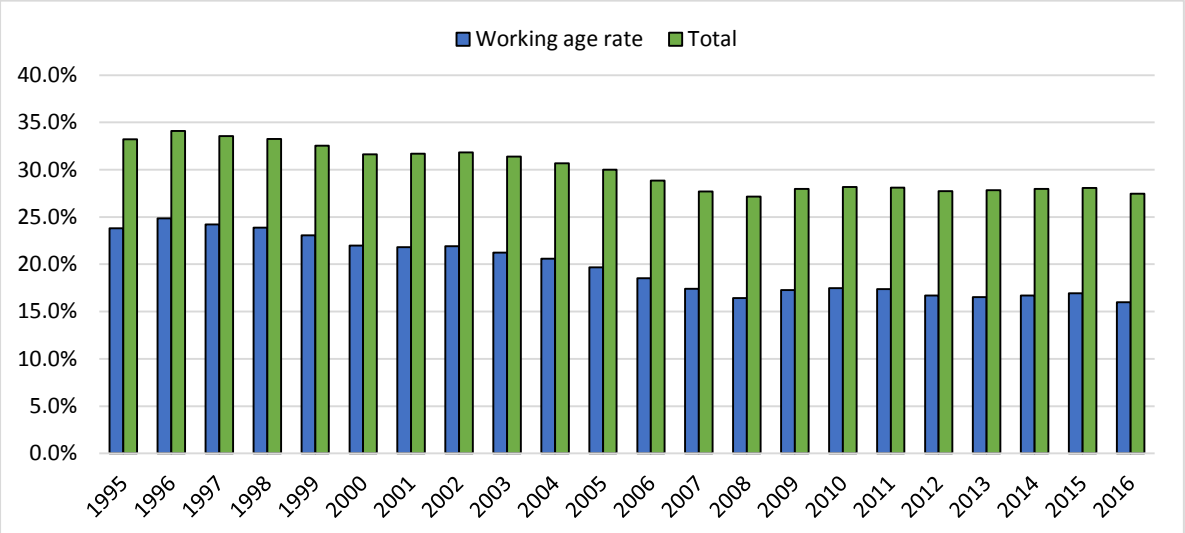
For any one person, these categories are mutually exclusive. An individual can simultaneously be over the age of 65 and have a disability that prevents him or her from taking paid work, for example, and a lone parent can also be looking for full-time work or caring for someone with disability. But these individuals can only receive one of the categorical income-support payments, even if they are potentially eligible for more than one. This means that when policy changes and a payment is either abolished or phased out, or eligibility conditions are tightened, individuals may be entitled to claim a different payment. This also applies to *groups* of people at different times: following a change of policy, a class of people who might previously have been able to claim one type of payment might be eligible for another payment. If we only analyse one payment at a time we overlook this potential substitution and gain a very limited view of what is actually going on in the welfare system.

At 30 June 2016 27.5 % of the adult population were receiving an income support payment. As shown in Figure 6, with the exception of the year immediately before the Global Financial Crisis (when it was 27.2%), this is the lowest rate of receipt of income support in the last 20 years. Since the 1990s, overall rates of receipt for the adult population have

fallen from 34.1 % in 1996, while rates for the working age population have fallen from 24.9% to 16%, which is lower than in 2008.

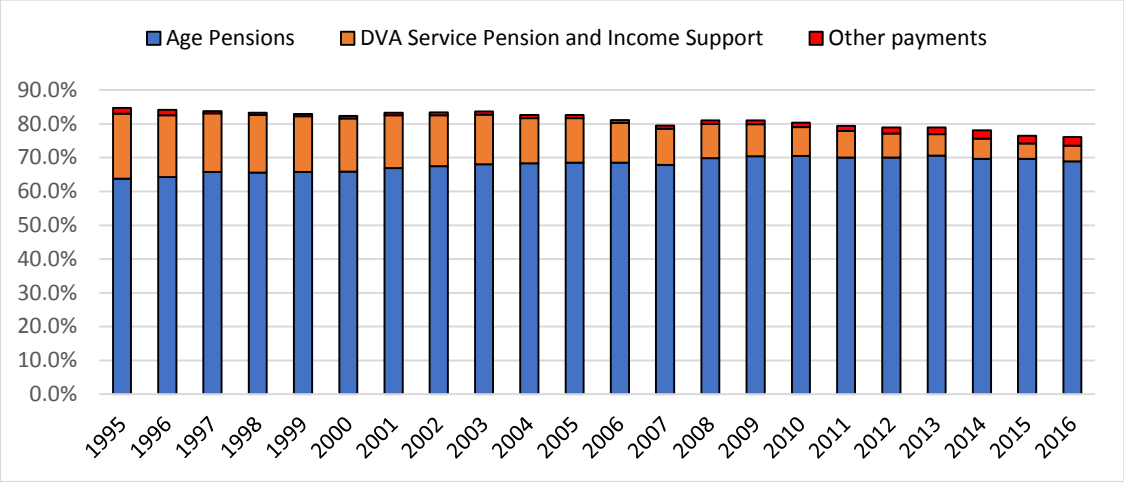
Figure 7 shows trends in rates of receipt for the population aged 65 and over, which fell from 84.2 % to 76.1% between 1995 and 2016. The decline in coverage of payments appears to largely reflect a large fall in the coverage of Department of Veteran's Affairs payments, as the cohort who fought in World War II die. The share of the older population receiving veterans' payments has fallen from close to 20% to under 5%, while the share receiving Age Pensions has risen less significantly from 64% to 69%.

Figure 6: Trends in the proportion (%) of the population and people of working age receiving an income support payment, Australia, 1995 to 2016



Note: The population receiving working age payments is adjusted to include women aged 60-64 and receiving an age pension in all years and to exclude people aged 65 and over receiving Disability Support Pension, Carers and other payments. Source: Department of Social Services, Income Support Customers: A Statistical Overview (various years) https://www.dss.gov.au/publications-articles/research-publications/statistical-paper-series; DSS Payment Demographic data https://data.gov.au/dataset/dss-payment-demographic-data and Australian Bureau of Statistics (2017), Australian Demographic Statistics, June 2016, Cat. No. 3101.0 .

Figure 7: Trends in the proportion (%) of the population of pension age receiving an income support payment, Australia, 1995 to 2016



Note: The population is adjusted to exclude women aged 60-64 and receiving an age pension in all years and to include people aged 65 and over receiving DSP, Carers and other payments (all included in "Other"). Source: Department of Social Services, Income Support Customers: A Statistical Overview (various years); DSS Payment Demographic data https://data.gov.au/dataset/dss-payment-demographic-data. Numbers of DVA Service Pensioners and those receiving the Income Support Supplement are from DVA, Pensioner Summary Statistics, various years, https://www.dva.gov.au/about-dva/statistics-about-veteran-population; and Australian Bureau of Statistics (2017), Australian Demographic Statistics, June 2016, Cat. No. 3101.0 .

Age pensions are alternatives to service pensions. But the fact that the increase in the share receiving age pensions was only about half the size of the decline in the share receiving service pensions suggests that potential new entrants to pensions are better off than previous groups of people turning sixty-five. And, as compulsory superannuation increases retirement resources in future years, the share of older people receiving an income-tested payment is likely to decline further – although the full effect will not be seen until after 2030 when retirees will have had the opportunity to contribute over their full working lives.

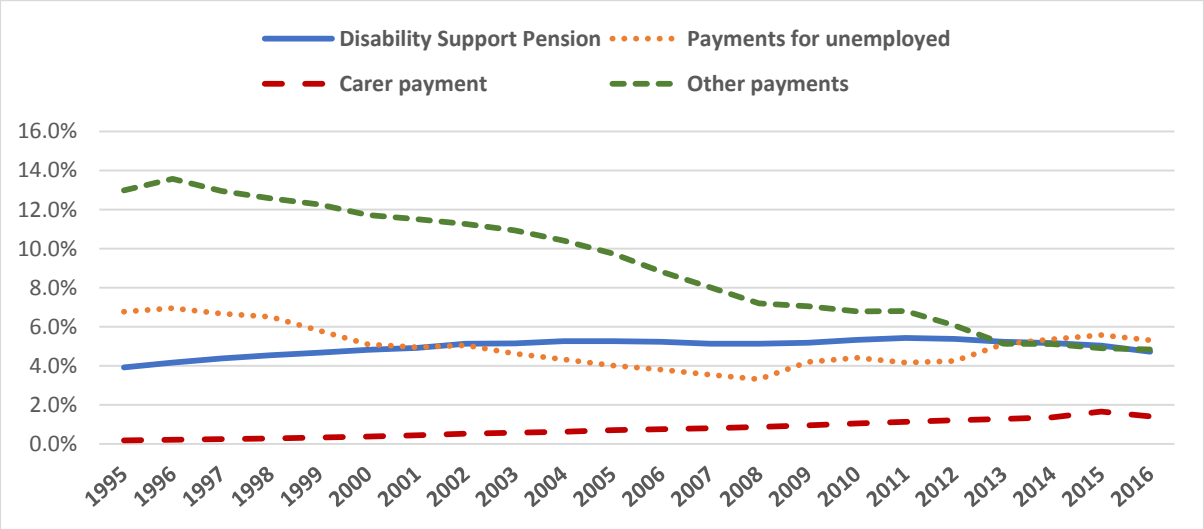
Figure 8 breaks down trends since 1995, showing what has happened to the share of the working-age population receiving the DSP, the share receiving unemployment-related payments, the share receiving the carer payment, and the percentage receiving any other form of working-age income support, including parents, the sick, wives, widows, partners and recipients of student assistance.

What is apparent is a fairly steady rise in the share of people on the DSP, from 3.9 % of the working-age population in 1995 to a peak of 5.4 % in 2011, falling to about 4.7 % in 2016. The number of people of working age on this payment fell from 800,000 in 2012 to 736,000 in 2016. [2]

[2] Interestingly, the number of people aged sixty-five and over who receive the DSP rose from around 4000 in 1995 to nearly 47,000 in 2016, presumably because they have not lived in Australia long enough to receive an age pension, but acquired a disability after they settled here.

The long decline in the share of the working-age population receiving unemployment payments before the GFC is also apparent, with an increase in 2008–09 and a sharper increase between 2012 and 2013. The proportion of people on the carer payment rose from a negligible 0.2 % of the working-age population in 1995 to 1.4 % in 2016.

Figure 8: Trends in the proportion (%) of the population of working age receiving an income support payment, by type of payment, Australia, 1995 to 2016



Source: Calculated from Department of Social Services, Income Support Customers: A statistical Overview (various years); DSS Payment Demographic data https://data.gov.au/dataset/dss-payment-demographic-data and Australian Bureau of Statistics (2017), Australian Demographic Statistics, June 2016, Cat. No. 3101.0

What is most striking, however, is the trend in the number receiving "other" payments, which peaked at 13.6 % of the population in 1996 but had fallen to 4.8 % by 2016. In numerical terms, the number of people receiving these benefits has fallen from 1.6 million in 1996 to 755,000 in 2016. The improvement in labour market conditions between 1996 and 2008 is likely to have contributed to the decline in the share of working-age people on these other payments, but policy changes appear to be the most important factor.

Starting in the 1980s and continuing for more than 20 years, the federal government began phasing out a number of other payments or limiting access to new claimants. Access to Widow B pension, for example, was limited in 1987, and then closed to new entrants in 1997. In 1994, the government introduced the partner allowance to provide support to the partners of beneficiaries who had previously received a "married rate" of payment. In 1995, it restricted this to older women without recent workforce experience while introducing Parenting Payment Partnered for partners with dependent children. As well as phasing out these payments, the government changed the income test for unemployment payments in 1995 to require both individuals in a couple to

claim the benefit in their own right, and part of their individual earnings did not affect their partner's benefit entitlements.

A further important change was the increase in the age pension qualifying age for women from sixty to sixty-five. Before 1995, women receiving the DSP were required to shift to the age pension once they turned sixty, and women who became disabled after turning sixty weren't able to claim the DSP unless they had lived in Australia for less than the ten years needed to qualify for an age pension.

As the cut-off age started to increase, women with disabilities in this age group increasingly claimed the DSP; the proportion rose from close to zero to 13.3 % by 2013. (Age breakdowns by gender are not available for subsequent years.) But as the number of women receiving the DSP went up, the number receiving the age pension went down – and it went down by much more.

In 1995, only about 650 women aged sixty to sixty-four received the DSP and 212,000 received the age pension. By 2013, 86,000 women in that age group received the DSP, and since 2014 none have received the age pension. Where once 67 % of women of that age received a pension or other payment, now the figure is less than half that. Overall, close to a quarter of the growth in the number of DSP recipients over the past twenty years can be accounted for by the growth in the number of women aged sixty to sixty-four receiving the DSP rather than the age pension.

The wife pension was closed to new entrants in 1995; the partner allowance and the mature age allowance were closed to new claimants in 2003; and by 2008 there were no longer any recipients of the mature age allowance. Since 2005, new grants of the widow allowance have been limited to women born on or before 1 July 1955.

Most of these payments had effectively been based on the assumption that women were "dependents" of men, or in the case of widows that they had been dependent and should not be expected to look for work. Even the lower age for women to receive the pension had been partly based on the assumption that women would want to leave the workforce at roughly the same time as their assumed older husbands.

These changes had a profound impact not only on the total number of people receiving welfare payments but also on which payments they received. In the mid-1990s, the "closed payments" – mainly for women – were received by around 4 % of the working-age population; now, only 1 % of the population receive their successor payments.

About 1.4 % of the working-age population are receiving the carer payment. As with the age pension/DSP trade-off for older women, the rise in the number of people on the carer payment is more than offset by the decline in the number of people on these "dependency" payments

What these figures show is that if we only look at the programs in which numbers have been going up – the DSP, the carer payment and, more recently, unemployment payments – then we will have a very partial view of overall trends and miss the contribution of policy changes in other parts of the system.

5. What has happened to family payments?

In recent decades, there has been a good deal of public discussion of "middle class welfare", with critics particularly pointing to the growth in spending on family payments (Redmond, Whiteford and Adamson, 2011). As discussed earlier, spending on assistance for families increased significantly in Australia between the 1980s and the early 2000s – in fact the increase in spending was the most rapid in the OECD.

But earlier discussion also showed that spending as a percentage of GDP peaked in 2003, and has generally fallen since then (with the temporary exception of the year of the GFC). In fact, the reduction in spending on family payments over the past 14 years has been the most rapid of any OECD country.

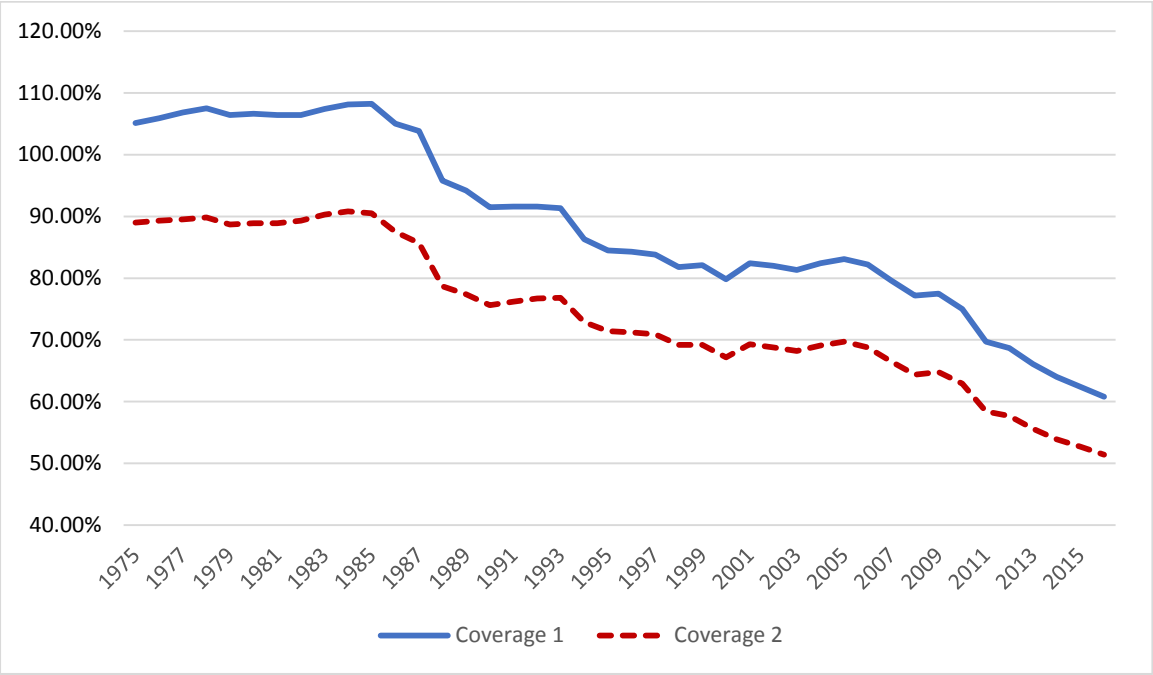
A number of policy initiatives have led to this result, including the decision in 2009 to change the indexation of family payments from wages to prices, the non-indexation of the higher threshold for income-testing family payments in 2011, the imposition of "sudden death" income tests on Family Tax Benefit Part B, first at $150,000 under the Labor Government, and then at $100,000 under the Coalition government, and a range of proposed changes since 2013.

These changes have had a remarkable impact on eligibility for family assistance. As Figure 9 shows the proportion of all children for whom Family Tax Benefit A is paid has fallen significantly both over the longer run and more recently.

Families are eligible for Family Tax Benefit A if they have dependent children aged zero to 15 years and/or dependent students up to 18 years of age. As there is no readily available data on the number of dependent students – and the precise rules of eligibility have changed over time – it is only possible to estimate a range of coverage estimates, not a precise measure of coverage (the proportion of eligible children for whom payments are received).

Figure 9 shows estimated coverage taking the number of children for whom payments are made as a percentage of all children aged 0 to 15 years – which will be an over-estimate – and as a proportion of all people aged 0 to 18 years – which will be an under-estimate. The "true" coverage rate will fall somewhere between these two lines, which track each other quite closely.

Figure 9: Estimated coverage (%) of children by Family Tax Benefit Part A and related payments, 1971 to 2016



Note: Families are eligible for Family Tax Benefit Part A if they have children aged 0 to 15 years (inclusive) and/or dependent students aged 0 to 18 years. "Coverage 1" is the number of children for whom Family Tax Benefit Part A and earlier equivalent payments is paid as a percentage of the population aged 0 to 15 years; "Coverage 2" is as a percentage of the population 0 to 18 years. Source: Department of Social Services, *Income Support Customers: A Statistical Overview* (various years) https://www.dss.gov.au/publications-articles/research-publications/statistical-paper-series; *DSS Payment Demographic data* https://data.gov.au/dataset/dss-payment-demographic-data and Australian Bureau of Statistics (2017), *Australian Demographic Statistics, June 2016,* Cat. No. 3101.0 .

Up until 1987, when the Hawke government introduced an income test on Family Allowances, coverage was effectively universal. The introduction of the income test on payments saw coverage drop to between 70% and 80%. There was a relatively brief period of stability up until 2007, but since then coverage has again dropped due to the policy changes outlined above.

In the recent period, 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, 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 FTBA among children up to 15 years of age has fallen from around 83% to close to 61%, or from 70% to closer to 50% of children aged up to 18 years. It seems likely that due to the continuing non-indexation of the upper income test threshold for family payments, that this trend will continue in future.

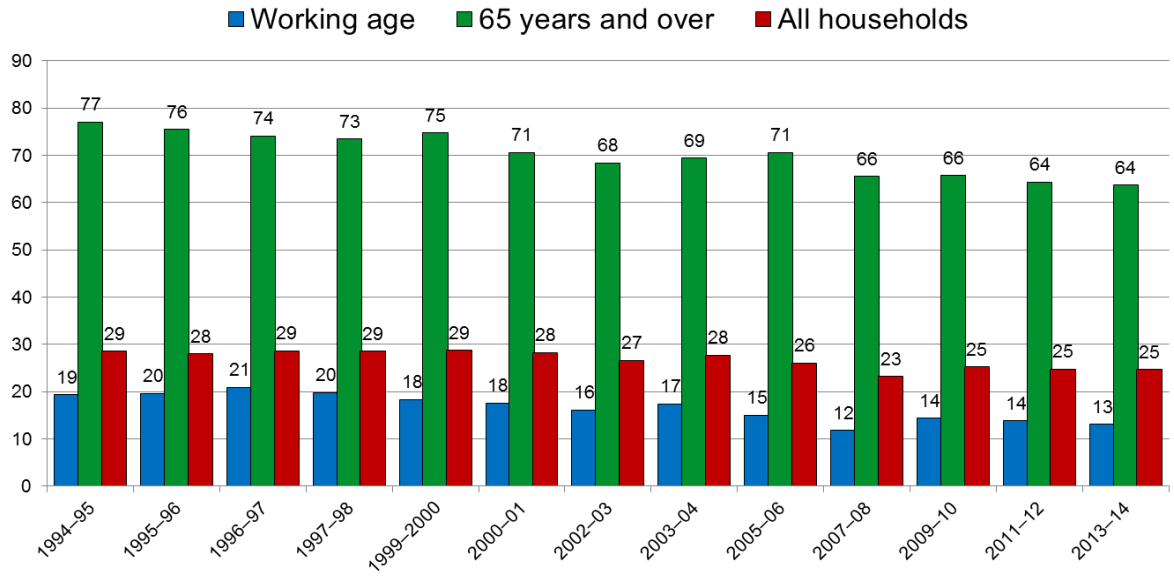
6. Social security and household incomes

Another way of measuring use of social security is with ABS statistics on income distribution, which among other things show the proportion of households for whom social security cash benefits are the main source of income – that is, where social security payments are the largest single source of income usually 50% or more.

Figure 10 shows these trends from 1994-95 to 2013-14.

Figure 10: Reliance on social security has been falling

% of households by age with social security as main source of income



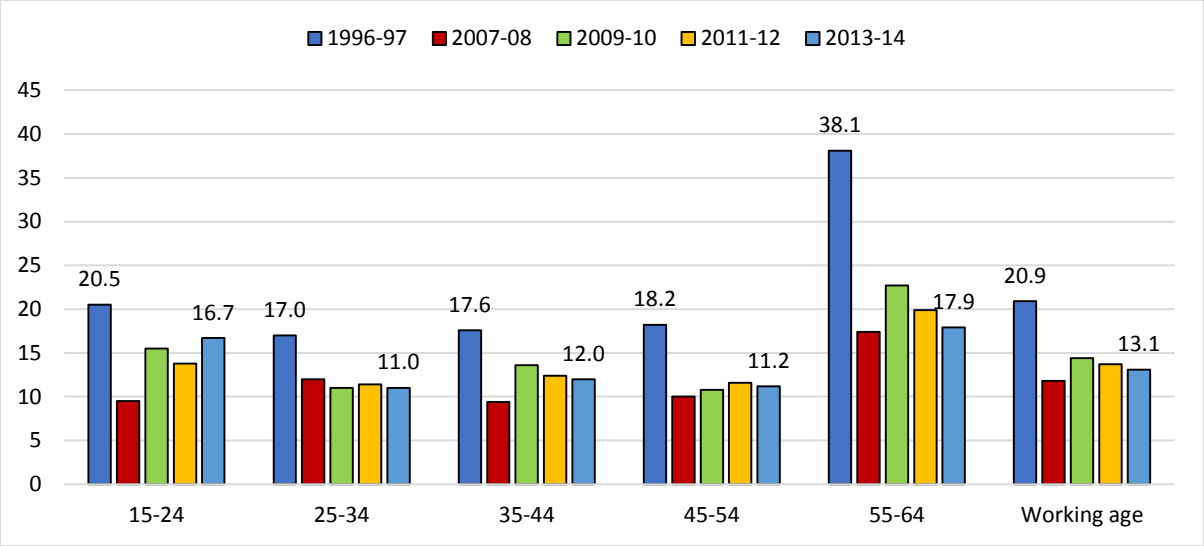
Source: ABS, Household Income and Wealth, Cat. No. 6523.0, various years.

The numbers in Figure 10 refer to the proportion of households for whom social security payments (including Family Tax Benefits and other supplementary payments) constitute the largest single share of their annual income, while earlier figures for recipient numbers refer to the proportion of individuals receiving any income from income support payments only at a point in time each year. For example, an Age Pensioner couple will count as one household but two individuals; if they get more than half of their income from investment income they will not be counted as recipient household, but they will still be counted administratively as individual recipients.

While these differences in definition explain the differences in these numbers, the two series are generally quite consistent. The proportion of households with a reference person aged 65 years and over for whom social security is the main income source has fallen from 77% to 64% over these two decades, while the proportion of households with a working age head in the same situation has fallen by more than one-third, from 19% to 13%. The share of all households for whom social security is the main source of income has fallen less rapidly than either age group from 29% to 25%, because the reduction in age-specific rates of receipt has been partly offset by the ageing of the population.

Figure 11 provides a more detailed disaggregation of reliance on social security payments by age of household head among the population of working age between 1996-97 and 2013-14. The most notable feature of these results is that the decline in reliance on social security benefits has been greatest among households with a reference person aged 55 to 64 years, the pre-retirement age group. Reliance on social security has decreased least – by around one-fifth - among households with a reference person aged 15-24 years (but a minority of persons in this age group are heads of households). Among other working-age households the share reliant on social security benefits has fallen by between one-third and two fifths. For those in the pre-retirement age group, reliance on social security has more than halved; this is likely to reflect the policy reforms discussed earlier – the raising of the age pension age for women, and the phasing-out of the dependency related payments.

Figure 11: % of working-age households by age with social security as main source of income, 1996-97 to 2013-14



Source: ABS, Household Income and Wealth, Cat. No. 6523.0, various years.

Table 4 further breaks down receipt of social security for the overall population of Australian households over the period from 1994-95 to 2013-14 by the degree of reliance on social security payments. The previous discussion concentrated on those for whom social security was the main source of income, which is broadly equivalent to the sum of the last two columns in Table 4 (between 50 and 90% of income from social security, and 90% or more).

Table 4: Contribution of government pensions and allowances to gross household income

	Nil or less than 1%	1% to less than 20%	20% to less than 50%	50% to less than 90%	90% and over
1994–95	41.0	20.7	9.0	6.5	21.8
1995–96	41.4	20.6	9.2	7.4	20.4
1996–97	41.7	19.9	9.0	8.2	20.3
1997–98	43.3	18.5	8.9	7.7	20.7
1999–2000	44.7	17.7	8.2	7.8	20.7
2000–01	44.4	16.9	9.5	7.4	20.7
2002–03	46.1	17.2	9.0	7.5	19.0
2003–04	44.2	18.6	9.1	8.8	18.7
2005–06	43.9	20.2	9.5	8.6	17.3
2007–08	46.4	20.4	10.1	8.4	14.3
2009–10	45.5	19.4	9.7	9.1	15.9
2011–12	47.1	18.0	9.8	8.9	15.6
2013–14	49.3	15.9	9.9	9.3	15.1

Source: Source: ABS, Household Income and Wealth, Cat. No. 6523.0, various years.

The table shows that over this time period the proportion of household completely independent of social security increased from 41% to more than 49% of all Australian households. At the other end of the spectrum, where households received 90% or more of their income from cash benefits, heavy reliance has fallen from close to 22% to 15% of households.

7. How does Australia compare?

The Australian social security system differs from that in most other countries. In Europe, the United States and Japan, most government benefits are financed by contributions from employers and insured employees, and benefits are often related to past earnings, so that higher income workers receive higher absolute levels of benefits if they become unemployed or incapacitated or when they retire.

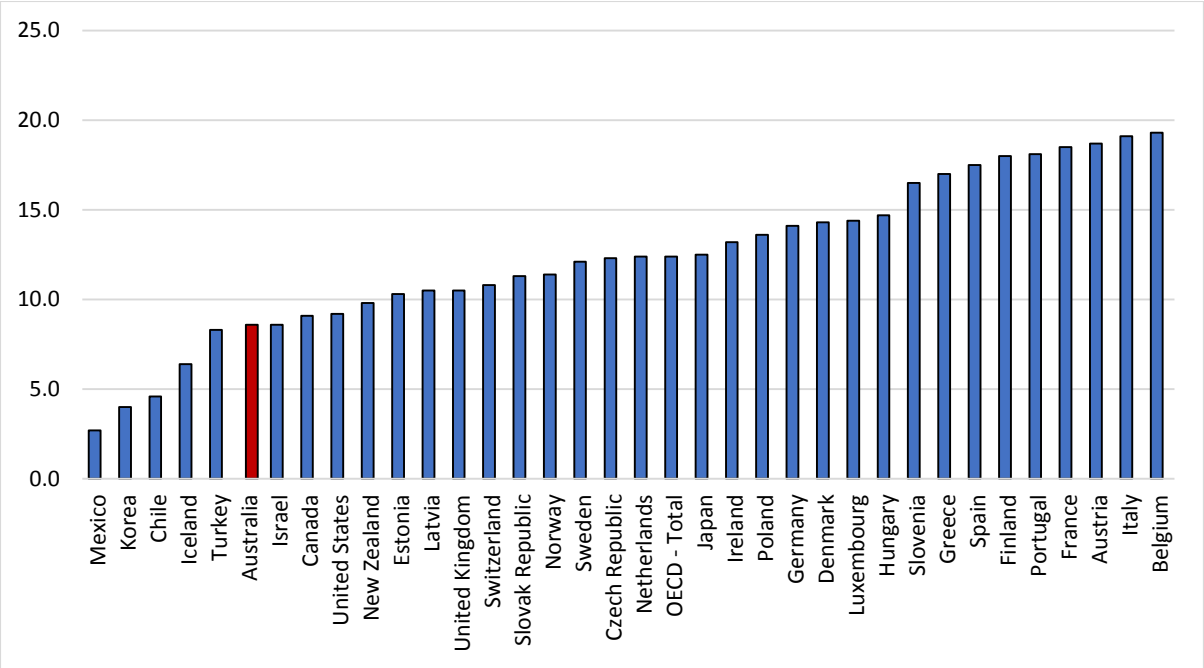
In contrast, in Australia (and New Zealand), most government benefits are flat-rate entitlements financed from general government revenue, and there are no explicit social security taxes. In addition, in both countries – but more so in Australia – most benefits are income-tested or asset-tested, so that entitlements reduce as resources increase.[3]

3 Because the Australian system is not contributory, eligibility is based on residence and coverage of the population is broad. Duration of payment receipt is not time limited, with income support payments being paid indefinitely subject to the continued meeting of eligibility criteria. Benefits are legal entitlements and recipients have the right to appeal to administrative and judicial tribunals in case of disagreements about administrative decisions. The social security system is also a national system, with entitlements and conditions being uniform across the country.

While income support payments are means-tested, these assets tests are more generous than those typically applying in social assistance schemes in other countries. In a sense, the Australian system is a hybrid falling between a social insurance system and a social assistance system, being less "generous" than a social insurance system, but more "generous" than a social assistance system.

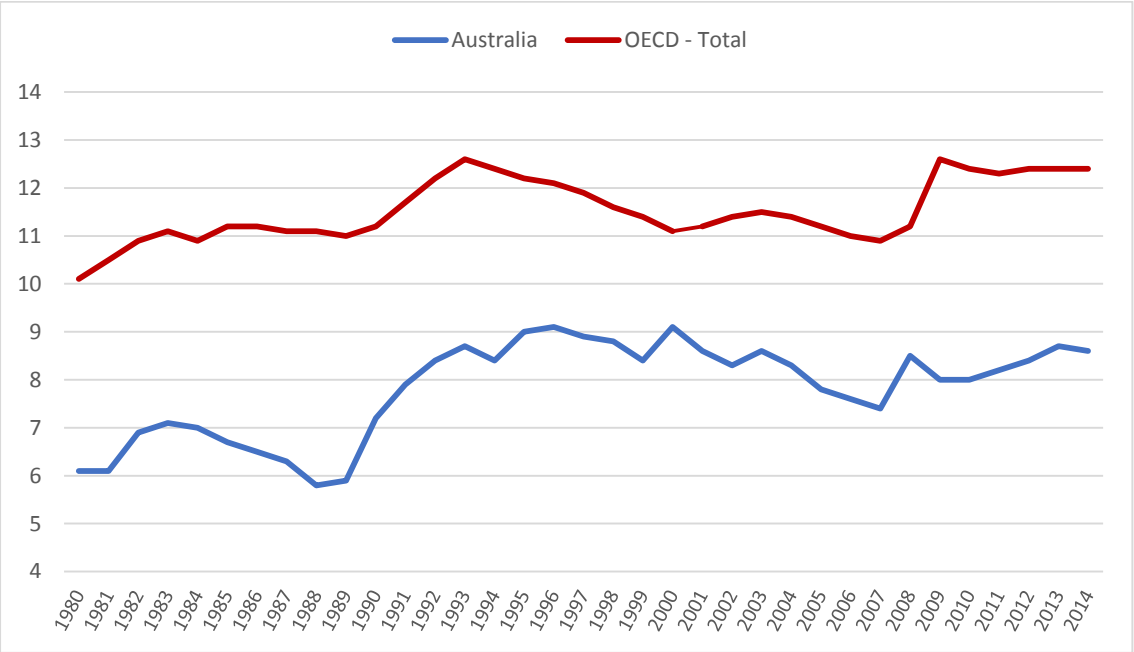
Figure 12 shows spending on cash benefits as a percentage of GDP in 2014. Australia is the 6th lowest spender of 35 OECD countries, spending slightly more than Turkey and slightly less than Israel. The lowest spending countries tend to be those OECD countries with the lowest levels of national income such as Mexico, Korea and Chile. The English-speaking countries tend to be relatively low spenders on social security benefits, but Australia is the lowest spender in this group.

Figure 12: Spending on cash benefits, OECD, 2014 or nearest year (% of GDP)



Source: OECD Social Expenditure database, Data extracted on 30 Apr 2017 from OECD.Stat, http://stats.oecd.org/Index.aspx?DataSetCode=SOCX_DET#

Figure 13: Spending on cash benefits, Australia compared to OECD average, 1980 to 2014 (% of GDP)



Source: OECD Social Expenditure database, Data extracted on 30 Apr 2017 from OECD.Stat, http://stats.oecd.org/Index.aspx?DataSetCode=SOCX_DET#

Figure 13 shows how Australian spending on cash benefits compares to the OECD average between 1980 and 2014. In broad terms, trends in Australia social security spending parallel those for the OECD overall, although the increase in spending in the recession of the early 1990s was more marked in Australia. The increase at the time of the GFC was initially less strong in Australia, but increased somewhat after 2010. Over the whole period, spending increased from around 60% to 69% of the OECD average.

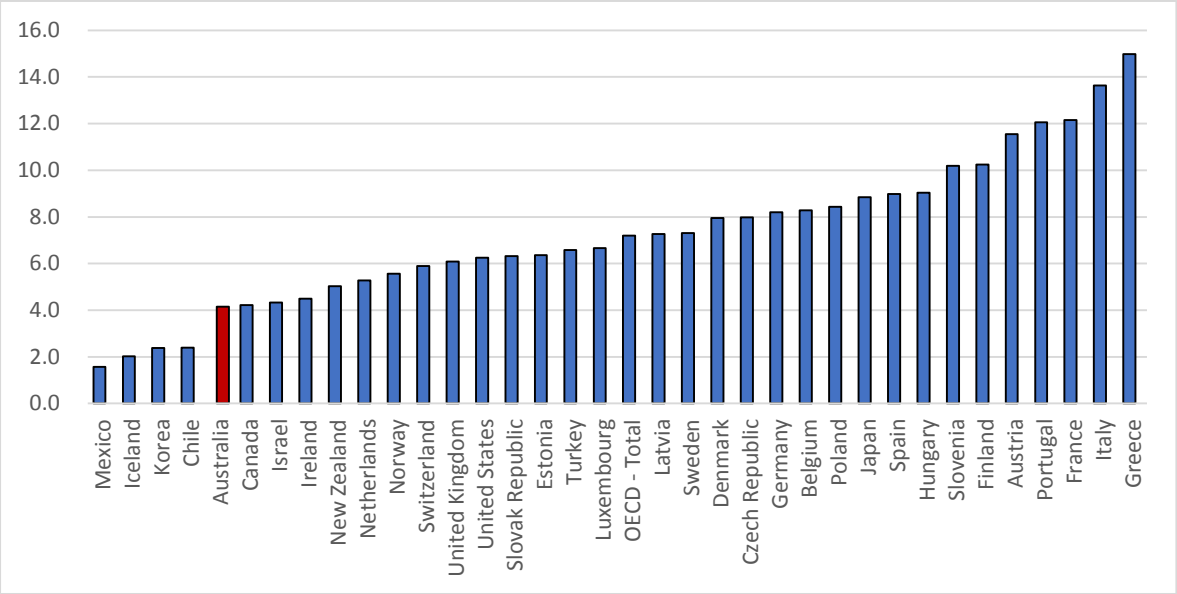
Figures 14 to 17 compare Australian spending on the main categories of cash benefits in 2014 (or the nearest year). Cash benefits for the aged (Figure 14) are the most important spending item in Australia and most other OECD countries. Australia ranks 5th lowest in the OECD, with the main countries that spend less being lower income OECD countries.

On spending on incapacity cash benefits (Figure 15) ranks 8th highest in the OECD, although to some extent this is influenced by spending on early retirement – where Australian spending is very low. In a number of countries, spending on incapacity is measured as relatively low, because older people with disability are able to retire early rather than claim incapacity benefits.

For spending on family cash benefits (Figure 16) Australia ranks 6th highest in the OECD. As discussed above, this ranking reflects Australia's rapid increase in spending up to 2003 (when Australian spending was the 2nd highest in the OECD after Luxembourg). Since 2003, Australian spending has been falling down the OECD ranking. In addition, Australia has one of the lowest levels of spending in the OECD through tax support for families, reflecting the fact that most of the measures that used to

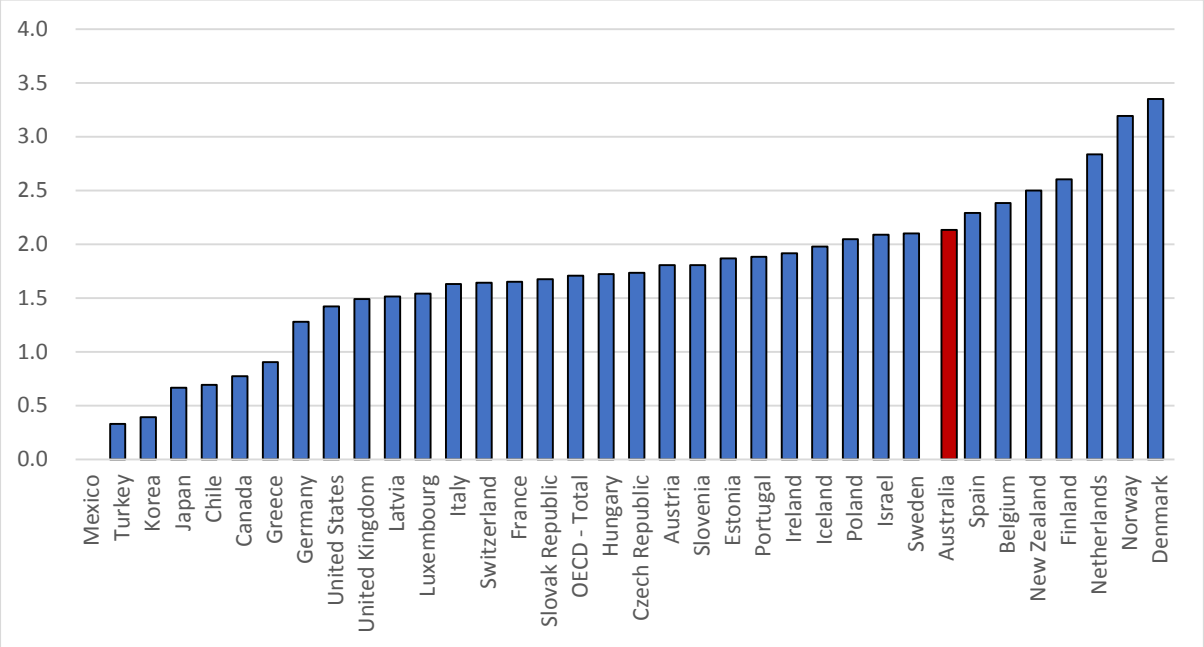
be included as payments through the tax system are now made as direct cash payments. When tax breaks are added to cash payments Australia falls from 6th to 10th highest in the OECD.

Figure 14: Spending on cash benefits for the aged, OECD, 2014 or nearest year (% of GDP)



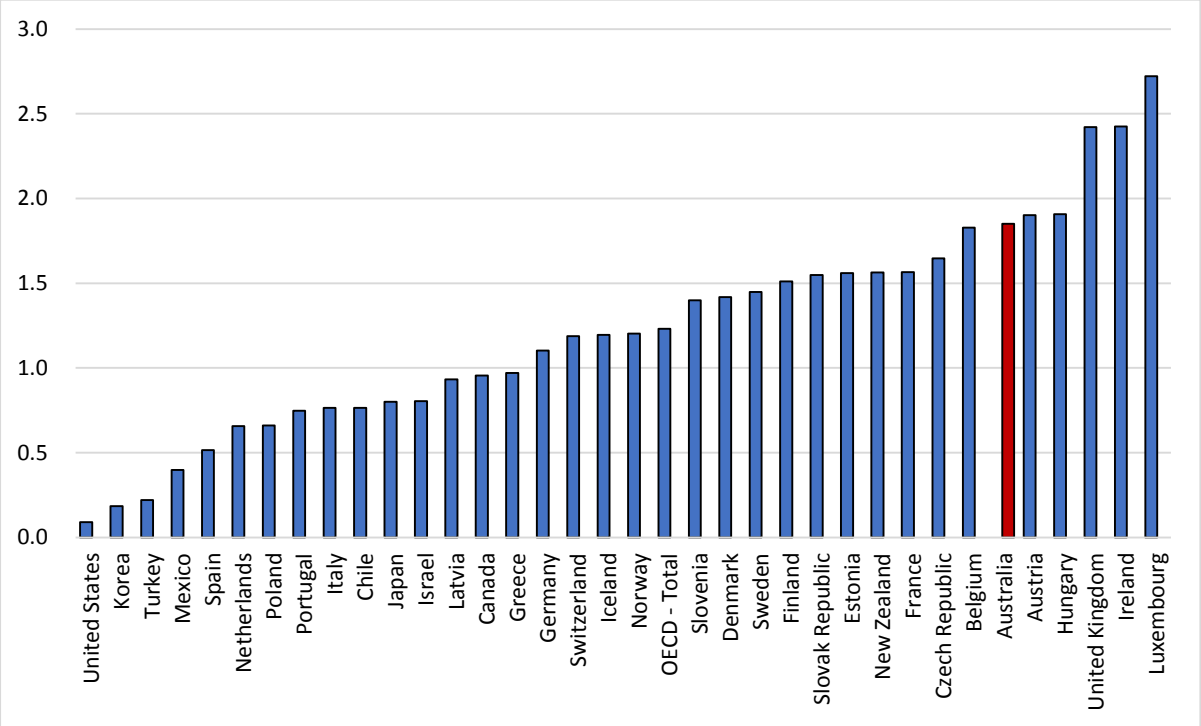
Source: OECD Social Expenditure database, Data extracted on 30 Apr 2017 from OECD.Stat, http://stats.oecd.org/Index.aspx?DataSetCode=SOCX_DET#

Figure 15: Spending on incapacity cash benefits, OECD, 2014 or nearest year (% of GDP)



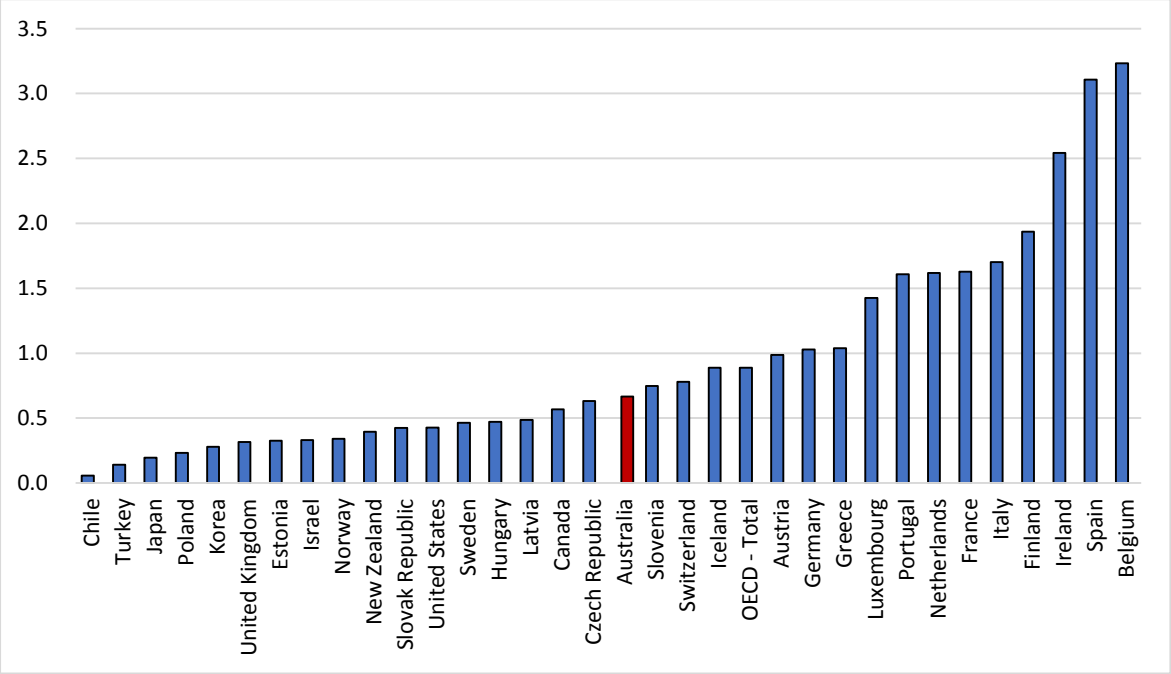
Source: OECD Social Expenditure database, Data extracted on 30 Apr 2017 from OECD.Stat, http://stats.oecd.org/Index.aspx?DataSetCode=SOCX_DET#

Figure 16: Spending on family cash benefits, OECD, 2014 or nearest year (% of GDP)



Source: OECD Social Expenditure database, Data extracted on 30 Apr 2017 from OECD.Stat, http://stats.oecd.org/Index.aspx?DataSetCode=SOCX_DET#

Figure 17: Spending on unemployment cash benefits, OECD, 2014 or nearest year (% of GDP)

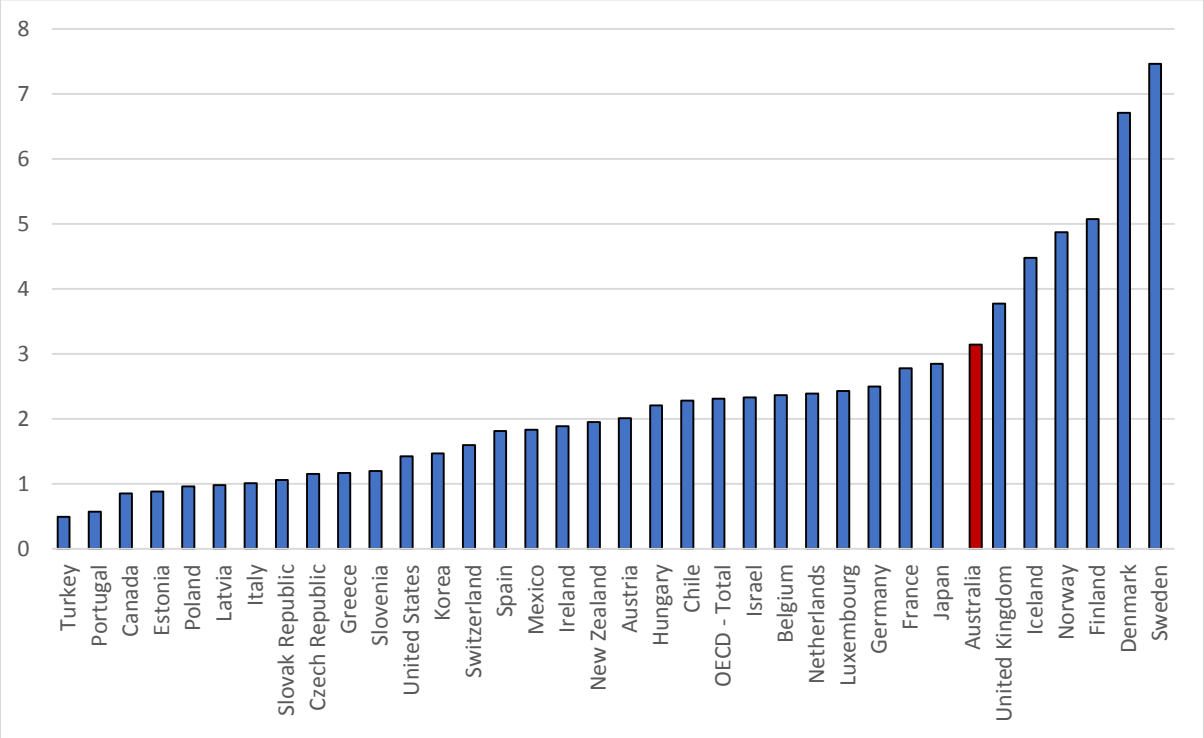


Source: OECD Social Expenditure database, Data extracted on 30 Apr 2017 from OECD.Stat, http://stats.oecd.org/Index.aspx?DataSetCode=SOCX_DET#

For spending on unemployment cash benefits (Figure 17), Australia is well below the OECD average and ranks 17th in the OECD. This partly reflects Australia's lower than average unemployment rate, but more importantly, the low level of benefits due to Australia's flat-rate income tested system.

Figures 18 to 22 show spending on community and welfare services broken down by main category in 2014. Figure 18 shows that spending on all community and welfare services in Australia was the 7th highest in the OECD in 2014, and about 50% higher than the OECD average. All of the Nordic countries and the United Kingdom were higher spenders than Australia

Figure 18: Spending on community and welfare services, OECD, 2014 or nearest year, % of GDP



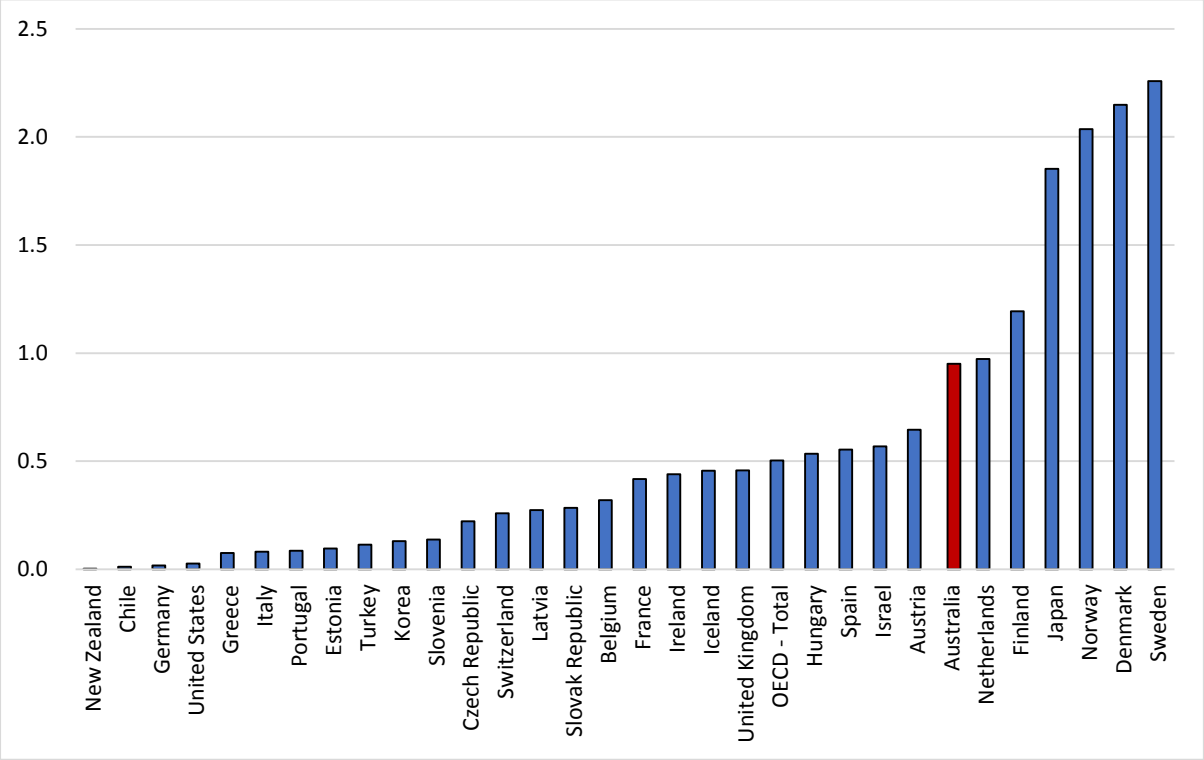
Source: OECD Social Expenditure database, Data extracted on 30 Apr 2017 from OECD.Stat, http://stats.oecd.org/Index.aspx?DataSetCode=SOCX_DET#

Figure 19 shows that spending on services for older people is also the 7th highest in the OECD, or about 30% higher than the OECD average. Again most of the Nordic countries are higher spenders than Australia in this category, but so are Japan and the Netherlands. Comparisons across countries for this area of spending is likely to be complicated by the degree to which spending through the health care system is directed to activities supporting the care of older people differentially across countries. It is also possible that in countries with higher levels of spending on pensions for older people may expect people to pay greater out-of-pocket contributions for community care and residential care.

Figure 20 shows spending on disability services in 2014, when Australia ranked 9th in the OECD, or nearly twice the OECD average. Again the Nordic countries rank at the top of the OECD distribution, but so also do continental European countries, such as Luxembourg, Germany, Switzerland and Belgium.

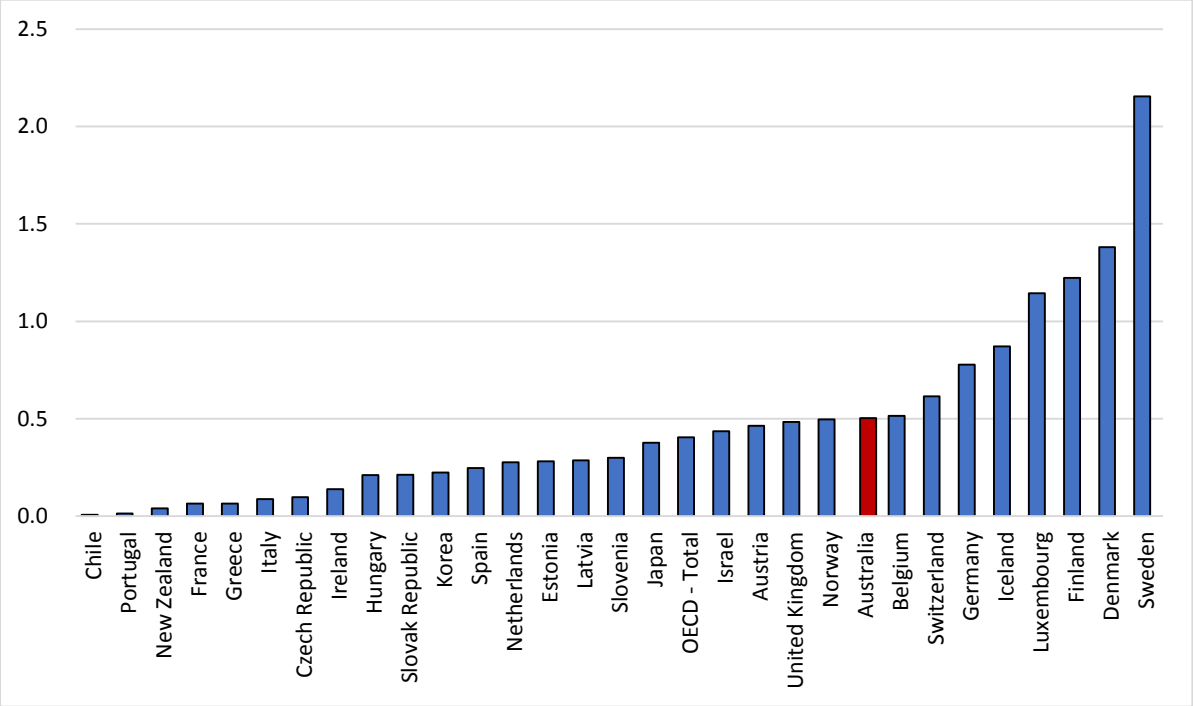
Figure 21 shows that spending on family services is the 14th highest in the OECD and only slightly above the OECD average. Figure 22 shows that spending on Active Labour Market programmes is the 8th lowest in the OECD and only about 40% of the OECD average. In both these categories of spending, the Scandinavian countries lead the OECD by a wide range.

Figure 19: Spending on services for older people, OECD, 2014 or nearest year, % of GDP



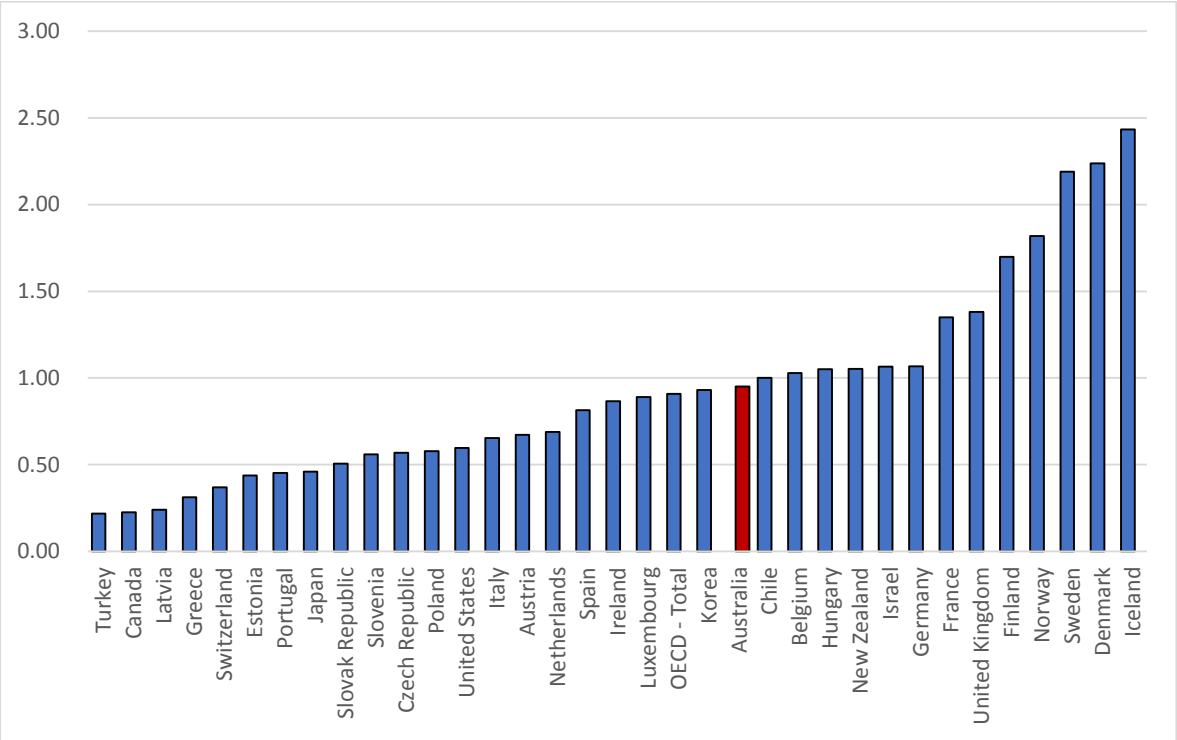
Source: OECD Social Expenditure database, Data extracted on 30 Apr 2017 from OECD.Stat, http://stats.oecd.org/Index.aspx?DataSetCode=SOCX_DET#

Figure 20: Spending on services for people with disability, OECD, 2014 or nearest year, % of GDP



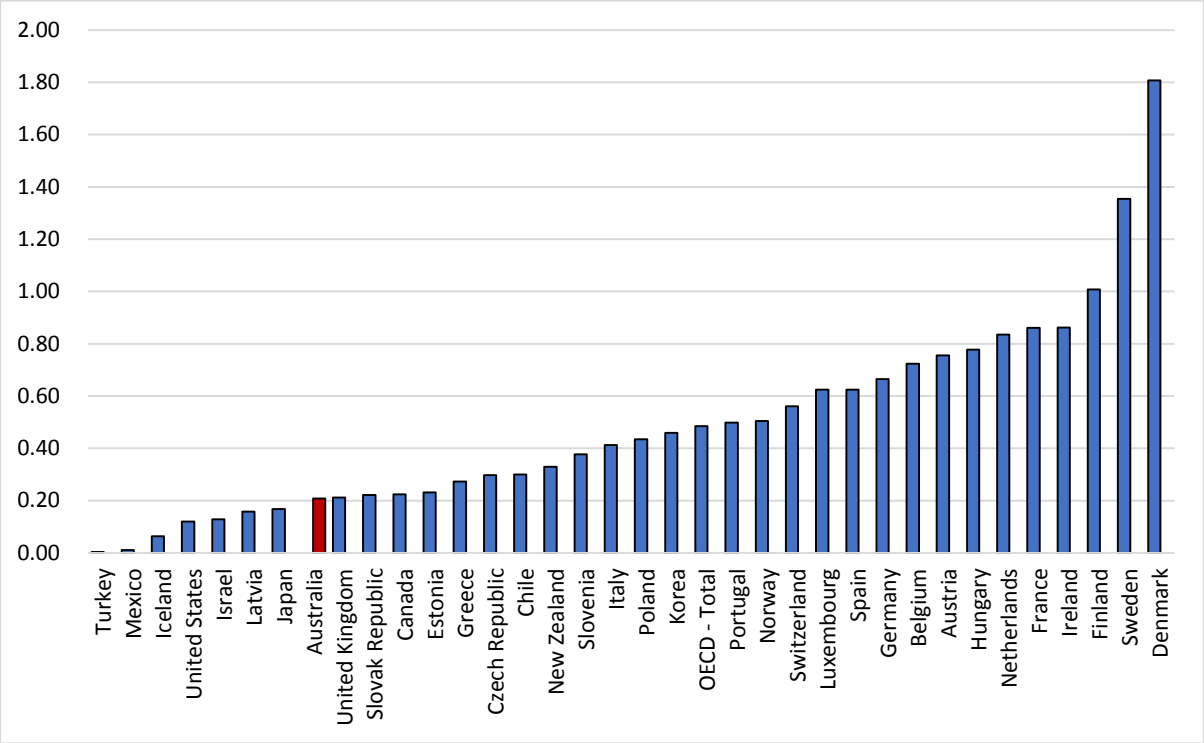
Source: OECD Social Expenditure database, Data extracted on 30 Apr 2017 from OECD.Stat, http://stats.oecd.org/Index.aspx?DataSetCode=SOCX_DET#

Figure 21: Spending on family services, OECD, 2014 or nearest year, % of GDP



Source: OECD Social Expenditure database, Data extracted on 30 Apr 2017 from OECD.Stat, http://stats.oecd.org/Index.aspx?DataSetCode=SOCX_DET#

Figure 22: Spending on active labour market programmes, OECD, 2014 or nearest year, % of GDP

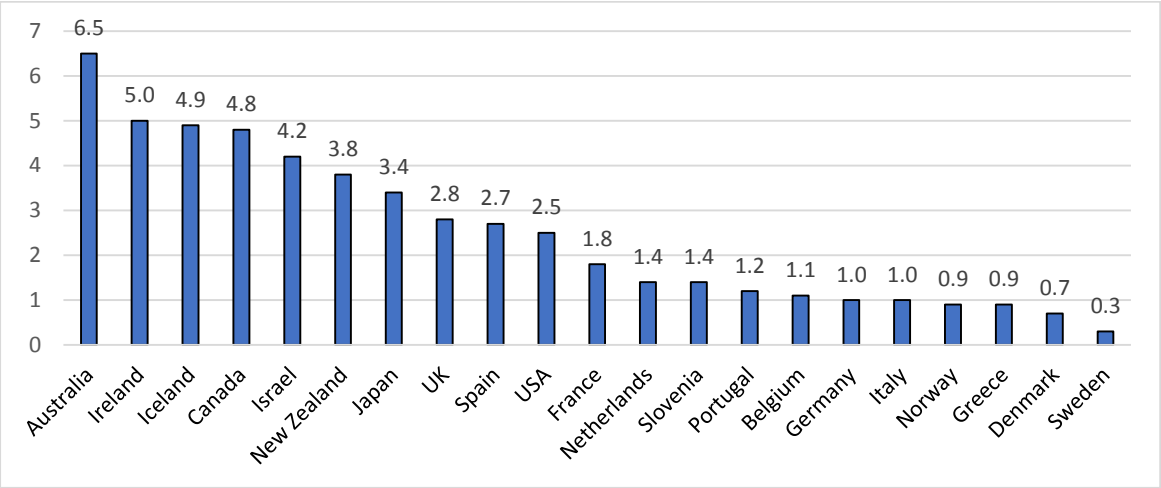


Source: OECD Social Expenditure database, Data extracted on 30 Apr 2017 from OECD.Stat, http://stats.oecd.org/Index.aspx?DataSetCode=SOCX_DET#

8. How are benefits distributed?

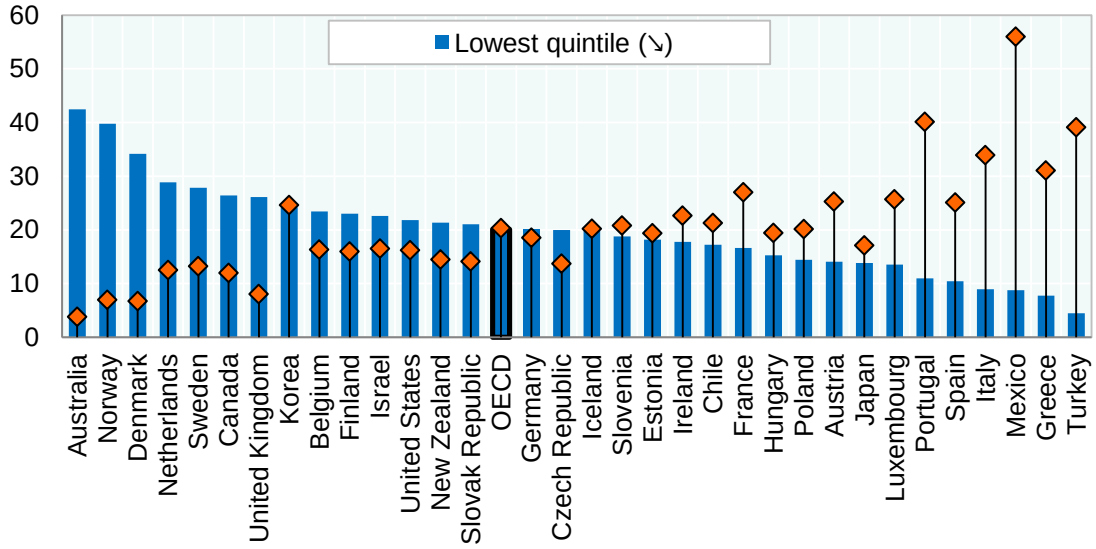
As discussed above, the Australian social security system differs from the social insurance systems common in other high income countries, both in terms of how benefits are financed and also in terms of how benefits are distributed between income groups. Figure 23 shows estimates of spending on income-tested payments in 2012. Australia has the highest level of spending on income-tested benefits of any OECD country in 2012 – 6.5% of GDP, with the next nearest countries being Ireland, Iceland and Canada. The lowest level of spending on income-tested payments at under one % of GDP is in Norway, Greece, Denmark and Sweden

Figure 23: Public spending on income-tested benefits, % of GDP, OECD countries 2012



Source: OECD Social Expenditure database.

Figure 24: Percentage of public social benefits in cash paid to the lowest and highest quintiles, total population, 2011



Source: OECD Social Expenditure Update, 2014, https://www.oecd.org/.../OECD2014-**Social-Expenditure-Update**-Nov2014-8pages.pdf

As a result of Australia's reliance on income-testing, cash benefits in Australia are more targeted to the poorest 20% of the population than in any other OECD country, and correspondingly, the richest 20% of the population receive a lower share of benefits than in any other high-income country, as shown in Figure 24.

In summary, overall Australia has a relatively low level of spending on cash benefits, but concentrates these benefits on low income groups more than any other rich country. What

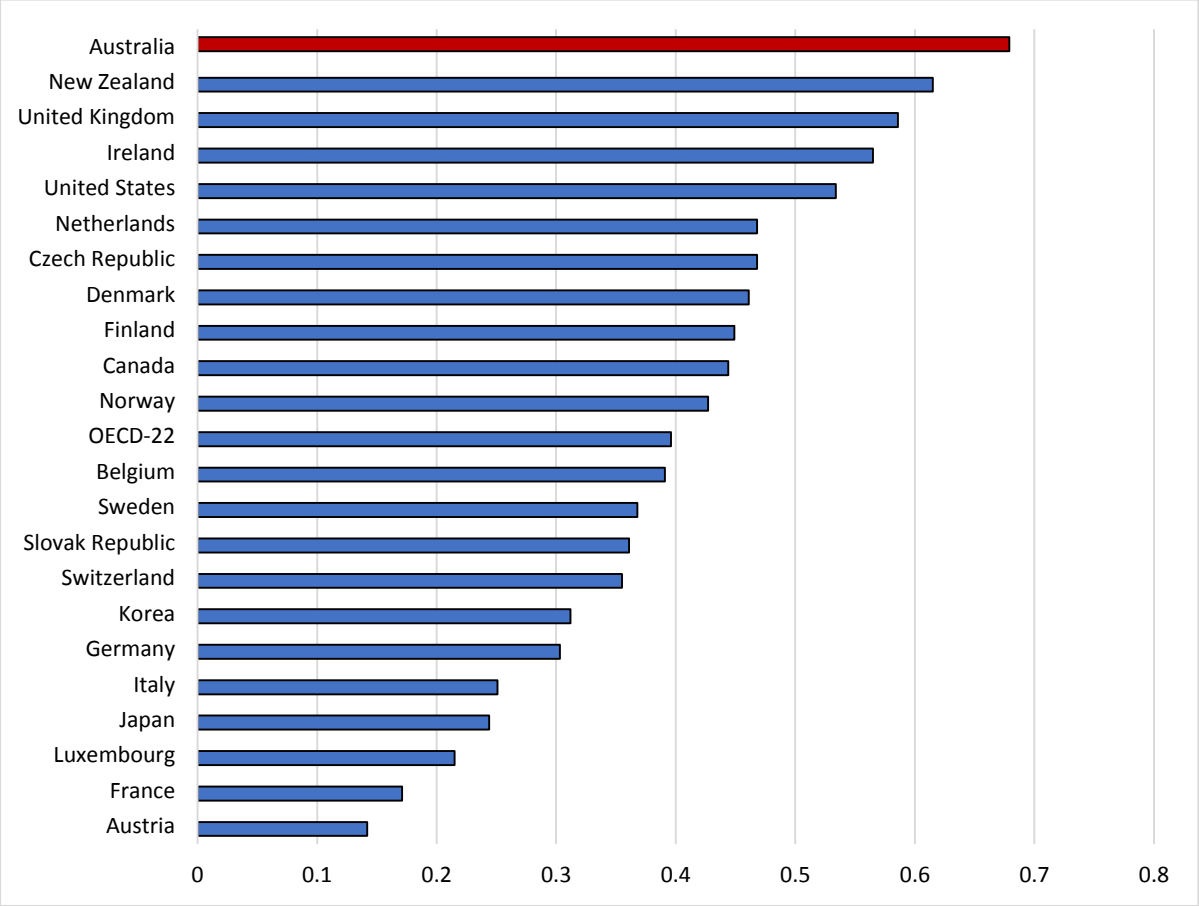
effect does this unusual pattern of spending have on income inequality?

It is possible to measure the "effectiveness" of social security spending (or taxes) by looking at the difference between inequality in private income before benefits are received and inequality in "gross income", after the receipt of social security benefits (with the effectiveness of taxes being measured by the difference in inequality between gross income and disposable income after taxes are paid).

Specifically, the effectiveness of social security spending can be defined as the percentage point reduction in the Gini coefficient of income inequality associated with cash transfers. Using this approach, the Australian transfer system is the sixth most effective in the OECD at reducing inequality (Whiteford, 2010), with effectiveness generally being higher in countries with higher levels of spending.

Figure 25: Efficiency of social security transfers in reducing income inequality in OECD countries, 2005

Reduction in Gini coefficient for each one percentage point of social security spending



Source: Whiteford (2010), derived from OECD Income Distribution database.

Effectiveness is a measure of how much the transfer system changes the distribution of incomes, while efficiency can be measured as effectiveness standardised by how much is spent – using this approach, efficiency is the

effectiveness measure (multiplied by 100) divided by the share in household disposable income of cash transfers (Beckerman, 1979).

Figure 25 shows a calculation of the Beckerman efficiency index for OECD countries around 2005. For example, in Australia for each 1 percentage point of public cash transfers (as a percentage of household disposable income in each country), market-income inequality is reduced by 0.679 percentage points. Thus, in terms of inequality reduction, Australia has the most efficient system of transfers in the OECD.

9. Conclusions

This Policy Brief has presented a wide range of data on trends in spending on social security cash transfers and welfare services in Australia over the period since 1980, as well as trends in the proportion of the population receiving different types of social security payments, using administrative data on trends in spending and administrative statistics on the number of recipients, but also ABS survey data on the proportion of Australian households relying on social security benefits as their main income source since the mid-1990s.

Using OECD data up to 2014, the Brief finds that spending has increased, but to a large extent due to improvements to the comprehensiveness of the data, particularly the addition of spending on public service pensions and lump sums and workers' compensation schemes (neither of which are included in Commonwealth spending on Social Security and Welfare).

When spending trends are adjusted for these changes, it can be estimated that spending on social security increased from 6.1% of GDP in 1980 to a peak of 8.1% of GDP in 1993 – due to the effects of the deep recession at the time – and fell back to 6.2% of GDP immediately before the Global Financial Crisis. Since then spending has increased to 7.2% of GDP in 2014.

The proportion of the population receiving social security benefits has also declined since the mid-1990s, reflecting the sustained improvement in labour market conditions up to the time of the GFC, as well as major changes in social security policy, mainly started under the Hawke and Keating governments but extended by the Howard and subsequent governments. Some programmes have had increases in numbers of recipients as a share of the population. Some of this has been due to demographic change, particularly the ageing of the population. However, a major factor appears to be "transfers" from programmes that have been phased-out, for example, the increase in the Age Pension for women starting in 1996 has led to an increase in the number of older women receiving Disability Support Pension. It also seems likely that the increase in the number of people receiving Carers' Payment is due to the phasing-out of "dependency payments", particularly pensions for the wives of Age Pensioners and Disability Pensioners. In both cases, however, the fall in the share of the – mainly female - population on pensions is much greater than the increase in numbers on other payments.

Looking at roughly the same time period, but using ABS data on social security receipt as a share of income of Australian households shows a similar trend, but shows that "deep reliance" on cash benefits has fallen substantially, while complete

"independence" from benefits has increased substantially.

The Brief has also compared Australian spending patterns with those in other high income OECD countries. Overall, Australia is a low social spender compared to other high income countries. The main reason for this is that Australia is one of the lowest spenders in the OECD on Age Pensions – even though it is our largest social security spending programme. Spending on other major areas such as support for families and for people with disability are above the OECD average (although in the case of support for families this has generally been falling for the past decade. Overall spending on welfare services is also above the OECD average, mainly due to higher spending on institutional and community care for older people and to a lesser extent on similar services for people with disability. It should be noted that spending on welfare services includes spending by State governments as well as the Commonwealth.

Spending on support for the unemployed is well below the OECD average, both because our cash benefit spending is below the OECD average and because Australian spending on active labour market programmes to assist the unemployed and those outside the labour market into employment is very low in comparison with other high income countries.

Our overall low level of social security spending reflects the fact that the basis for entitlement to social security in Australia differs markedly from those in most other countries apart from New Zealand. Our system is not based on contributions and is income-tested to a greater extent than any other OECD country. As a result of this design, Australia targets a higher proportion of its (lower) spending to low income households than any other country, and consequently is the most "efficient" in the OECD in reducing inequality for each dollar that is spent.

The fact that the Australian social security system is the most efficient in the OECD in reducing inequality also means that cuts in social security spending can increase inequality significantly. Indeed, a recent OECD working paper (Rawdanowicz et al., 2013) in considering the distributional implications of fiscal consolidation calculates that an across the board reduction in social security spending in Australia would increase income inequality by more than in any other OECD country.

This raises challenges in assessing options for "Budget repair". Proposals that involve reductions in real payment levels are most likely to have the largest regressive impact on the poorest households. Proposals that involve greater targeting of benefits may be less regressive but may raise concerns about incentives for self-support.

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Table A.1: Spending on cash benefits by broad social policy area, as a percent of GDP, Australia, 1980 to 2014

	Age	Incapacity	Survivors	Unemp't	Family	Other	Total
1980	3.0	0.9	0.6	0.7	0.9	0.0	6.1
1981	3.0	0.9	0.5	0.7	0.9	0.0	6.1
1982	3.1	0.9	0.5	1.2	1.1	0.0	7.0
1983	3.1	1.0	0.5	1.4	1.1	0.0	7.1
1984	3.0	1.0	0.5	1.3	1.1	0.0	7.0
1985	2.9	1.0	0.5	1.2	1.1	0.0	6.7
1986	2.8	1.0	0.5	1.2	1.0	0.0	6.5
1987	2.8	1.0	0.5	1.0	1.0	0.0	6.3
1988	2.6	1.0	0.3	0.8	1.0	0.0	5.8
1989	2.6	1.1	0.3	0.8	1.2	0.1	6.0
1990	2.8	1.7	0.3	1.1	1.2	0.1	7.2
1991	2.9	1.6	0.3	1.6	1.4	0.1	7.9
1992	2.9	1.8	0.3	1.7	1.6	0.1	8.4
1993	3.0	1.9	0.3	1.7	1.7	0.1	8.7
1994	2.9	1.9	0.3	1.5	1.8	0.0	8.4
1995	4.1	2.0	0.3	1.2	2.1	0.0	9.7
1996	4.1	2.0	0.2	1.2	2.2	0.0	9.9
1997	4.1	2.0	0.2	1.2	2.2	0.0	9.7
1998	4.1	2.1	0.2	1.1	2.1	0.0	9.7
1999	3.8	2.1	0.2	1.0	2.1	0.0	9.2
2000	4.4	2.1	0.2	0.9	2.3	0.0	10.0
2001	3.9	2.0	0.2	0.9	2.3	0.0	9.3
2002	3.7	2.0	0.2	0.8	2.2	0.0	8.9
2003	3.6	1.9	0.2	0.7	2.6	0.0	9.1
2004	3.7	1.9	0.2	0.6	2.2	0.0	8.7
2005	3.5	1.8	0.2	0.5	2.1	0.0	8.2
2006	3.5	1.7	0.2	0.5	2.0	0.0	7.9
2007	3.7	1.8	0.2	0.4	1.8	0.1	7.9
2008	3.8	1.9	0.2	0.4	2.6	0.1	9.0
2009	3.6	1.9	0.2	0.5	1.9	0.2	8.4
2010	3.6	2.0	0.2	0.5	1.8	0.2	8.3
2011	3.7	2.0	0.2	0.5	1.8	0.2	8.4
2012	3.8	2.0	0.1	0.6	1.9	0.2	8.7
2013	4.0	2.1	0.1	0.6	1.9	0.2	9.0
2014	4.1	2.1	0.1	0.7	1.9	0.2	9.2
Change 1980 to 2014	1.1	1.2	-0.4	0.0	1.0	0.2	3.1
Change 2007 to 2014	0.5	0.4	0.0	0.3	0.0	0.1	1.2

Source: OECD Social Expenditure database, Data extracted on 30 Apr 2017 01:14 UTC (GMT) from OECD.Stat, http://stats.oecd.org/Index.aspx?DataSetCode=SOCX_DET#

Table A.2: Public social expenditure by broad social policy area, as a percent of GDP, in 2014 or latest year available

	Old age	Health	Family	Incapacity	Labour market	Other social	Housing	Total
Australia	5.2	6.4	2.8	2.6	0.9	0.4	0.4	18.7
Austria	14.0	6.5	2.6	2.3	1.7	0.4	0.1	27.6
Belgium	10.5	8.0	2.9	2.9	4.0	0.8	0.2	29.3
Canada	4.6	7.1	1.2	0.8	0.8	2.1	0.3	16.8
Chile	3.0	3.8	1.5	0.7	0.3	0.4	0.8	10.5
Czech Republic	8.9	5.9	2.2	1.8	0.9	0.2	0.3	20.3
Denmark	10.1	6.7	3.7	4.7	1.8	1.3	0.7	29.0
Estonia	6.5	4.5	2.0	2.2	0.6	0.1	0.0	15.9
Finland	12.3	5.8	3.2	3.8	2.9	0.8	0.6	29.5
France	14.3	8.6	2.9	1.7	2.5	0.7	0.8	31.5
Germany	10.1	7.9	2.2	2.1	1.7	0.2	0.6	24.8
Greece	17.5	6.3	1.3	1.0	1.3	0.5	0.2	28.0
Hungary	10.8	4.7	3.0	1.9	1.2	0.1	0.3	22.1
Iceland	2.5	5.3	3.6	2.8	1.0	0.7	0.7	16.6
Ireland	5.4	5.5	3.3	2.1	3.4	0.2	0.4	20.2
Israel	5.5	5.2	1.9	2.5	0.5	0.6	0.0	16.2
Italy	16.4	6.8	1.4	1.7	2.1	0.2	0.0	28.6
Japan	12.1	7.8	1.3	1.0	0.4	0.3	0.1	23.1
Korea	2.7	3.9	1.1	0.6	0.7	0.6	a	9.7
Latvia	7.7	2.8	1.2	1.8	0.6	0.1	0.1	14.4
Luxembourg	8.5	5.6	3.6	2.7	2.1	0.5	0.3	23.2
Mexico	1.8	2.8	1.1	0.1	0.0	0.5	1.1	7.4
Netherlands	6.4	7.9	1.3	3.1	2.5	1.3	0.4	22.9
New Zealand	5.1	7.4	2.6	2.5	0.7	0.2	0.8	19.4
Norway	7.9	5.5	3.0	3.7	0.8	0.7	0.1	21.8
Poland	10.4	4.3	1.2	2.2	0.7	0.1	0.1	19.0
Portugal	14.0	6.1	1.2	1.9	2.1	0.2	0.0	25.5
Slovak Republic	7.5	5.6	2.1	1.9	0.6	0.4	0.0	18.1
Slovenia	12.0	6.1	2.0	2.1	1.1	0.7	0.0	24.0
Spain	12.0	6.4	1.3	2.5	3.7	0.2	0.1	26.3
Sweden	10.0	6.6	3.6	4.3	1.8	0.7	0.5	27.4
Switzerland	6.6	6.6	1.6	2.3	1.3	0.6	0.1	19.2
Turkey	8.3	4.0	0.4	0.3	0.1	0.2	0.0	13.4
United Kingdom	6.6	7.1	3.8	2.0	0.5	0.4	1.4	21.9
United States	7.0	8.0	0.7	1.4	0.5	0.9	0.3	18.8
OECD	8.7	6.0	2.1	2.1	1.4	0.5	0.4	21.2

Source: OECD Social Expenditure database, Data extracted on 30 Apr 2017 01:14 UTC (GMT) from OECD.Stat, http://stats.oecd.org/Index.aspx?DataSetCode=SOCX_DET#