



Australian Government  
Australian Government Actuary

# Australian Priority Investment Approach to Welfare

30 June 2022 Valuation Report



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# Introduction

This document presents a summary of insights from the 30 June 2022 actuarial valuation of the Australian income support and social security system. The actuarial valuation is part of the Australian Priority Investment Approach to Welfare (the Approach), implemented by the Department of Social Services. The Approach uses actuarial analysis to support a better understanding of how Australians use the social security system, both at the population level and for various groups within the population. This is the fourth such annual valuation carried out with the assistance of the office of the Australian Government Actuary. The report marks a change from the previous valuation reports, with a greater focus on presenting an overview of insights at different life stages. The overview of each life stage is necessarily brief for the purposes of this report, but gives an indication of the sorts of insights that are possible when applying an actuarial modelling approach to social security data and experience.

The valuation is based on the concept of a Lifetime Cost, which is the expected net present value of all future in-scope payments made in respect of the model population over their lifetimes. The model population includes both the entire resident Australian population, and all people living overseas receiving social security payments, at 30 June 2022.

The actuarial model projects the future possible interactions of those in the model population with the social security system. Detailed data is required for this projection. The data is provided by the Department of Social Services in the form of a longitudinal dataset covering social security use in Australia. Together with a range of other supplementary datasets, it enables projections of future transitions into and out of the social security population, transfers within the social security system, and the type and amount of social security payments made.

The total Lifetime Cost for the model population at 30 June 2022 is estimated to be \$5,553 billion, which equates to \$213,000 per person in the model

population. This is an increase of \$130 billion (2.4%) from the 30 June 2021 valuation of \$5,422 billion, which has been rebased to align with the 2022 modelling approach. There are various factors contributing to this increase, including population growth, another year of expected mortality improvement, and another year of indexation on social security payments. Offsetting these factors are lower assumed rates of long-term payment indexation, and lower rates of assumed unemployment which consequently decreases long-term social security usage.

The major contributor to the Lifetime Cost is the Age Pension (\$3.3 trillion, or 59% of the total). The significant influence of the Age Pension is due to [1] the large number of people currently receiving the Age Pension; [2] the large number of people who will receive the Age Pension in the future; [3] the relatively high annual payments being received; and [4] the long duration for which payments are received (18 years, on average). The next largest contributor is the Disability Support Pension (\$560 billion, or 10% of the total). Other income support payments and supplementary family payments are also significant contributors to the total Lifetime Cost.

Various individual characteristics are correlated with higher social security use in the future. Women are generally expected to have a higher Lifetime Cost for family and parenting payments, and for the Age Pension. Age is influential across most categories of social security, in particular for Disability Support Pension where, for example, the age of onset of disability has a bearing on the future duration of support.

The duration of support directly influences the Lifetime Cost. For example, people currently receiving income support are expected to spend a greater proportion of their future lifetime receiving income support, than those not currently receiving income support. This is particularly the case for people receiving Carer Payment and Disability Support Pension.

It is important to note that the estimate of the Lifetime Cost is subject to various sources of uncertainty. For example, how changes in mortality emerge over time can have a significant impact on future social security usage,

notably the Age Pension. The greater the future improvement in mortality, then the higher the future life expectancy, and longer the duration on payments that results. Changes in assumed indexation rates such as Average Weekly Earnings (AWE) directly impact the size of payments made, and assumptions about future Cost Price Index (CPI) have a significant effect on supplementary payment categories. Changes in the unemployment rate affect the number of people both entering and exiting social security. This predominantly impacts working age and family payments, with flow-on impact to other payments. As one example, if future economic conditions were more alike those assumed in the 2023 Intergenerational Report rather than that assumed for this 30 June 2022 valuation, then the Lifetime Cost would decrease by approximately \$92 billion (1.7%). As a further source of uncertainty, the behaviour and response of people receiving social security payments currently and in the future may also change over time as policy and/or economic conditions change.

Furthermore, of significance is the additional uncertainty arising from COVID-19, which has had a significant impact on a range of social security policies, payments and services. This valuation takes a long-term view of expected social security usage, but is necessarily influenced by consideration of recent experience that has been more volatile than it would have been, without the impact of COVID-19. This highlights the uncertainties not only emanating from recent experience, but also within consequent assumptions that have to be made about the future.

A handwritten signature in blue ink, appearing to read 'Guy Thorburn', with a long horizontal flourish extending to the right.

**Guy Thorburn FIAA**  
Australian Government Actuary  
February 2024

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# 2022 Valuation of the Social Security System: Summary of findings

**The 2022 valuation provides insights into how the Australian population at 30 June 2022 is likely to access social security over their lifetime.**

The social security system provides a range of targeted support to assist people according to their needs at each stage of their lives. For vulnerable Australians, it provides a safety net for when they are unable to support themselves through work.

This annual valuation uses data as at 30 June 2022 to project how the Australian population will interact with the social security system in the future. Insights from the projections can assist in identifying vulnerable groups and opportunities to provide targeted support at critical points in people's lives.

Descriptions of social security payments used throughout this report are consistent with payment settings in place as at 30 June 2022.

**At 30 June 2022, the Lifetime Cost for the social security system is estimated at \$5.553 trillion. For 26.1 million Australians, that is on average \$213,000 per person.**

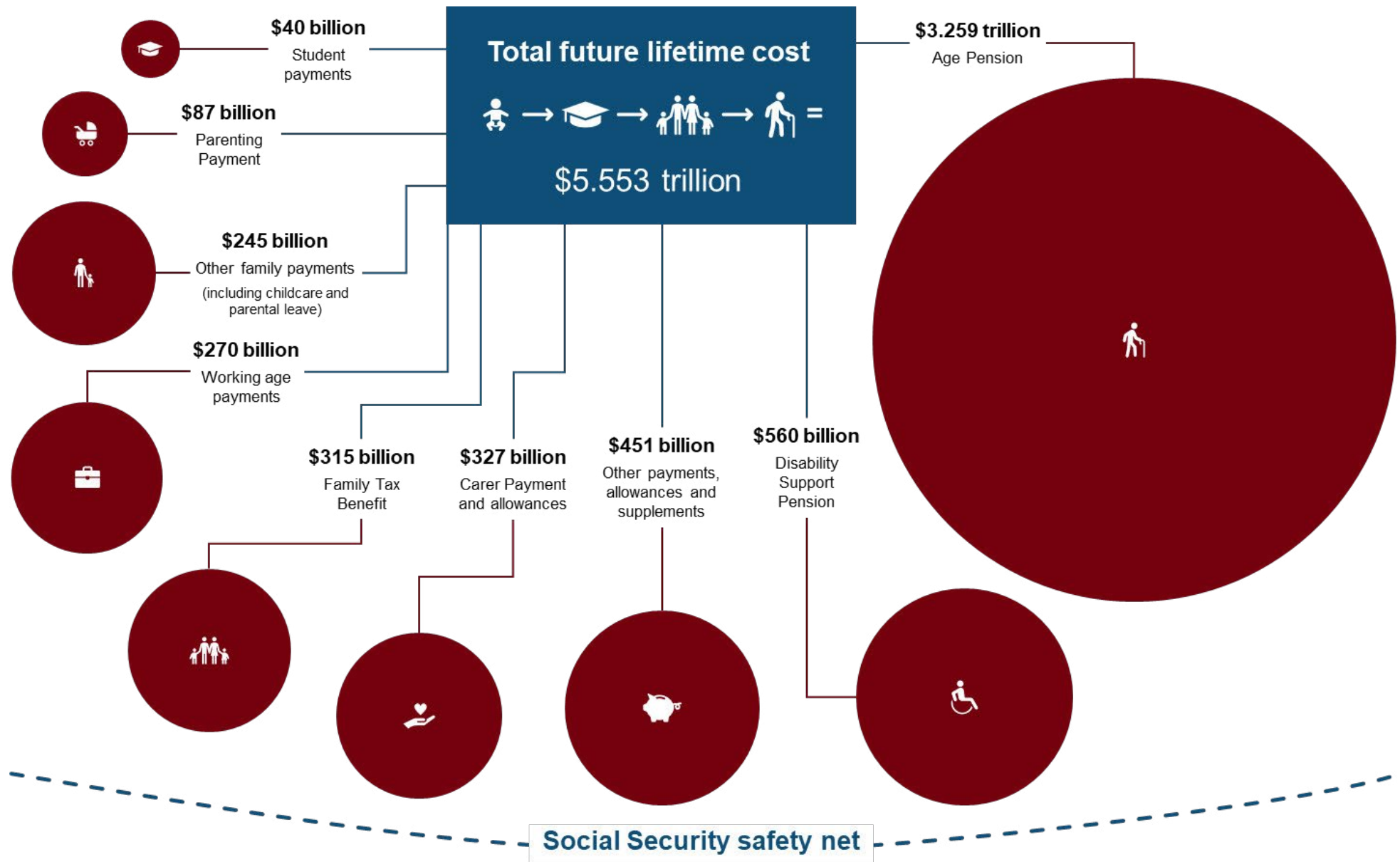
The main contributors to Lifetime Cost are income support payments, and family payments.

The largest contributor to Lifetime Cost is the Age Pension (\$3.3 trillion, or 59% of the total). Supplementary family payments - including Family Tax Benefit (FTB) and other family payments - (\$560 billion), and Disability Support Pension (DSP) (\$560 billion) are the next largest contributors (20% of the total Lifetime Cost).

**Compared to the 30 June 2021 valuation, the Lifetime Cost has increased by \$130 billion (2.4%).**

This reflects the 1.1% population growth over the year as COVID-19 travel restrictions were relaxed, as well as an additional year of expected population mortality improvement (Australians living longer), and one more year of social security payment indexation (to maintain the real value of payments in line with inflation and wage growth).

The rise in Lifetime Cost is partially offset by a lower assumed rate of long-term payment indexation, and lower assumed long-term social security usage. These changes in assumptions are primarily driven by changes in the price and wage inflation, and unemployment rate forecast in the 2023 Federal Budget compared to the previous Budget forecast. The lower wage inflation forecast affected the largest social security payments, including Age Pension, and DSP. At the same time, the improved unemployment rate forecast reduced the assumed future entry rates into social security, particularly for working age payments.





**More than half of all Australians have accessed social security support at some point in their lives.**

Around 30% of Australians accessed social security support in 2021–22, primarily through the Age Pension, employment support, and family support. A further 24% have accessed social security in the past 21 years, many of whom have recently accessed the JobSeeker Payment.

The number of people accessing JobSeeker Payment decreased by 20% over the year to 30 June 2022, following the significant increase during the height of the COVID-19 pandemic. While the rapid onset and subsequent recovery from the economic effects of COVID-19 has resulted in a relatively small impact on Lifetime Cost when measured across the projected lifetime, many people require further social security support.

**1 in 6 Australians who are not currently receiving social security (or 11 per cent of the population) are expected to start receiving payments over the next five years.**

Most people projected to start receiving social security are expected to receive either studying payments, working age payments, supplementary family payments, or the Age Pension.

**All Australians, including those who have not yet accessed the social security system, are expected to access social security, on average, for 18.3 years of their future lifetime. The expected average total time on payment for a new recipient varies significantly between payment types.**

In 2021–22, people new to studying or working age payments are expected to access those particular payments multiple times over their lifetime, for an average total of 3 and 5 years, respectively.

In contrast, a new recipient of DSP is expected to remain on payment for more than 20 years, and a person new to Age Pension is expected to remain on payment for 18 years on average.

**About the Approach**

The results presented in this report are based on an actuarial valuation at 30 June 2022. This is the eighth in a series of annual valuations produced since the establishment of the Australian Priority Investment Approach to Welfare in 2015.

The Approach uses actuarial analysis to support a better understanding of the social security system, both at the population level and for various groups within the population.

The actuarial model projects how the Australian population will interact with the social security system across their lifetime. A customised longitudinal administrative dataset is used to project future transitions into, out of, and within the social security system.

Analysis of demographic characteristics and projected patterns of payment usage can provide insight into vulnerable groups and critical transition points. This informs policies and initiatives designed to intervene early to support people at risk of long-term disadvantage.

**For many Australians, the social security system provides the support they need as they transition through each life stage from study to employment, partnering, having children and retirement.**

Children under age 18 generally interact with the social security system through the experience of their parents. For some, growing up in a household where a parent or guardian has received income support is associated with the child’s future use of income support. Children aged 15 years who spent more than 50% of their childhood with a parent or guardian receiving income support are projected to be 1.5 times more likely to receive income support payments themselves before retirement, compared to 15 year olds whose parent or guardian did not receive income support.

Age 18 to 21 is a transitional period between study and work for many young adults. A relatively small proportion access social security in this age group,



mainly through studying or working age payments. Young adults receiving working age payments are projected to spend 2.4 times longer\* (7.3 more years) receiving income support prior to retirement, on average, compared to those receiving higher education payments.

Age 22 to 25 is a time of growing independence for many young people. From age 22, the parental income test no longer applies, and young people become eligible for JobSeeker Payment. Young people previously on Youth Allowance who continue on to receive JobSeeker Payment from age 22, are projected to spend on average 4.7 more years on income support during their working life, than people who are new to the payment.

Age 26 to 44 is typically a period of greater self-reliance when people of working age have established themselves in the workforce and can access support if their circumstances change. However, people with a physical, intellectual or psychiatric impairment, such as those receiving JobSeeker Payment with a partial capacity to work, are a particularly vulnerable group. Among those without children, people on JobSeeker Payment with a partial capacity to work are projected to receive income support for 3.1 years longer prior to retirement age, than people receiving JobSeeker Payment with full capacity to work.

Between the ages of 45 and 66, current use of JobSeeker Payment is associated with a greater likelihood of using income support in the future, particularly for those with a partial capacity to work. Women aged 45 to 66 who are currently on JobSeeker Payment with a partial capacity to work have the highest probability of moving onto Age Pension at retirement age.

The extent of interaction with the social security system at retirement age is closely related to the length of income support use during a person's working life. In 2021–22, the Age Pension eligibility age increased to 66.5, and for many Australians this is the age they retire from full time work. The Age Pension is the primary income support payment for those unable to fully, or partially finance their retirement through superannuation and other savings. Around 2.5 million Australians accessed the Age Pension at 30 June 2022.

Age Pension is projected to form approximately 59% of the total future Lifetime Cost for the current Australian population.

### Drivers of Social Security Use

The rules for payment eligibility directly influence the level of use. For example, increasing the Age Pension age reduces Age Pension usage, as people younger than the eligibility age cannot access an Age Pension.

Demographic characteristics, such as age and gender, are correlated with usage. For example, historically, women have had lower superannuation and financial assets at retirement age. This, combined with greater longevity, means on average they access Age Pension more than men.

Changes in the unemployment rate affect the number of people both transitioning into and out of social security. Working age payments and family payments are the main payment categories directly affected, with flow-on effects to other payments.

Future improvements in mortality can have a significant impact on usage, most notably for Age Pension as life expectancy increases.

While changes to payment indexation rates have a large impact on Lifetime Cost, they have no bearing on future usage.

### For people with disability and those receiving payments to support parenting or caring responsibilities, the social security system provides the financial assistance they may need.

People with children can access multiple social security payments depending on their needs. At 30 June 2022, 13% of parents or guardians were receiving an income support payment. A further 28% received a supplementary family payment (such as FTB, Child Care Subsidy and Paid Parental Leave) in 2021–22. People receiving Parenting Payment are expected to use income

support for 3.5 of the next 5 years, while parents or guardians who are not on income support are expected to use income support for only 0.2 years or less.

There were 648,000 Australians receiving a payment to support caring at 30 June 2022. Older carers are projected to spend more time on income support than younger carers. People receiving Carer Payment in their 50s are expected to spend 4.5 of the next 5 years on income support, compared to only 3.6 years for people receiving Carer Payment aged under 20.

At 30 June 2022, 758,000 Australians were receiving DSP. Often, DSP provides income support over the long term, with 93% of people currently receiving DSP projected to stay on DSP until they reach retirement age or for the remainder of their life.

This report provides an analysis of current trends and future predicted use of the social security system. The analysis examines key life stages, including:

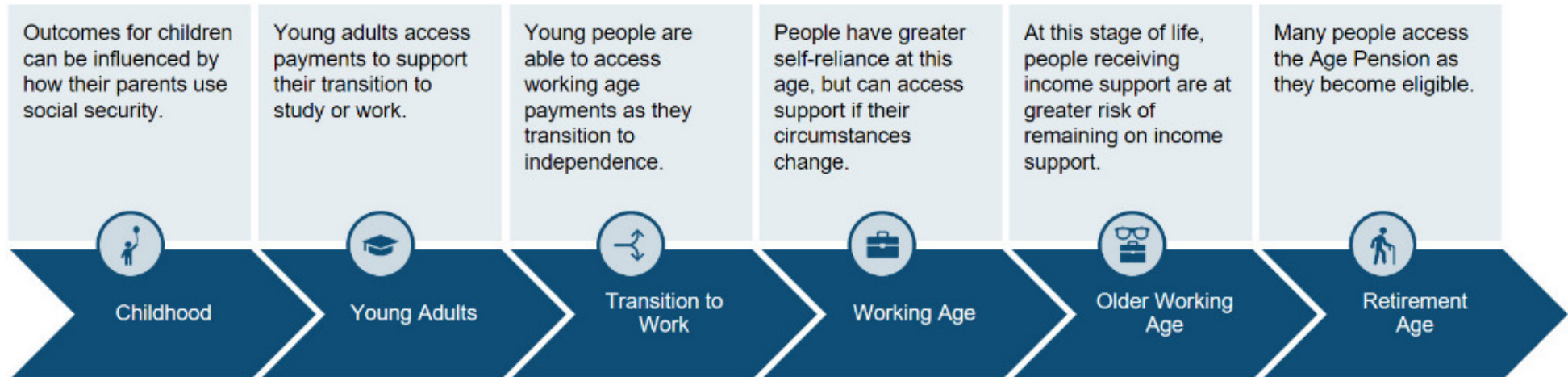
- Childhood (under 18 years)
- Young adults (18 to 21)
- Transition to work (22 to 25)
- Working age (26 to 44)
- Older working age (45 to 66)
- Retirement age (66 and over).

In addition, the report provides an in depth focus on the following three groups:

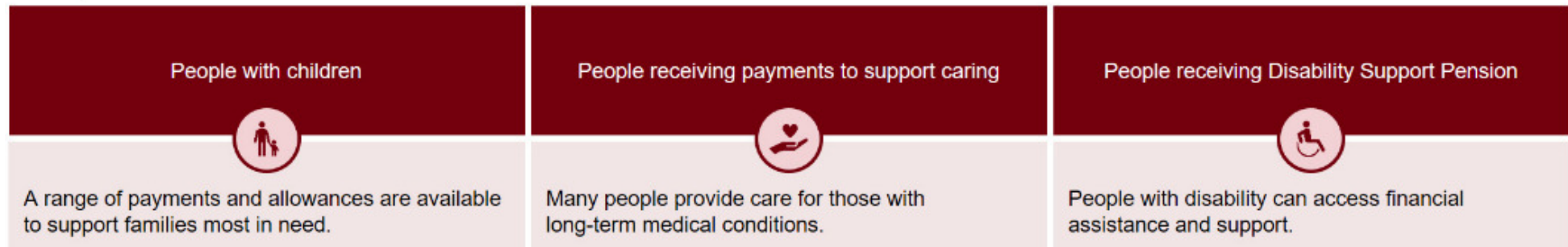
- People with children
- People receiving payments to support caring
- People receiving DSP.

## How Australians use the social security system

### Life Stages



### In-Depth Focus



# 1 Childhood (under 18)

Children under age 18 generally interact with the social security system through the experience of their parents. A parent or guardian's income support use is associated with the child's future use of income support. There were 5.7 million children in Australia at 30 June 2022, making up 22% of the total Australian population. Some 5.08 million of these children were under 16 years of age.

## Australian population



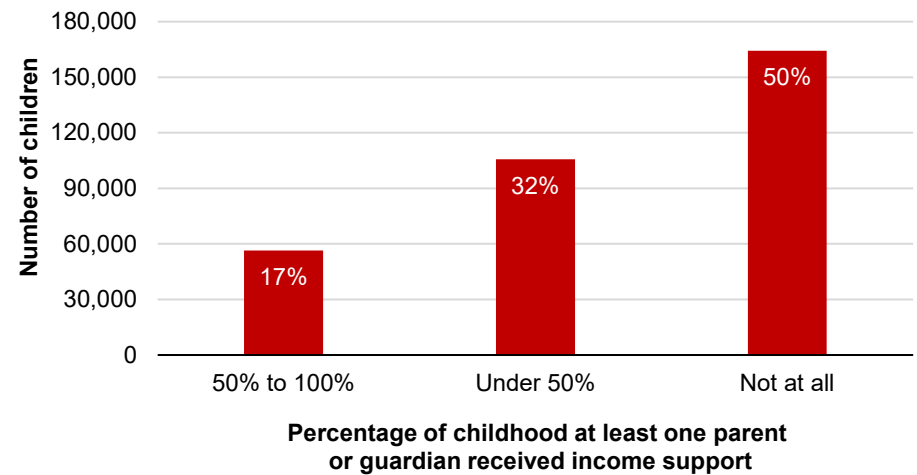
**Most children under 16 do not directly receive social security payments, and only a small number of children aged 16 to 17 receive income support.**

Only 0.6% of children aged under 16 on 30 June 2022 received a social security payment during 2021–22. While 6% of these children received income support, 94% received supplementary payments. Of the 610,000 children aged 16 to 17 on 30 June 2022, 4% received income support.

**There is an association between the proportion of time spent growing up in a household where a parent or guardian received income support and the child's future use of income support.**

Half of all children aged 15 at 30 June 2022 (160,000) grew up in a household with a parent or guardian who received income support payments. As shown in Figure 1.1, 17% of children had a parent or guardian who received income support payments for more than half of their childhood.

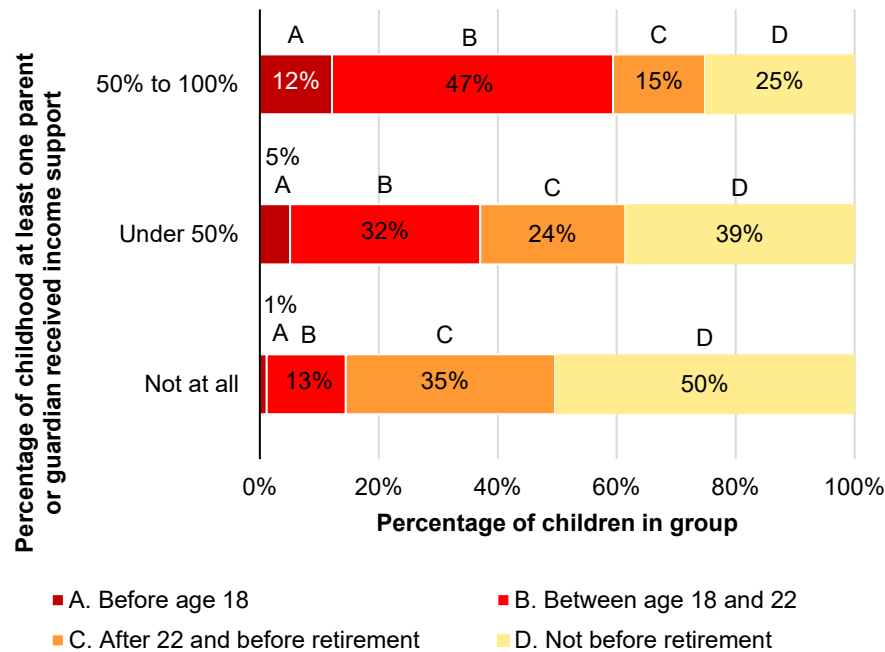
Figure 1.1: Number of children aged 15 at 30 June 2022



**Children who spent more than half of their childhood in a household with a parent or guardian receiving income support are 1.5 times more likely to receive income support themselves, compared to children whose parent or guardian did not receive income support. They are also more likely to receive this support earlier in life.**

As shown in Figure 1.2, 47% of children aged 15 who spent more than half of their childhood in a household with a parent or guardian receiving income support are projected to access income support for the first time when they are aged between 18 and 22. A further 12% are projected to access income support before age 18, and 15% after age 22. The remaining 25% are not predicted to use income support prior to retirement. In contrast, 50% of children aged 15 who did not grow up in a household with a parent or guardian receiving income support are not projected to access income support before retirement. Those projected to access income support tend to do so at an older age, with 35% projected to first use income support after age 22.

**Figure 1.2: Projected age of first income support use for children aged 15 at 30 June 2022**



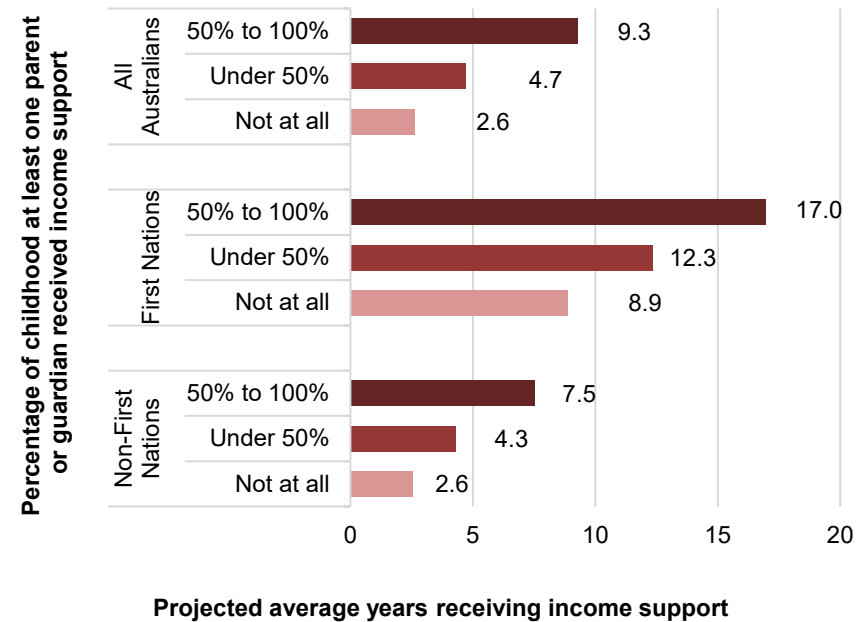
**Children who grew up in a household with a parent or guardian receiving income support are projected to spend longer receiving income support than children whose parent or guardian did not receive income support. Those who also identify as First Nations or who live in disadvantaged areas of Australia are projected to spend even longer receiving income support.**

Figure 1.3 shows children aged 15 who spent more than 50% of their childhood in a household with a parent or guardian receiving income support are projected to spend an average of 9.3 years on income support later in their lives. This is 3.6 times longer (6.7 more years) than those whose parent or guardian did not receive income support (2.6 years).

First Nations children aged 15 whose parent or guardian did not use income support are projected to spend an average of 8.9 years receiving income support prior to retirement. This is slightly longer than the most disadvantaged non-First Nations children aged 15 who spent more than half of their childhood with a parent or guardian receiving income support (7.5 years).

The most disadvantaged group is the First Nations children aged 15 who spent more than half of their childhood with a parent or guardian receiving income support. They are projected to spend an average of 17 years on income support in the future. This is 6.5 times longer (14.4 more years) than non-First Nations children aged 15 whose parent or guardian did not receive income support (2.6 years).

**Figure 1.3: Projected average time receiving income support before retirement for children aged 15 at 30 June 2022**



Socio-economic location is also associated with different outcomes.

Figure 1.4 shows children who reside in the most disadvantaged areas and whose parent or guardian did not receive income support are projected to spend slightly more time receiving income support (3.2 years) than children who grew up in the most advantaged areas and whose parent or guardian did not receive income support (2.3 years). By contrast, children who grew up in the most disadvantaged areas and spent more than 50% of their childhood with a parent or guardian receiving income support are projected to spend a greater amount of time receiving income support (10.3 years) than those living in the most advantaged areas who spent more than 50% of their childhood with a parent or guardian receiving income support (6.7 years).

Children experiencing both forms of disadvantage – growing up in a household with a parent or guardian receiving income support for more than 50% of their childhood and living in the most disadvantaged areas of Australia – are projected to spend 4.5 times longer (8 more years) receiving income support (10.3 years) than children whose parent or guardian did not receive income support living in the most advantaged areas of Australia (2.3 years).

**Figure 1.4: Average projected time receiving income support before retirement age (in years) by percentage of childhood with a parent or guardian receiving income support**

	Percentage of childhood at least one parent or guardian received income support		
	50% to 100%	Under 50%	Not at all
Lowest 20%	10.3	5.9	3.2
20%–40%	9.3	5.0	2.8
40%–60%	8.5	4.5	2.6
60%–80%	7.7	4.0	2.5
Highest 20%	6.7	3.3	2.3
<b>Difference between Highest and Lowest</b>	3.6	2.6	0.9



## 2 Young adults (18 to 21)

Many young adults transition to further study or employment between the age of 18 and 21. Those on income support mainly receive studying or working age payments. There were 1.23 million people aged 18 to 21 on 30 June 2022, making up 5% of the Australian population.

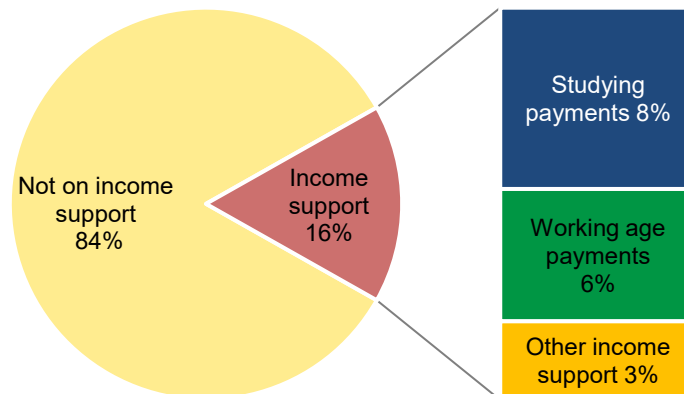
### Australian population



**16% of young people aged 18 to 21 received an income support payment on 30 June 2022.**

As Figure 2.1 shows, most were receiving either studying payments (Youth Allowance Student and ABSTUDY) or working age payments (Youth Allowance Other or Apprentice).

**Figure 2.1: People aged 18 to 21 composition at 30 June 2022**



Of approximately 93,000 people aged 18 to 21 on studying payment:

- 78,000 (84%) were in higher education,
- 9,000 (10%) were in Vocational Education and Training (VET), and
- 5,000 (6%) were in school.

Higher Education and VET students receiving income support were evenly distributed across the 18 to 21 age range. School students receiving studying payments were mostly younger, with 63% aged 18.

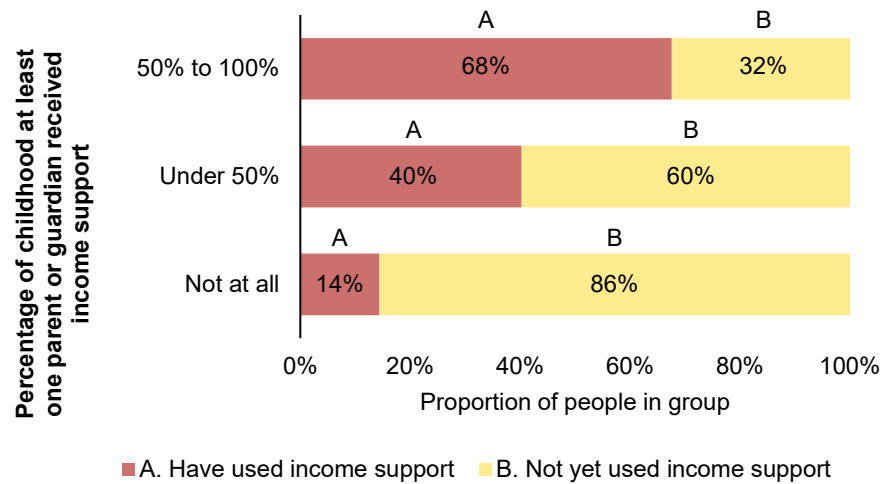
Most young adults receiving other forms of income support were receiving Disability Support Pension (DSP) (60%) or Parenting Payment (32%). These groups are considered further in the In-Depth Focus section later in this report.

**People aged 18 to 21 years old who spent more than 50% of their childhood with a parent receiving income support are 4.7 times more likely to receive income support themselves, compared to those whose parents did not receive income support.**

Figure 2.2 shows 68% of young adults who spent more than half of their childhood in a household with a parent receiving income support started to receive income support themselves at 30 June 2022. By contrast, the majority of young adults (86%) who grew up in a household with a parent or guardian not on income support were also not receiving income support themselves at 30 June 2022.



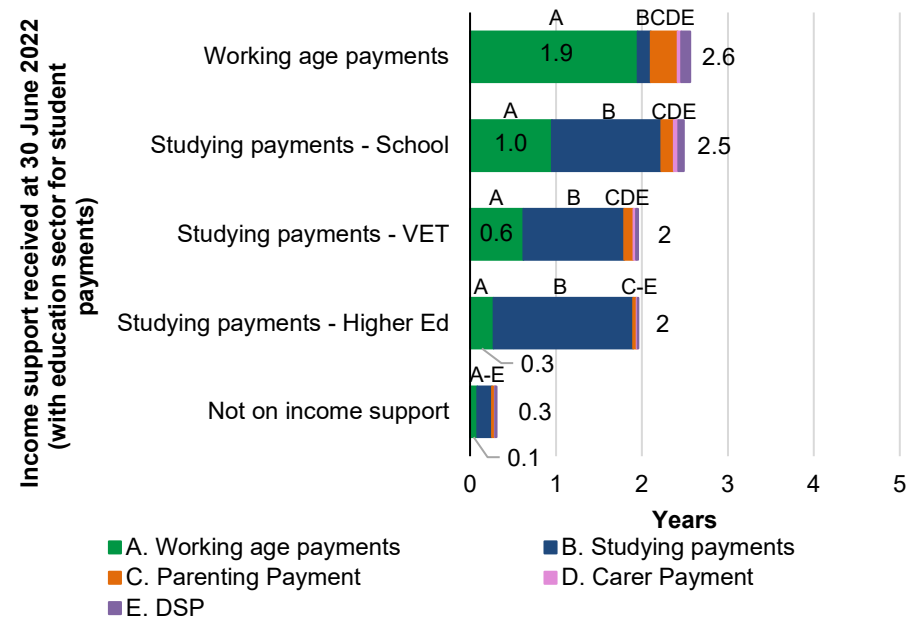
**Figure 2.2: Proportion of people aged 18 to 21 who have received income support by 30 June 2022**



**Receiving studying payments for higher education is associated with lower income support use later in life.**

While Figure 2.3 shows the average length of time receiving studying payments is projected to be higher for those in higher education than for those in VET, the average projected time receiving working age payments and other non-studying income support is lower. The lengthier time receiving studying payments for higher education most likely reflects the longer time needed to complete this level of study.

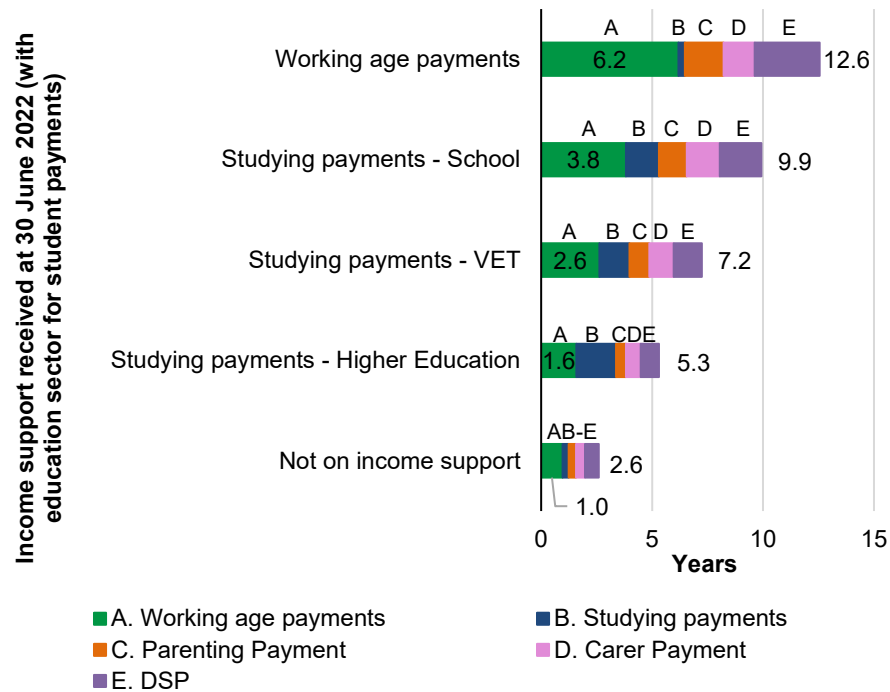
**Figure 2.3: Average projected time receiving income support for people aged 18 to 21 over the next 5 years**



**Over their working life, young adults receiving working age payments are projected to spend 3.9 times longer (4.6 more years) on working age payments than those receiving higher education payments, and 6.3 times longer (5.2 more years) than those not receiving an income support payment.**

Figure 2.4 shows young adults receiving working age payments are also projected to spend 2.4 times longer (7.3 more years) receiving income support on average (12.6 years) than those receiving higher education payments (5.3 years), and 4.9 times longer (10 more years) than those not receiving an income support payment (2.6 years). Note people not receiving income support may be employed or studying but do not require studying payment support.

**Figure 2.4: Average projected time receiving income support before retirement age for people aged 18 to 21**

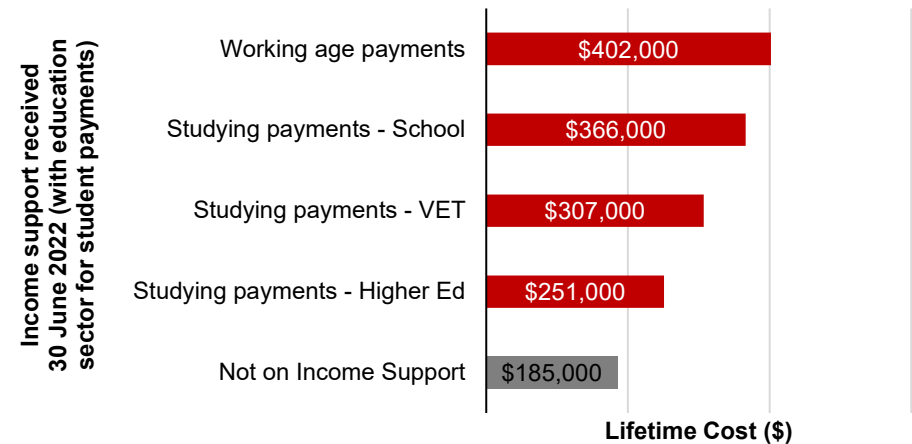


**Young adults receiving working age payments are projected to spend 10 years longer on income support on average, compared to those not on income support.**

Figure 2.5 shows young adults on working age payments at 30 June 2022 have the highest average Lifetime Cost of \$402,000, when compared to those on studying payments or not on income support. The cost is higher for this group as they are projected to spend up to 10 years longer receiving income support on average, compared to people receiving studying payments or not receiving income support.

Note the longer projected time receiving income support and associated higher average Lifetime Cost for people receiving studying payments who are in school is due in part to their younger age and, therefore, longer potential lifetime receiving payments.

**Figure 2.5: Average projected lifetime cost for people aged 18 to 21**



\* Lifetime Cost projections include Age Pension

### 3 Transition to work (22 to 25)

Age 22 to 25 is a time of growing independence for many young people. From age 22, the parental income test no longer applies, and young people become eligible for JobSeeker Payment. There were 1.35 million people aged 22 to 25 on 30 June 2022, making up 5% of the Australian population.

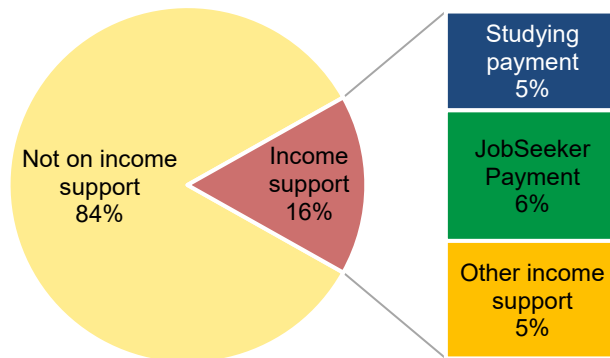
#### Australian population



#### 16% of people aged 22 to 25 received income support on 30 June 2022.

Figure 3.1 shows 16% of the Australian population aged 22 to 25 received some form of income support, with 5% receiving a studying payment, 6% receiving JobSeeker Payment and 5% receiving other income support payments.

Figure 3.1: People aged 22 to 25 composition at 30 June 2022

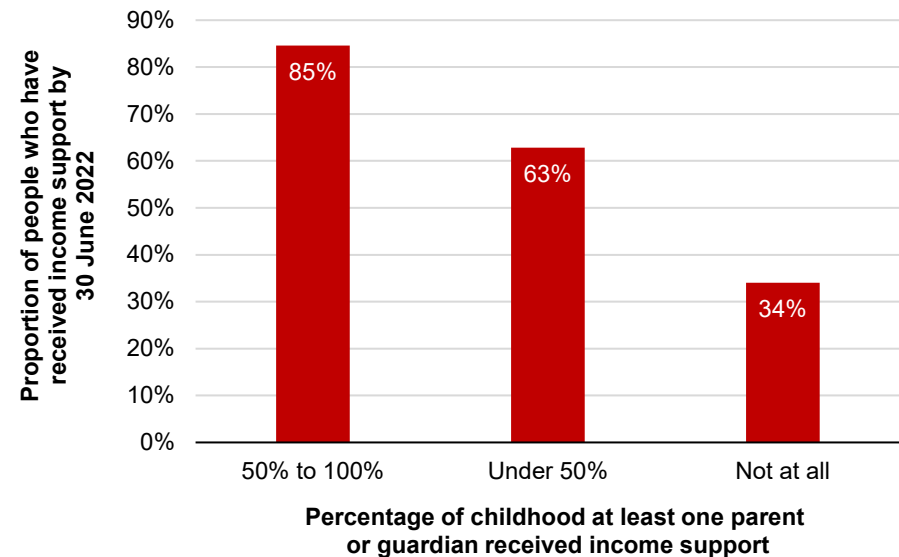


Of the 5% aged 22 to 25 who received other income support, most received Parenting Payment (52%) or Disability Support Pension (DSP) (39%). These groups are considered further in the In-Depth Focus section later in this report.

**For people aged 22 to 25 who grew up in a household where a parent or guardian received income support, there is a greater likelihood they will receive income support themselves.**

As shown in Figure 3.2, those aged 22 to 25 who spent more than half of their childhood with a parent or guardian receiving income support were 2.5 times more likely to have received income support themselves (85%) than those whose parents did not receive income support (34%).

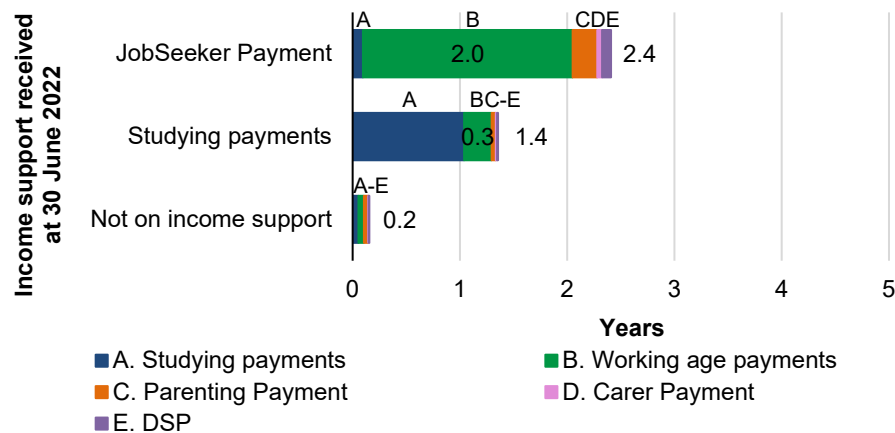
Figure 3.2: Proportion of people aged 22 to 25 who have received income support by 30 June 2022



**People aged 22 to 25 receiving JobSeeker Payment are projected to spend more time on income support than those receiving studying payments or not on income support. Over their entire working lives, those receiving JobSeeker Payment are projected to spend 3.9 times longer (4.4 more years) receiving working age payments than those receiving studying payments.**

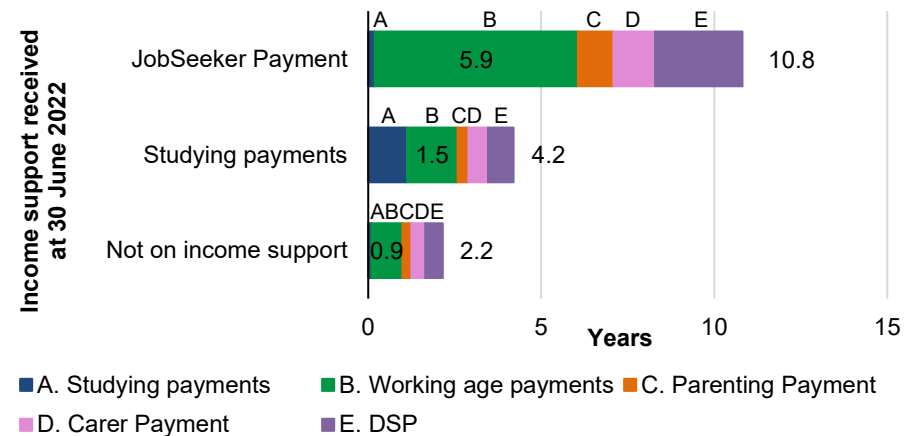
Figure 3.3 shows over the next 5 years, people aged 22 to 25 receiving JobSeeker Payment are projected to spend the greatest length of time on working age payments (2 years). Those receiving studying payments are projected to spend less time on income support overall (1.4 years). Note people not receiving income support may be employed or studying and do not require income support.

**Figure 3.3: Average projected time receiving income support over the next 5 years for people aged 22 to 25**



On average over the next 5 years, those aged 22 to 25 receiving JobSeeker Payment are projected to spend 1.7 times longer (1 more year) receiving income support than those receiving studying payments. There is a larger difference when considering the entire working life prior to retirement age. Figure 3.4 shows those receiving JobSeeker Payment are projected to spend 2.6 times longer (6.6 more years) receiving income support on average (10.8 years) than those receiving studying payments (4.2 years).

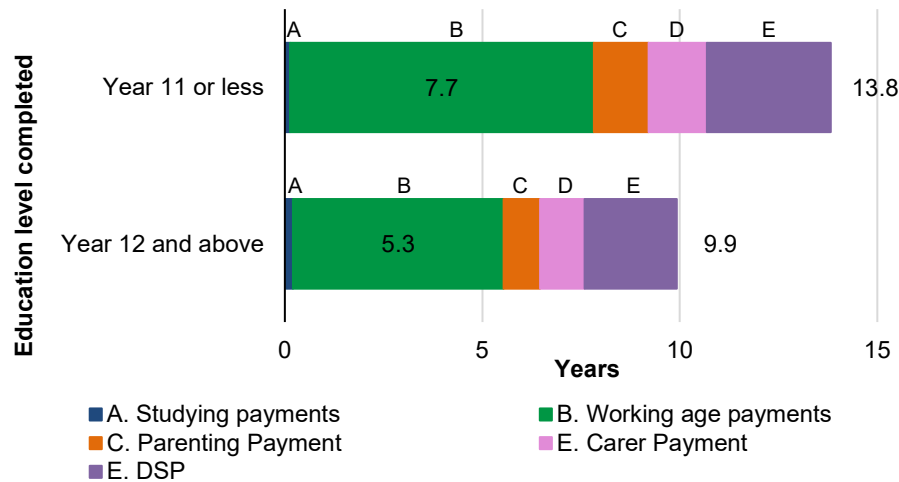
**Figure 3.4: Average projected time receiving income support before retirement for people aged 22 to 25**



**People on JobSeeker Payment aged 22 to 25 who did not finish Year 12 are projected to spend 1.4 times longer (2.4 more years) on working age payments before retirement age than those who did complete Year 12.**

As shown in Figure 3.5, people who did not finish high school are projected to receive income support on average for 3.9 more years before retirement age than those who did. They are also projected to spend 2.4 years longer on working age payments on average.

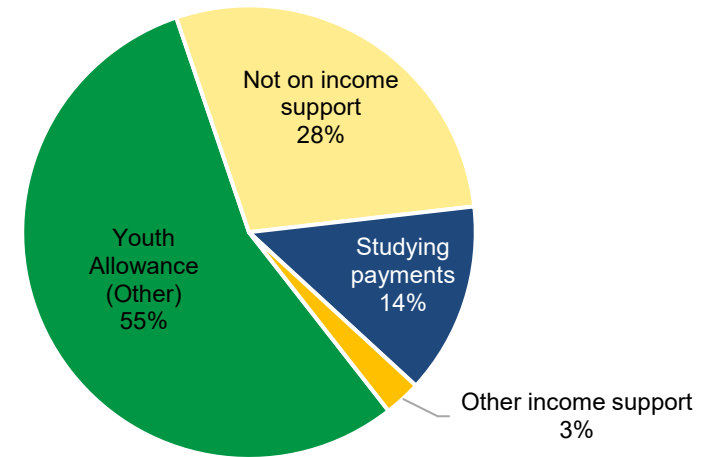
**Figure 3.5: Average projected time receiving income support before retirement for people aged 22 to 25 on JobSeeker Payment at 30 June 2022**



**The majority (55%) of people on JobSeeker Payment were previously receiving Youth Allowance (Other), compared to 14% who previously received studying payments.**

Over 25% of people receiving JobSeeker Payment did not receive income support immediately prior to receiving JobSeeker Payment.

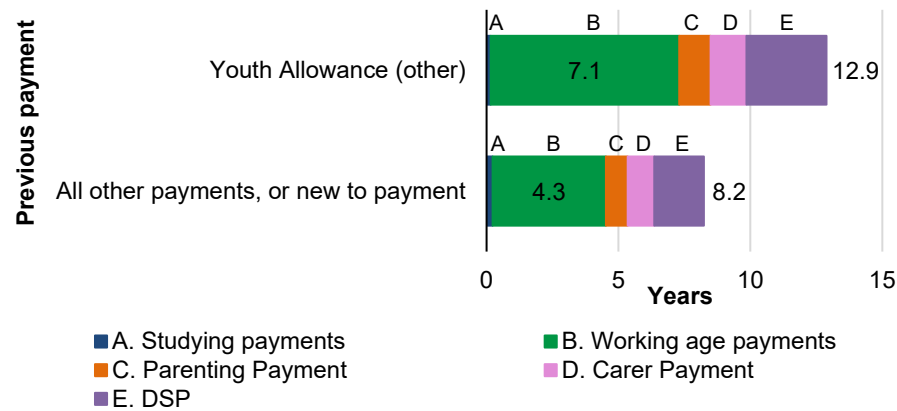
**Figure 3.6: Previous payment for people on JobSeeker Payment aged 22 to 25 at 30 June 2022**



**For people receiving JobSeeker Payment, previous receipt of a social security payment affects their future projected time receiving income support. In particular, those previously receiving Youth Allowance (Other) are projected to use income support for longer.**

Figure 3.7 shows those previously receiving Youth Allowance (Other) are projected to receive income support for 4.7 years longer prior to retirement, than those from other income support payments or new to income support.

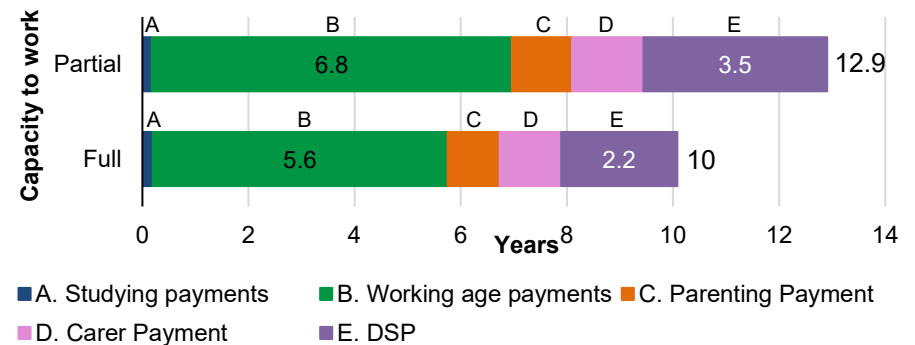
**Figure 3.7: Average projected time receiving income support before retirement for people aged 22 to 25 on JobSeeker Payment at 30 June 2022**



**The capacity to work is a measure of physical, intellectual, or psychiatric impairment, and is an important factor when projecting future interactions with the social security system. People who have a partial capacity to work are projected to spend more time on income support before retirement, than those who have full capacity.**

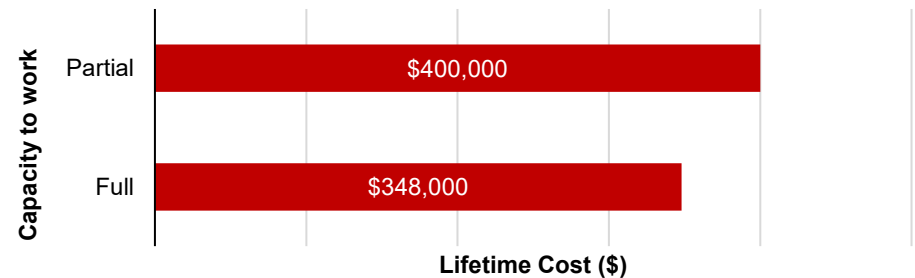
26% of people aged 22 to 25 who received JobSeeker Payment on 30 June 2022 had a partial capacity to work. As shown in Figure 3.8, people in this age group receiving JobSeeker Payment with a partial capacity to work are projected to spend 6.8 years on JobSeeker Payment, compared to 5.6 years for those with full capacity to work. Partial capacity to work is associated with a longer projected time on income support prior to retirement (12.9 years), as this group is also projected to receive DSP for a longer period later in their lives.

**Figure 3.8: Average projected time receiving income support before retirement for people aged 22 to 25 on JobSeeker Payment at 30 June 2022**



This longer projected time on income support prior to retirement is also reflected in the Lifetime Cost. People receiving JobSeeker Payment with a partial capacity to work are projected to have an average Lifetime Cost that is \$52,000 higher than those with full capacity to work.

**Figure 3.9: Average projected lifetime cost for people aged 22 to 25 on JobSeeker Payment at 30 June 2022**



\* Lifetime Cost projections include Age Pension

## 4 Working age (26 to 44)

Age 26 to 44 is typically a period of greater self-reliance when people of working age have established themselves in the workforce. There were 6.97 million people aged 26 to 44 on 30 June 2022, making up 27% of the Australian population. Within this age range, 55% of Australians had children, and 45% did not have children.

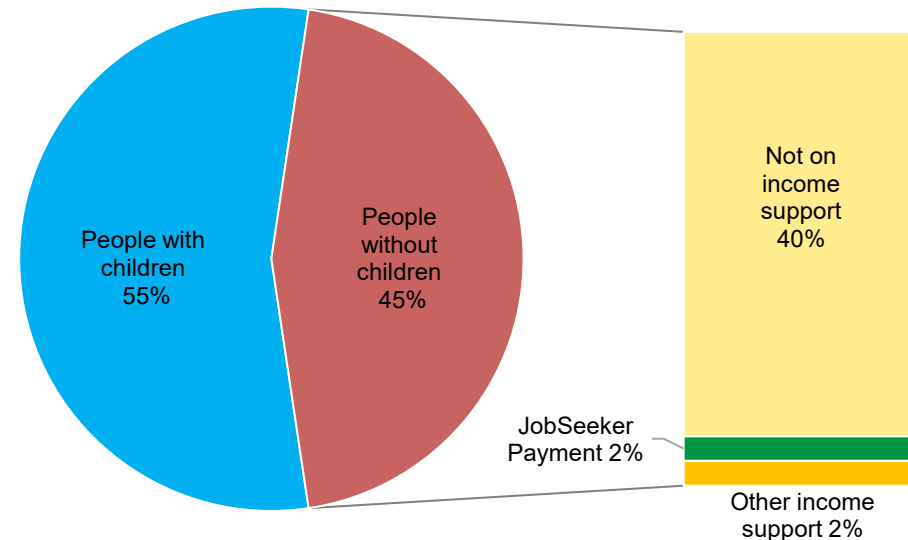
### Australian population



**Of the 45% of people without children, 58% were single and 42% were partnered. Around 11% of people without children received income support. Of those without children receiving income support, 95% were single.**

This section focuses on people aged 26 to 44 without children (Figure 4.1), who are either not receiving income support or only receiving JobSeeker Payment. All others aged 26 to 44 are considered as part of the In-Depth Focus groups later in this report (including the sections on People with children, People receiving payments to support caring, and People receiving Disability Support Pension (DSP)).

Figure 4.1: People aged 26 to 44 composition at 30 June 2022

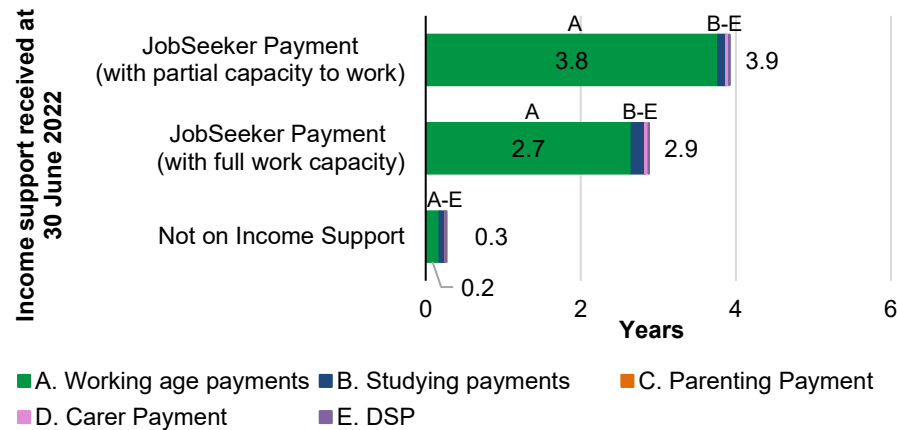


**39% of people aged 26 to 44 without children who were receiving JobSeeker Payment had a partial capacity to work. This group spent 1.1 years longer on JobSeeker Payment than those with full capacity over the previous 5 years on average.**

Figure 4.2 shows people without children aged 26 to 44 receiving JobSeeker Payment with a partial capacity to work received income support for 3.9 years out of the previous 5 years on average. This is 1 year longer than those with full work capacity (2.9 years). People without children not receiving income support on 30 June 2022 received working age payments for less than half a year (0.3 years) over the previous 5 years on average.



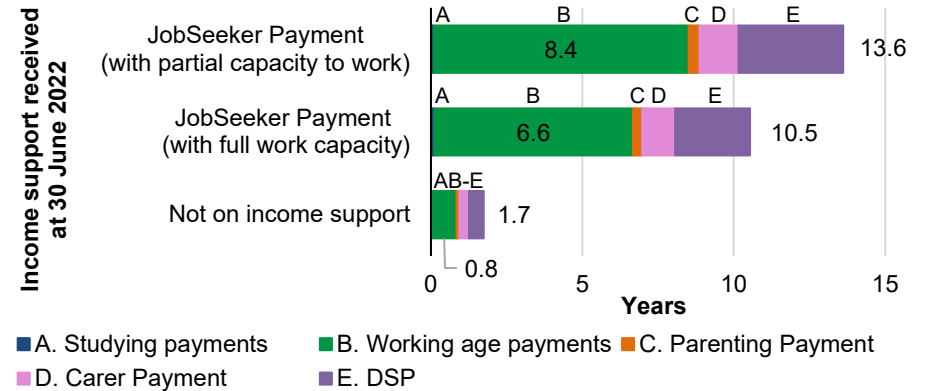
**Figure 4.2: Income support usage over the previous 5 years for people aged 26 to 44 without children**



**People without children who were receiving JobSeeker Payment with a partial capacity to work are projected to spend 3.1 years longer on average receiving income support before retirement age, than people without children who were receiving JobSeeker Payment with full work capacity.**

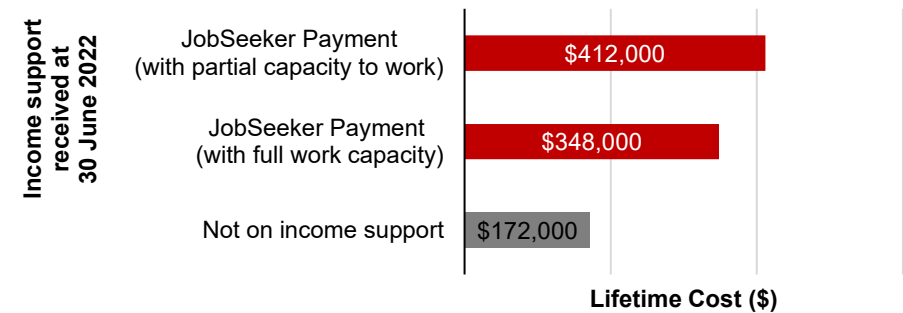
Figure 4.3 highlights the vulnerability of those with a partial capacity to work. People without children who were receiving JobSeeker Payment with a partial capacity to work are projected to spend 13.6 years on income support on average. This is 3.1 years longer than those with full capacity to work. The 70% of people not receiving income support have the lowest average projected time on income support (1.7 years) before retirement age.

**Figure 4.3: Average projected time receiving income support before retirement for people aged 26 to 44 without children**



This longer projected time on income support is also reflected in the Lifetime Cost (Figure 4.4). People without children who were receiving JobSeeker Payment with a partial capacity to work are projected to have an average Lifetime Cost of \$412,000. This is \$64,000 higher than those with full capacity to work and almost 2.5 times higher (\$240,000 more) than people who did not receive income support.

**Figure 4.4: Average projected lifetime cost for people aged 26 to 44 without children**

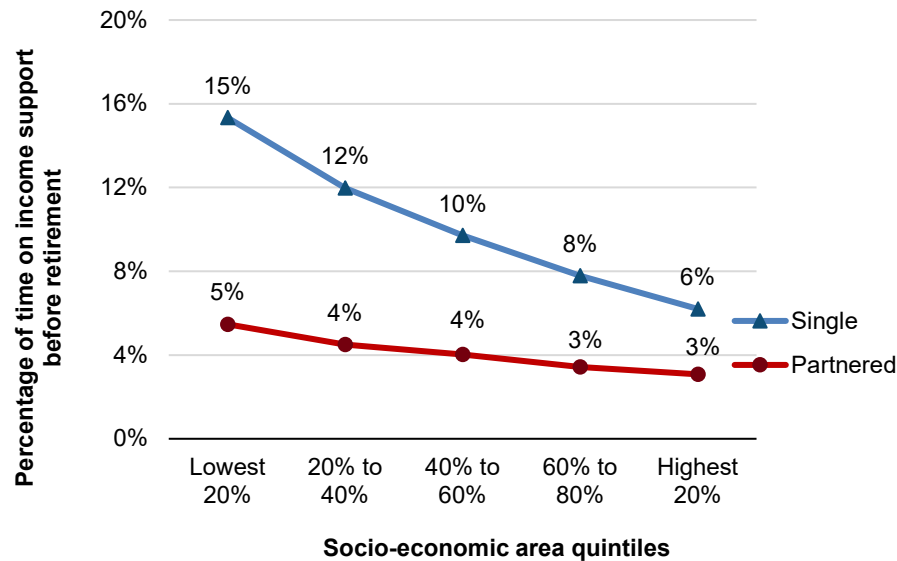


\* Lifetime Cost projections include Age Pension

**Single people without children are projected to spend a larger proportion of their working life before retirement age receiving income support, compared to partnered people without children.**

For single people without children aged 26 to 44, the socio-economic area in which they live has a greater effect on their projected time receiving income support than for partnered people without children in the same age group. As Figure 4.5 shows, single people without children in the most disadvantaged socio-economic areas (lowest 20%) are projected to spend 15% of their working life before retirement receiving income support, compared to 6% for those in the most advantaged socio-economic areas (highest 20%). Partnered people without children in the lowest 20% of socio-economic areas are projected to spend 5% of their working life before retirement on income support, compared to 3% for those in the highest 20% of socio-economic areas.

**Figure 4.5: Average projected time receiving income support before retirement for people aged 26 to 44 without children**



## 5 Older working age (45 to 66)

For many Australians in this age group, the length of time on JobSeeker Payment is associated with a greater likelihood of continuing to receive income support in the future, which then flows onto Age Pension. This is particularly the case for women and people with a partial capacity to work. There were 6.7 million people aged 45 to 66 on 30 June 2022, making up 26% of the Australian population.

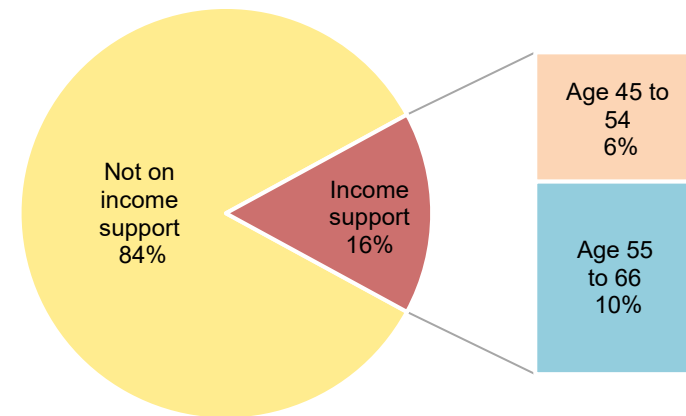
### Australian population



**16% of people aged 45 to 66 received income support on 30 June 2022, and a further 6% received supplementary payments at some point over 2021–22. Women comprised 56% of people receiving income support in this age group.**

Almost twice as many people aged 55 to 66 received an income support payment, compared to those aged 45 to 54 (Figure 5.1). The main reason for this difference was the greater number of people receiving Disability Support Pension (DSP) and Carer Payment in the older age group. People receiving DSP and Carer Payment are considered as part of the In-Depth Focus groups later in this report (including the sections on People receiving payments to support caring, and People receiving DSP).

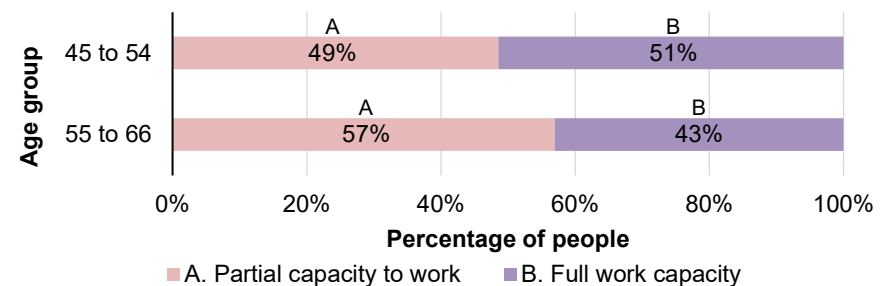
Figure 5.1: People aged 45 to 66 composition at 30 June 2022



**53% of people aged 45 to 66 who received JobSeeker Payment on 30 June 2022 had a partial capacity to work.**

Among people aged 45 to 66 receiving JobSeeker Payment (Figure 5.2), 49% of those aged 45 to 54 and 57% of those aged 55 to 66 had a partial capacity to work.

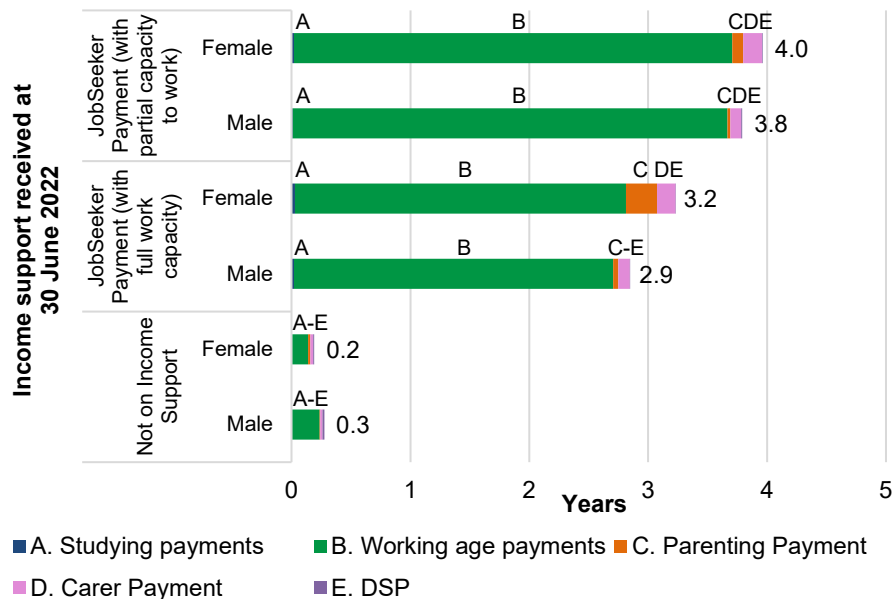
Figure 5.2: Work capacity of people aged 45 to 66 receiving JobSeeker Payment at 30 June 2022



**Women aged 45 to 66 receiving JobSeeker Payment on 30 June 2022 spent longer on income support over the previous 5 years than men.**

While generally people with a partial capacity to work spent longer on income support over the previous 5 years than those with full capacity to work, women receiving JobSeeker Payment spent longer on income support than men with the same capacity to work. As shown in Figure 5.3, women with a partial capacity to work spent an average of 4 years on income support over the previous 5 years, compared to 3.8 years for men. People with full capacity to work spent slightly less time on income support (3.2 years for women and 2.9 years for men). Over 85% of time on income support was on JobSeeker Payment.

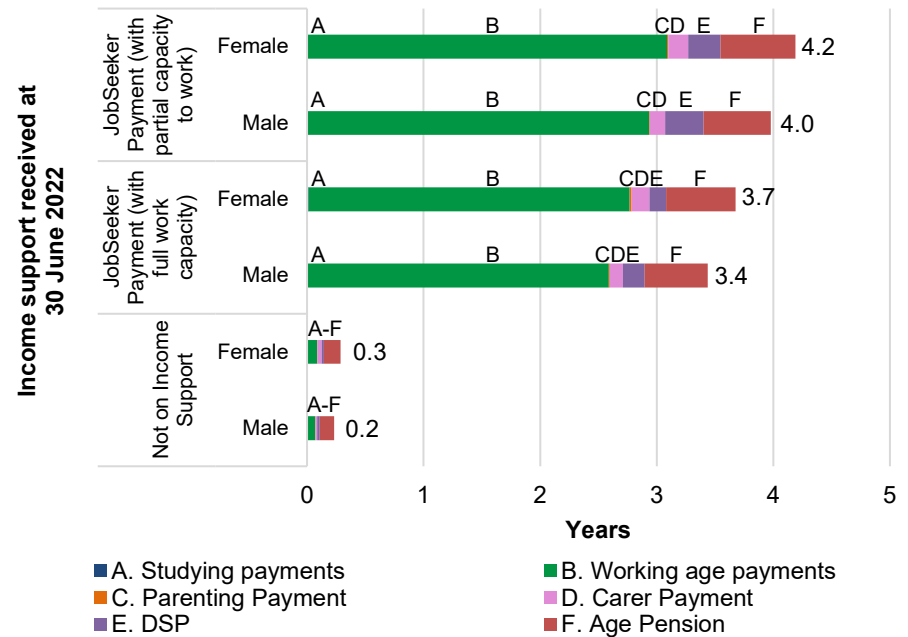
**Figure 5.3: Average income support payment usage over the previous 5 years for people aged 45 to 66**



**Women aged 45 to 66 receiving JobSeeker Payment on 30 June 2022 are projected to spend longer on income support in the next 5 years than men.**

As shown in Figure 5.4, people with a partial capacity to work are projected to spend longer on income support in the next 5 years than those with full capacity to work. It is projected that women will spend longer on income support than men over the next 5 years regardless of capacity to work. In the next 5 years, women with a partial capacity to work are projected to spend an average of 4.2 years on income support, compared to 4 years for men. People with full capacity to work are projected to spend slightly less time on income support (3.7 years for women and 3.4 years for men). People with full capacity to work are projected to spend slightly less time on income support (3.7 years for women and 3.4 years for men).

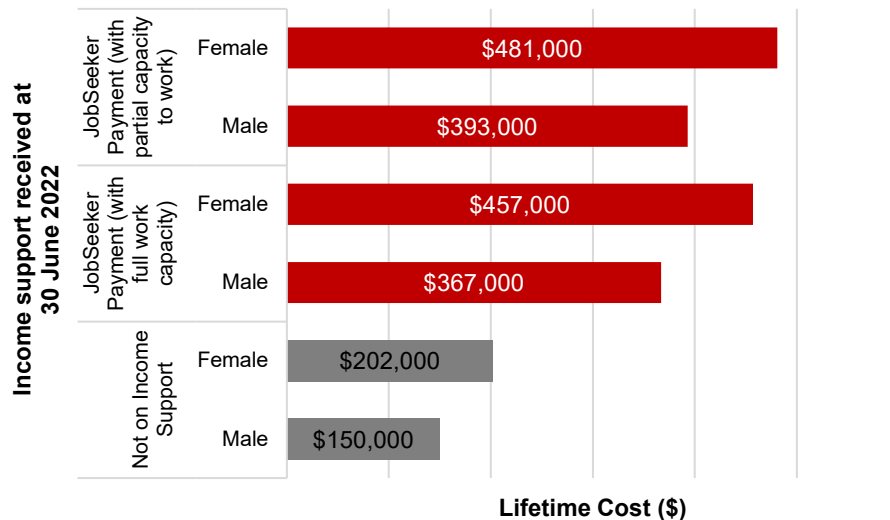
**Figure 5.4: Average projected time receiving income support over the next 5 years for people aged 45 to 66**



People aged 45 to 66 receiving JobSeeker Payment with a partial capacity to work on 30 June 2022 are projected to have a higher Lifetime Cost than those with full capacity to work and those not on income support. Women are projected to have a higher average Lifetime Cost than men.

As shown in Figure 5.5, women with a partial capacity to work are projected to have an average Lifetime Cost that is \$88,000 higher than men with a partial capacity to work (\$393,000) and \$24,000 higher than women with full capacity (\$457,000). People not receiving income support on 30 June 2022 are projected to have an average Lifetime Cost that is more than 50% lower (\$202,000 for women and \$150,000 for men) than those receiving JobSeeker Payment with a partial capacity to work. The projected average Lifetime Cost for women is higher due to a combination of higher life expectancy, as well as projected higher usage of social security payments during their lifetime (such as family and parenting payments, and the Age Pension).

Figure 5.5: Average projected Lifetime Cost for people aged 45 to 66



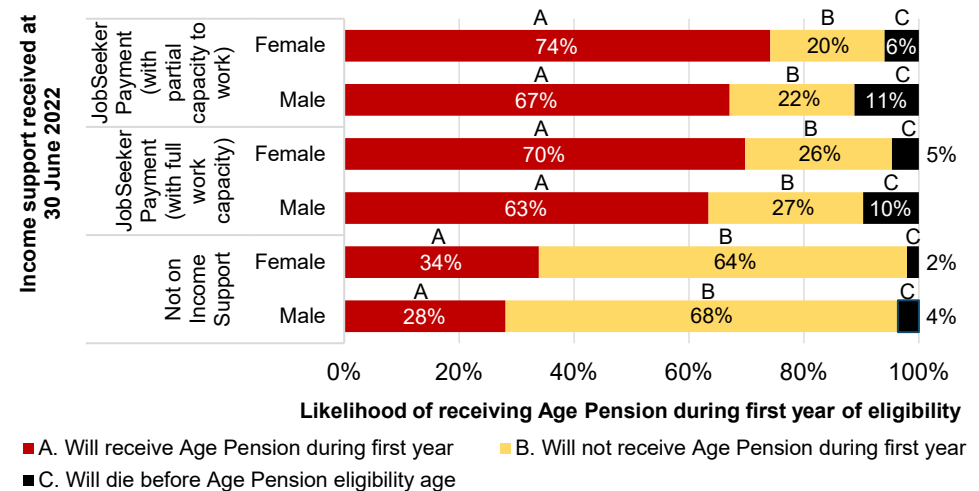
\* Lifetime Cost projections include Age Pension

People receiving JobSeeker Payment with a partial capacity to work have the highest probability of entering Age Pension when they reach eligibility age. 74% of women and 67% of men in this age group will move onto Age Pension once eligible.

Women receiving JobSeeker Payment are around 10% more likely to move onto Age Pension when they reach the eligibility age than men receiving JobSeeker Payment, regardless of capacity to work (Figure 5.6). Women not currently receiving income support are around 20% more likely to move onto Age Pension when they reach the eligibility age than men not currently receiving income support.

People receiving JobSeeker Payment with a partial capacity to work are more likely to move onto Age Pension at the eligibility age (74% of women and 67% of men), than those with full capacity to work (70% of women and 63% of men). By contrast, a much smaller proportion of people who are not currently receiving a social security payment are expected to begin receiving Age Pension at the eligibility age (34% of women and 28% of men).

Figure 5.6: Projected likelihood of receiving Age Pension at eligibility age for people aged 45 to 66



Likelihood of receiving Age Pension during first year of eligibility

- A. Will receive Age Pension during first year
- B. Will not receive Age Pension during first year
- C. Will die before Age Pension eligibility age

## 6 Retirement age (66 and over)

The Age Pension is the primary social security payment for those unable to fully, or partially finance their retirement through superannuation and other savings. The extent of interaction with the social security system at retirement is closely related to the length of income support use during a person’s working life. There were 4.1 million people at or above the Age Pension eligibility age on 30 June 2022, making up 16% of the Australian population. ‘Retirement age’ for the purposes of this section refers to Age Pension eligibility age. At 30 June 2022, this age was 66 years and 6 months (it has since increased to 67 years at 1 July 2023).

### Australian population

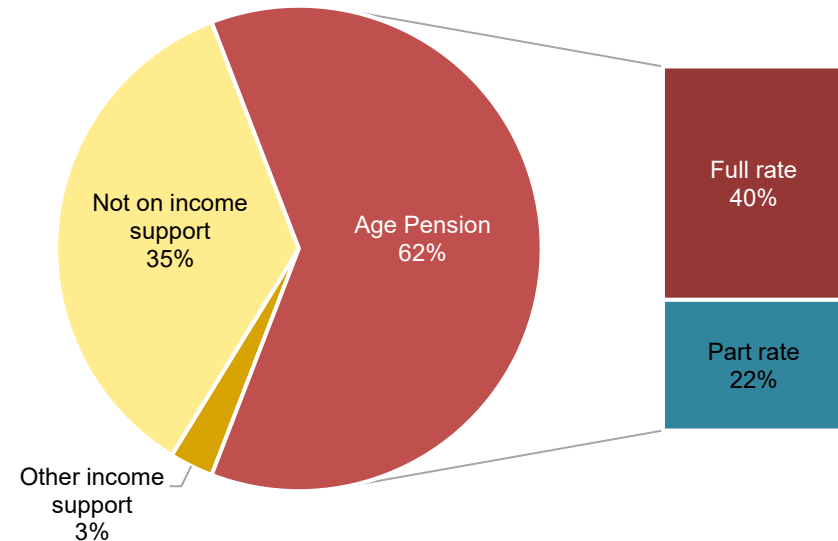


**At 30 June 2022, 2.5 million of the 4.1 million Australians over retirement age received the Age Pension.**

Of the 2.5 million people receiving Age Pension, 1.6 million were eligible for the full rate and 0.9 million for a partial rate.

As shown in Figure 6.1, a further 120,000 people received other income support, including Disability Support Pension (DSP) or Carer Payment.

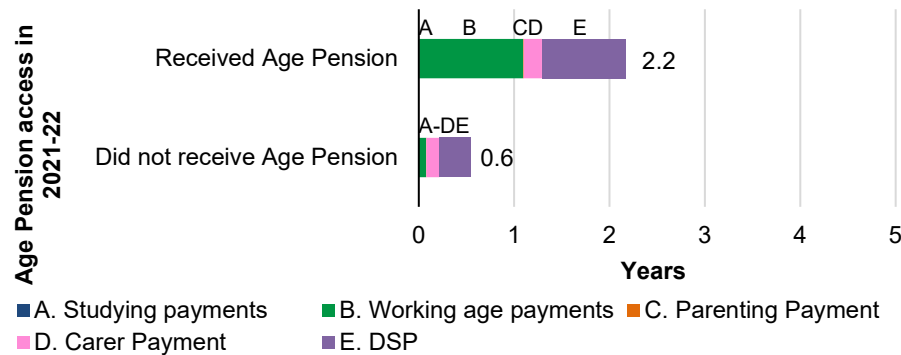
Figure 6.1: Retirement age (66 years 6 months and over) composition at 30 June 2022



**The extent of interaction with the social security system at retirement is closely related to the length of income support use during a person’s working life.**

In 2021–22, 136,000 people reached retirement age, and 44,000 (32%) began receiving Age Pension. As shown in Figure 6.2, this group spent an average of 2.2 years on an income support payment in the previous 5 years before receiving Age Pension, and half of this time was spent in receipt of a working age payment. In comparison, those who did not begin receiving Age Pension when they reached eligibility age spent only 0.6 years on income support in the past 5 years, including an average of 0.3 years on DSP.

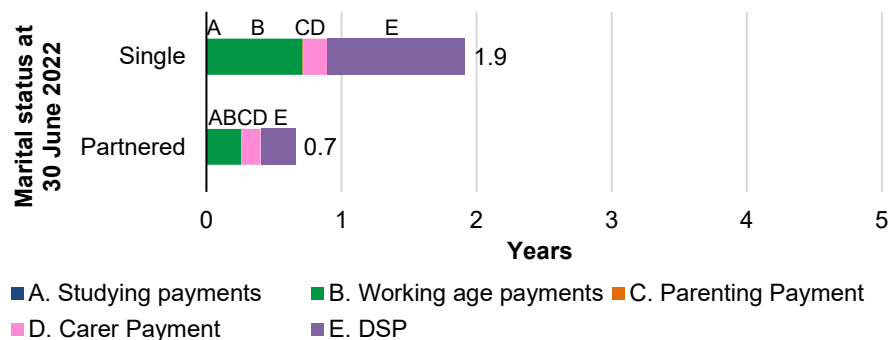
**Figure 6.2: Average time on income support over the previous 5 years for people who reached retirement age in 2021–22**



**Single people receiving Age Pension in 2021–22 spent 1.2 years longer on income support in the previous 5 years, compared to those with a partner.**

Of the 44,000 people who became eligible and started to receive Age Pension during 2021–22, 54% had a partner and 46% were single. As shown in Figure 6.3, single people spent an average of 1.9 years on income support over the previous 5 years, and over 50% of the 1.9 years was spent receiving DSP.

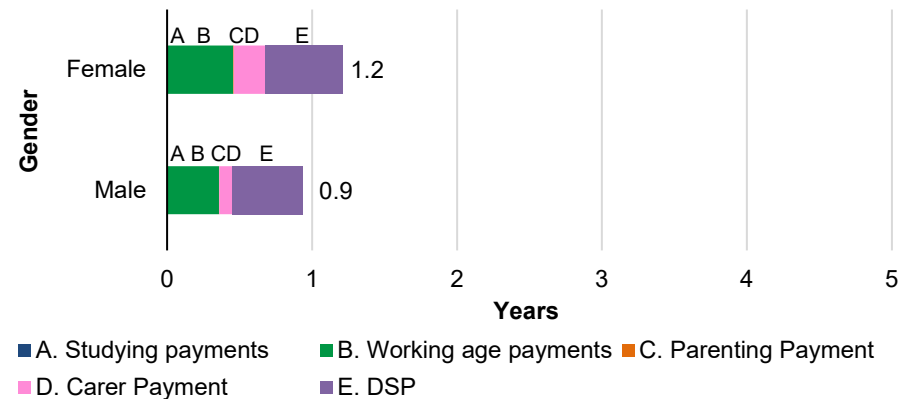
**Figure 6.3: Average time on income support over the previous 5 years for people who reached retirement age in 2021–22**



**Women received income support payments only slightly longer than men in the 5 years leading up to retirement.**

Of the 44,000 people who became eligible and began receiving Age Pension during 2021–22, 44% were men and 56% were women. As shown in Figure 6.4, women spent an average of 1.2 years on income support in the previous 5 years, which is 0.3 years longer than men.

**Figure 6.4: Average time on income support over the previous 5 years for people who reached retirement age in 2021–22**

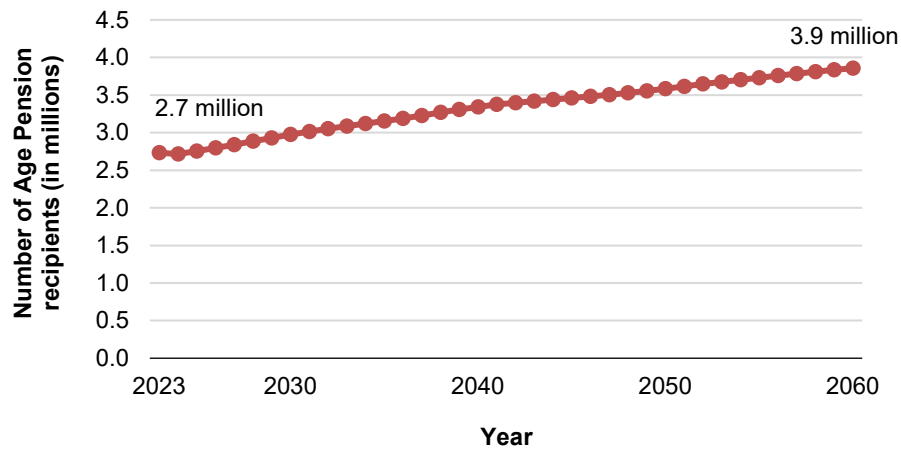


**Projected Age Pension usage over the long-term is driven largely by population ageing and the maturation of the superannuation system.**

As Australia’s population ages, the number of people accessing Age Pension is projected to increase by more than 40% by 2060 (see Figure 6.5). However, as the superannuation system continues to mature over the next few decades, a higher proportion of Australians are expected to self-finance their own retirement with an increased accumulated superannuation balance. This means the proportion of people receiving Age Pension in the total population of people who have reached Age Pension eligibility age is projected to decline from 62% to 50% by 2060 (see Figure 6.6).

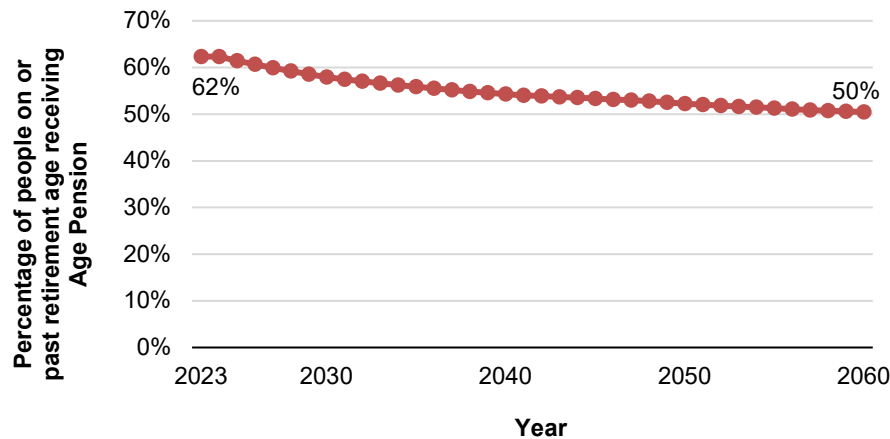


**Figure 6.5: Projected number of people receiving Age Pension**



\* Projections of Age Pension use do not include the impact of migration.

**Figure 6.6: Projected percentage of people on or past retirement age receiving Age Pension**



\* Projections of Age Pension use do not include the impact of migration.

**More than 70% of people who reached retirement age in 2021–22 are projected to receive Age Pension at some point during their lifetime.**

In 2021–22, 62% of the Australian population at and above retirement age received the Age Pension. A further 12% are projected to start receiving Age Pension later in their lives.

Almost all people who receive Age Pension are projected to remain on the payment for the rest of their life.

## 7 People with children

Parents or guardians can access different social security payments depending on their eligibility and needs. Parenting Payment is the main income support available to assist when a parent or guardian is a young child’s main carer. Paid Parental Leave and Dad and Partner Pay (combined into Parental Leave Pay from 1 July 2023) are available to help care for a newborn or newly adopted child. Child Care Subsidy is available to assist with childcare fees. Family Tax Benefit (FTB) is a supplementary payment available to help with the cost of raising children.

### Australian population



**There were 6 million parents or guardians with children aged 19 or under in Australia at 30 June 2022, making up 23% of the population.**

The definition of a child in this section is up to and including age 19. This definition is based on when a parent or guardian is eligible for certain payments according to the age of the child. For example, a parent or guardian can continue to claim FTB Part A up to and including when their child is aged 19.

**13% of parents or guardians in Australia were receiving income support at 30 June 2022. During 2021–22, a further 28% received a supplementary family payment to assist with the cost of raising a child.**

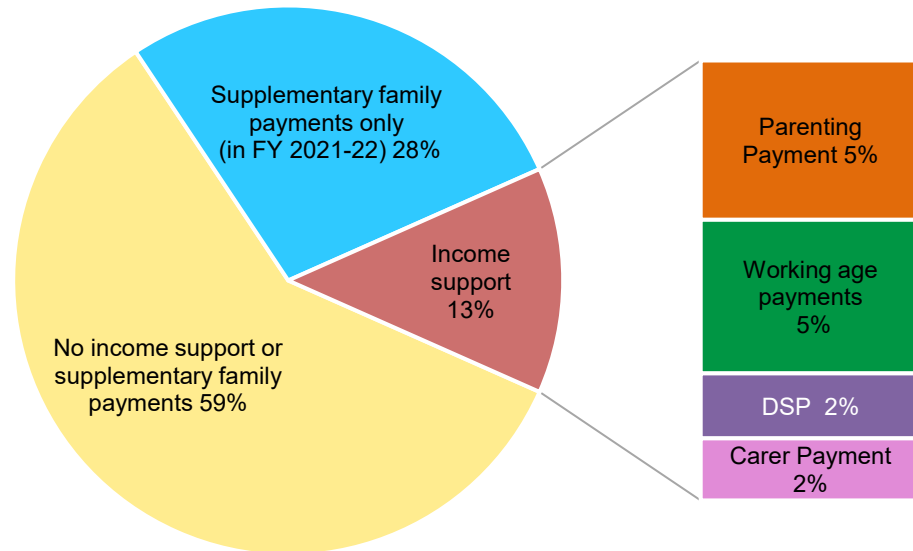
The majority of parents or guardians receiving income support were receiving either Parenting Payment or a working age payment such as JobSeeker Payment. At 30 June 2022, Parenting Payment was available until the youngest child was aged 8 if the parent or guardian was single, or aged 6 if the parent or guardian was partnered. Many parents or guardians who were ineligible due to their child’s age received a working age payment instead. Figure 7.1 shows 2% of parents or guardians received Carer Payment and a further 2% received Disability Support Pension (DSP). People receiving DSP and Carer Payment are considered as part of the In-Depth Focus groups sections on People receiving payments to support caring and People receiving DSP.

**Of the 13% of parents or guardians receiving income support, just over two-thirds also received at least one supplementary family payment (such as FTB) in 2021–22.**

The remaining 59% of parents or guardians of children aged 19 or younger did not use income support or supplementary family payments during 2021–22 (Figure 7.1).

Women comprised the majority of parents or guardians claiming social security payments, including 94% of people receiving Parenting Payment, 63% of parents or guardians receiving other income support payments, and 81% of those receiving supplementary family payments only. The majority of parents or guardians who were not receiving income support or a supplementary family payment were men (62%).

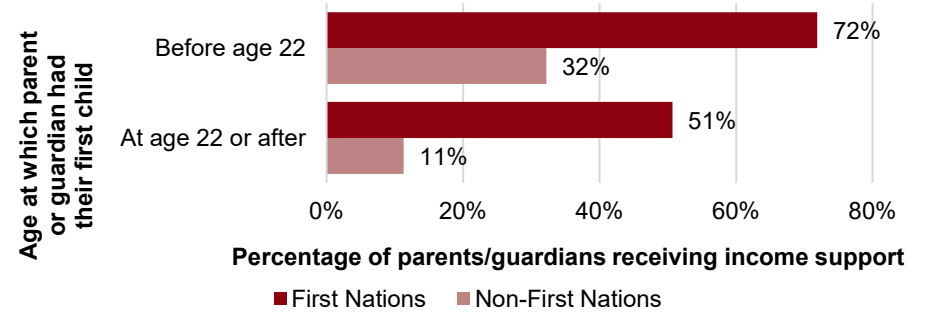
**Figure 7.1: Composition of parents or guardians with children aged 19 and under**



**First Nations parents who had their first child before age 22 were 6.4 times more likely to receive income support than non-First Nations parents who had their first child at an older age.**

Figure 7.2 shows parents who had their children at an earlier age are more likely to receive an income support payment, particularly First Nations parents. Almost three quarters (72%) of First Nations parents who had their first child before age 22 were receiving income support at 30 June 2022. Only 11% of non-First Nations parents who had their first child at an older age were receiving income support at 30 June 2022.

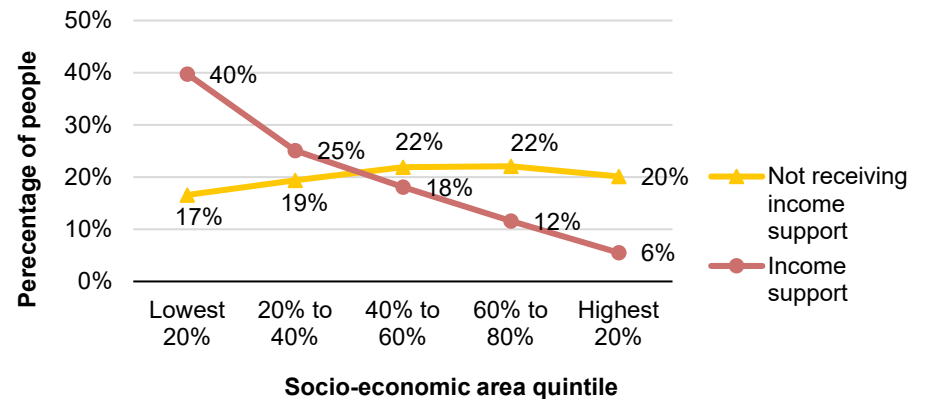
**Figure 7.2: Percentage of parents/guardians receiving income support based on First Nations status and age when first child born or adopted**



**Parents or guardians receiving income support payments were 2.4 times more likely to live in the lowest 20% of socio-economic areas compared to parents who did not receive income support.**

65% of parents or guardians receiving income support live in the lowest 40% of socio-economic areas, highlighting another level of disadvantage faced by this group (Figure 7.3). In contrast, those not receiving income support are more evenly spread across the various socio-economic area groupings.

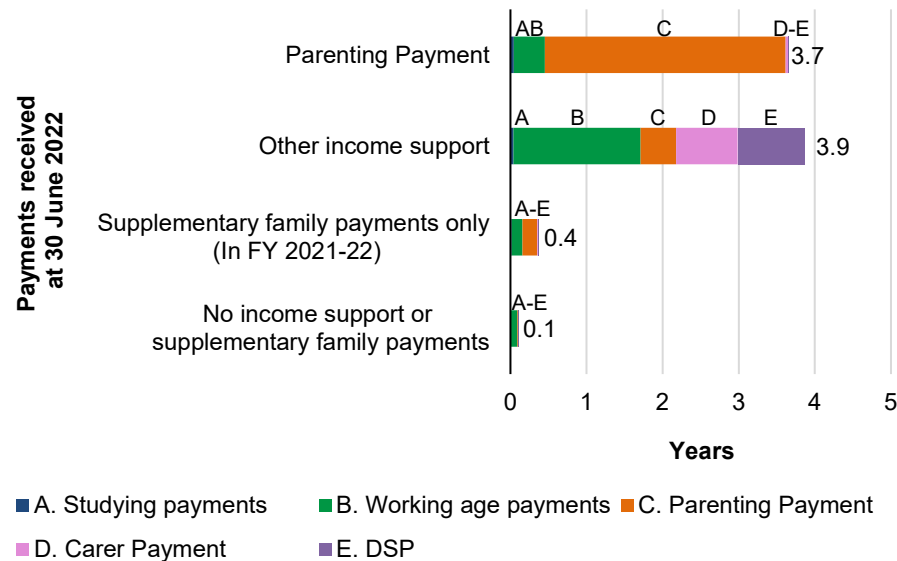
**Figure 7.3: Percentage of people with children by socio-economic area**



Parents or guardians receiving Parenting Payment on 30 June 2022 had been receiving income support on average for 3.7 of the previous 5 years. Those receiving other income support payments used income support for 3.9 of the previous 5 years on average.

By comparison, parents or guardians who did not receive income support had been receiving income support for less than 1 year out of the previous 5 years on average (Figure 7.4).

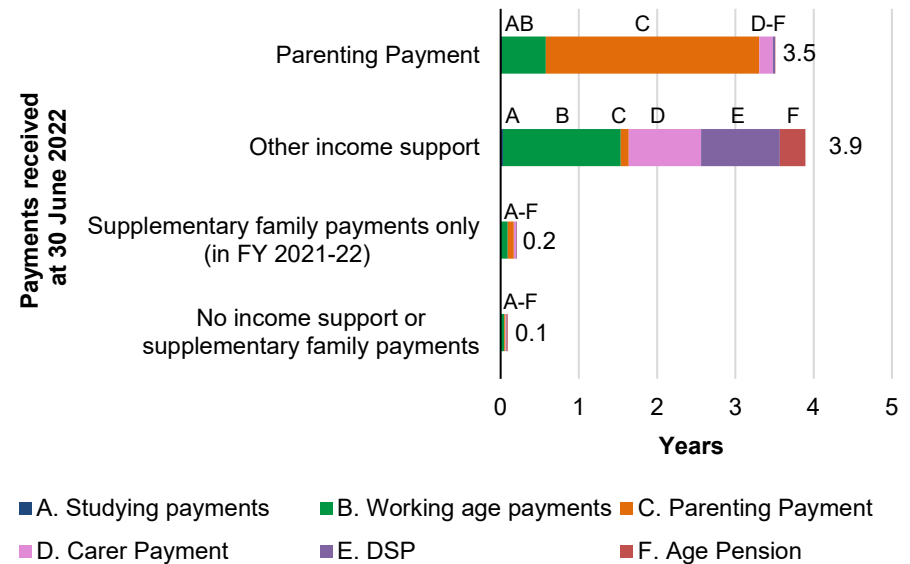
**Figure 7.4: Average time receiving income support over the previous 5 years for people with children**



Parents or guardians receiving Parenting Payment are projected to spend 3.5 years on income support over the next 5 years. Those receiving other income support payments are expected to spend 3.9 of the next 5 years on income support.

Figure 7.5 shows current use of income support is a strong predictor of future income support use over the next 5 years. People currently using income support are expected to continue to use it for large portions of the next 5 years. By contrast, parents or guardians who are not currently receiving income support are expected to use only a small proportion of time on income support over the next 5 years. Parents or guardians on supplementary family payments only are expected to use income support for 0.2 years on average. Parents or guardians not receiving income support or supplementary family payments only are expected to use it for 0.1 years on average.

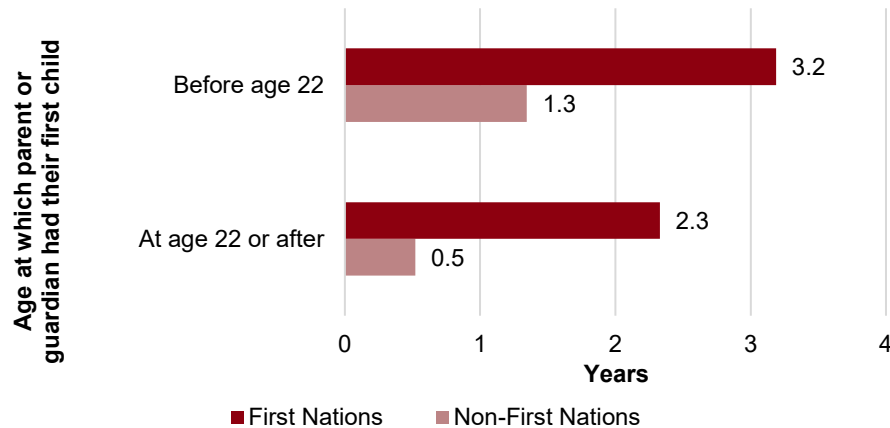
**Figure 7.5: Average projected time receiving income support over the next 5 years for people with children**



**First Nations parents who had their first child before age 22 are expected to use income support for 6.1 times longer (2.7 more years) than non-First Nations parents who had their first child at an older age.**

First Nations parents who had their first child before age 22 are expected to spend 3.2 of the next 5 years receiving income support on average (Figure 7.6). In contrast, non-First Nations parents who had their first child at an older age are expected to receive income support for 0.5 of the next 5 years on average.

**Figure 7.6: Average projected time on income support over the next 5 years based on First Nations status and age when first child born or adopted**

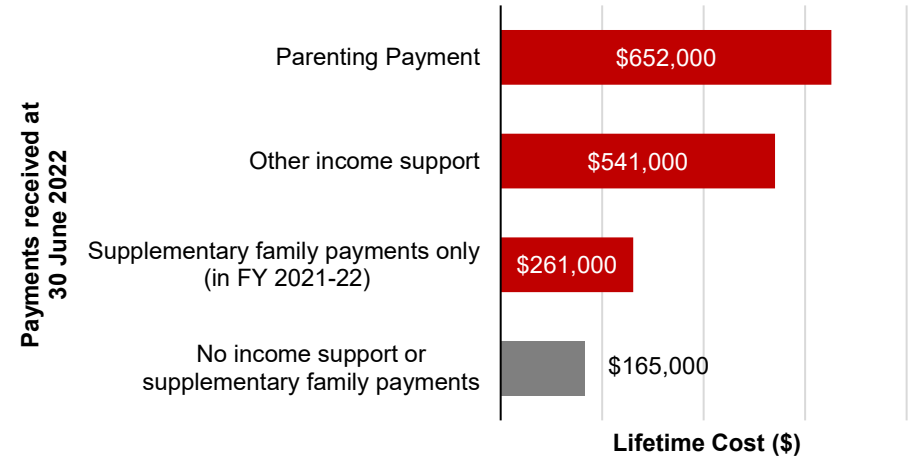


**The Lifetime Cost of parents or guardians receiving Parenting Payment is projected to be 4 times higher (\$487,000 more) than those not receiving income support or supplementary family payments.**

Parents or guardians receiving Parenting Payment have an expected Lifetime Cost of \$652,000 (Figure 7.7). This is 21% higher (\$111,000 more) than parents or guardians receiving other income support payments (\$541,000), 2.5 times higher (\$391,000 more) than those receiving a supplementary family

payment only (\$261,000), and 3.9 times higher (\$487,000 more) than those not receiving income support (\$165,000).

**Figure 7.7: Average projected lifetime cost for parents or guardians**



\* Lifetime Cost projections include Age Pension

**While projections from 2021 to 2022 have remained largely the same, changes to eligibility for Parenting Payment from 20 September 2023 will affect future results.**

In 2021–22, the eligibility requirement for receiving Parenting Payment was having a child under 8 years of age. From 20 September 2023, eligibility was broadened to include children under the age of 14. This change will allow more parents to receive Parenting Payment, and people currently receiving Parenting Payment will receive the payment for longer.

## 8 People receiving payments to support caring

Many Australians receive payments to help support them care for someone with disability, a medical condition, or who is frail due to age. On 30 June 2022 there were around 648,000 people receiving a payment to support caring, making up 3% of the Australian population.

### Australian population



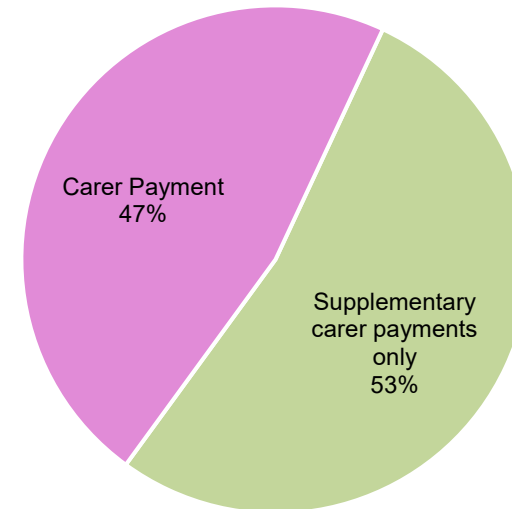
**There were 304,000 people receiving Carer Payment and a further 344,000 receiving a supplementary carer payment at 30 June 2022. Overall, 74% of people receiving a payment to support caring were women.**

Carer Payment is an income support payment available to people who provide constant care to someone with disability, a medical condition, or who is frail aged. The requirement to be providing constant care, together with assets and income test limits, means not all carers are eligible for this payment. The number of people who received Carer Payment increased by 1.4% between 30 June 2021 and 30 June 2022.

Supplementary carer payments, such as Carer Allowance, are a support available to people who are not eligible for Carer Payment. Carer Allowance, the main payment in this group, does not have an assets test and has less restrictive income tests and care requirements.

Among those eligible for payments to support caring at 30 June 2022, approximately 47% received Carer Payment and approximately 53% received a supplementary carer payment only (Figure 8.1). Note people receiving Carer Payment can also receive supplementary carer payments.

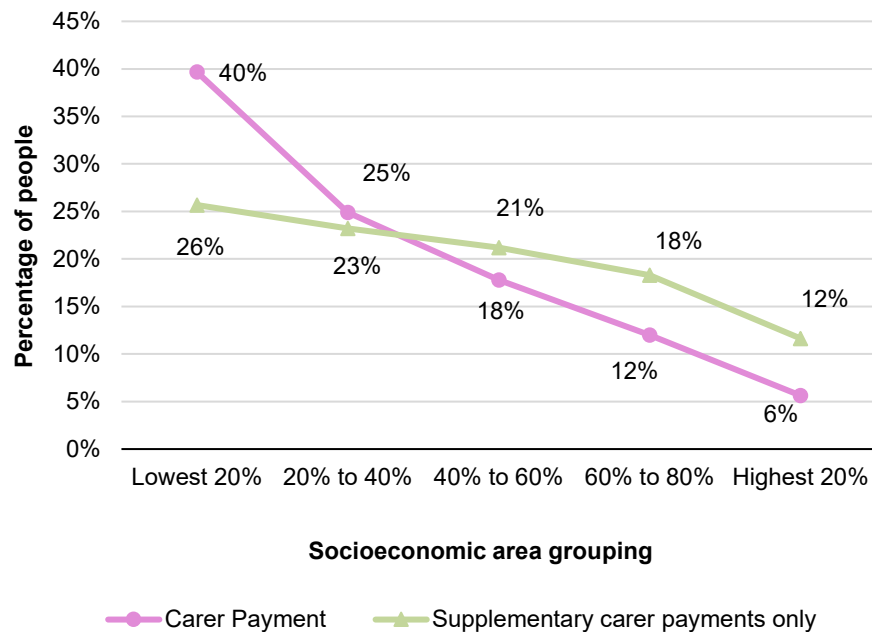
**Figure 8.1: Composition of people receiving payments to support caring at 30 June 2022**



**People receiving payments to support caring tend to live in lower socio-economic locations. Around a third of people receiving this support live in the lowest 20% of socio-economic areas.**

Figure 8.2 shows the majority of people receiving Carer Payment live in more disadvantaged socio-economic locations. Around 40% of people receiving Carer Payment live in the lowest 20% of socio-economic areas. Due to the less restrictive income test and no assets test on Carer Allowance, people receiving supplementary carer payments only are more evenly spread across socio-economic areas. A smaller proportion (26%) of people receiving carer supplement only live in the lowest 20% of socio-economic areas.

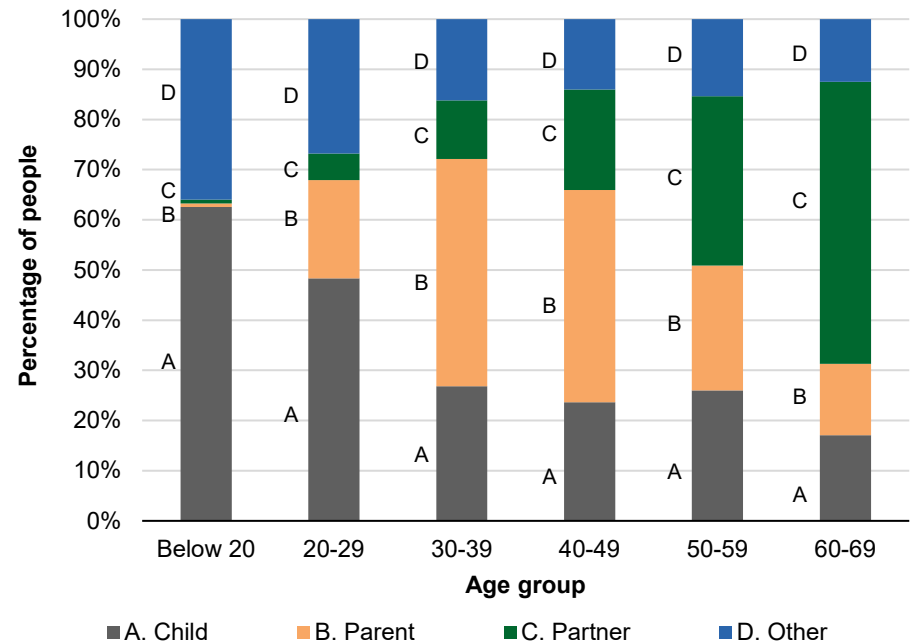
**Figure 8.2: Carers receiving payments by socio-economic area grouping**



**A person's age and relationship to the person they are caring for affects the extent of future income support use.**

Figure 8.3 shows the different types of caring relationships for people receiving Carer Payment at different ages. Younger carers are often the child of the person they are caring for (48% of people receiving Carer Payment in their 20s). People receiving Carer Payment in their 30s and 40s tend to be the parent of the person they are caring for (45% of people receiving Carer Payment in their 30s and 42% of people in their 40s). People receiving Carer Payment aged 50 or older tend to be the partner of the person they are caring for (34% of people in their 50s and 56% of people in their 60s).

**Figure 8.3: Relationship of people receiving Carer Payment to the person they are caring for at 30 June 2022**

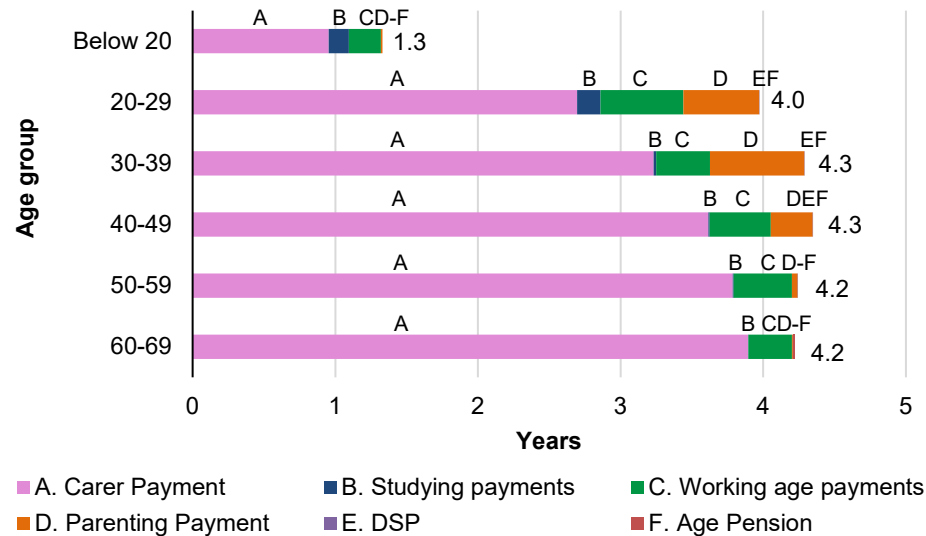




**People on Carer Payment aged 20 and above have received income support for more than 4 of the previous 5 years on average.**

Past income support usage is a strong predictor of future income support use for people receiving Carer Payment. People on Carer Payment in their 20s have received Carer Payment for 2.7 years on average compared to 3.9 years for those in their 60s. Older groups have potentially been caring for a longer period of time (Figure 8.4).

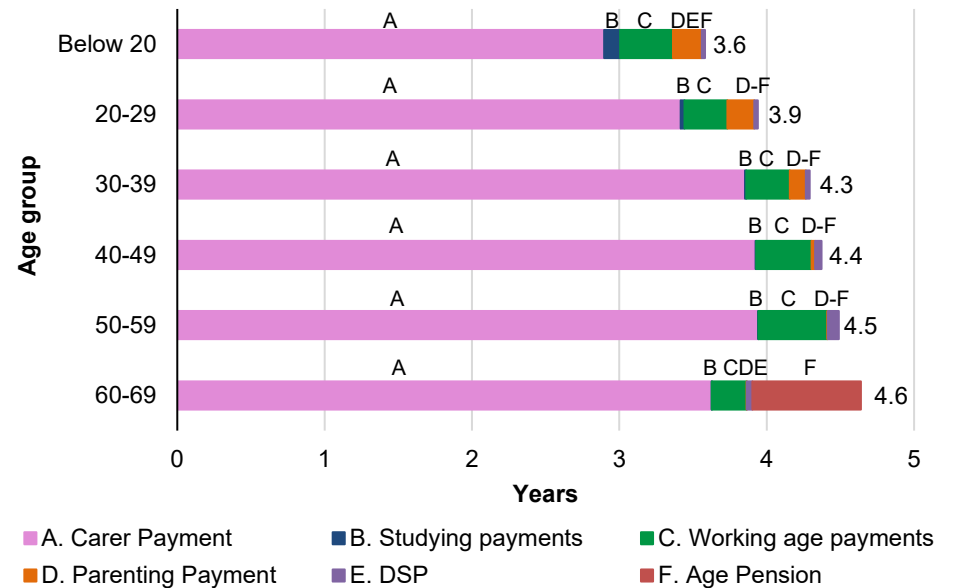
**Figure 8.4: Average time on income support over the previous 5 years for people receiving Carer Payment at 30 June 2022**



**Over the next 5 years, older carers are projected to spend more time receiving income support than younger carers.**

Older people receiving Carer Payment generally remain on the payment longer, and are more likely to use other forms of income support in the future. Those aged in their 50s are projected to spend 4.5 of the next 5 years receiving income support, whereas those aged under 20 are projected to receive income support for 3.6 years (Figure 8.5).

**Figure 8.5: Average projected time on income support over the next 5 years for people receiving Carer Payment at 30 June 2022**

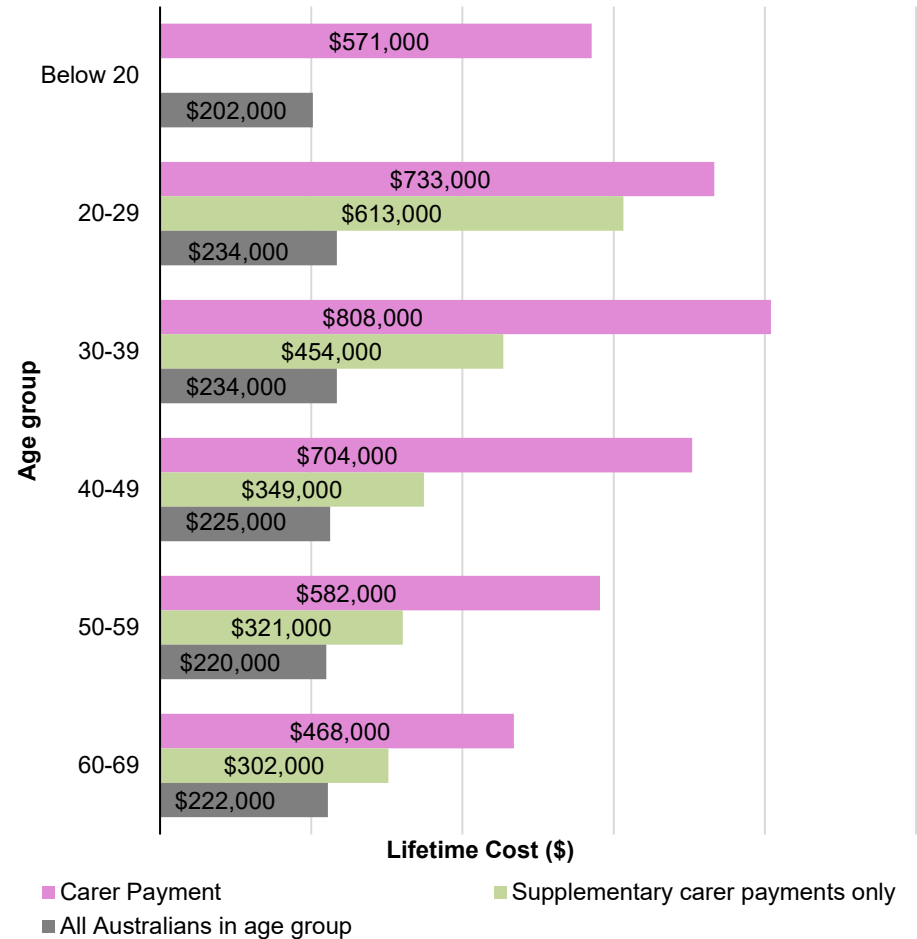


**People receiving Carer Payment aged in their 30s are projected to have the highest lifetime cost. They are also projected to have a higher lifetime cost than those who received only a supplementary carer payment.**

Of all age groups, people in their 30s receiving Carer Payment have the highest lifetime cost at \$808,000 (Figure 8.6).

People on Carer Payment also have a higher lifetime cost than those receiving only a supplementary carer payment. The average lifetime cost for people receiving Carer Payment in their 40s is \$704,000 which is double that of carers who are only receiving supplementary carer payments (\$349,000). The average lifetime cost of social security for all Australians in their 40s is \$225,000.

**Figure 8.6: Average projected lifetime cost for people receiving payments to support caring by age group and payment received at 30 June 2022**



\* Lifetime Cost projections include Age Pension

Note: For those aged below 20, the supplementary carer payments only group is less than the 1,000 people required to produce a reliable projection. Therefore, results for this cohort are excluded.

## 9 People receiving Disability Support Pension

Disability Support Pension (DSP) provides financial support to assist people with a physical, intellectual or psychiatric condition that is likely to persist in the long term. There were 758,000 people with disability receiving DSP on 30 June 2022, making up 3% of the Australian population.

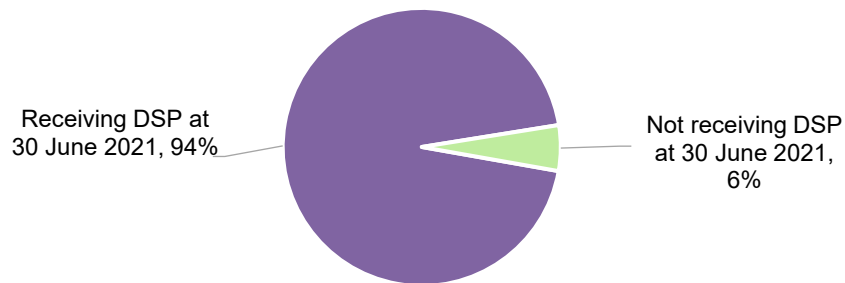
### Australian population



**There were 758,000 people receiving DSP at 30 June 2022.**

The majority of people receiving DSP have been on the payment for longer than 1 year. Only 6% (45,000) of those receiving DSP on 30 June 2022 were not receiving DSP at 30 June 2021 (Figure 9.1). The majority of DSP recipients tend to remain on payment for the long-term, which contributes to the small percentage of new DSP recipients beginning payment at 30 June 2022. The number of people receiving DSP increased by 1.6% between 30 June 2021 and 30 June 2022.

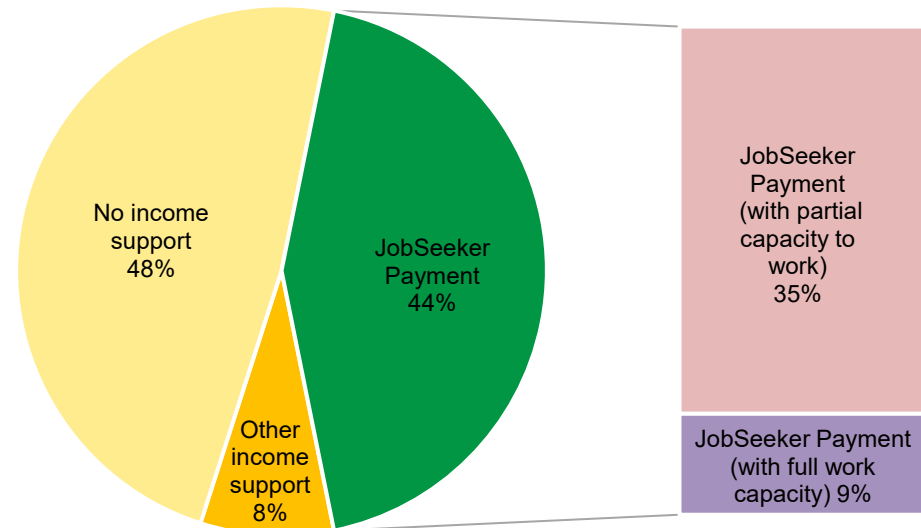
**Figure 9.1: People receiving DSP at 30 June 2022**



**44% of the 45,000 new DSP recipients at 30 June 2022 were receiving JobSeeker Payment a year earlier. 35% of new DSP recipients had a partial capacity to work.**

The large proportion of new DSP recipients with a partial capacity to work indicates many people receiving DSP had limitations to their work capacity prior to commencing DSP. Figure 9.2 also shows almost half (48%) of new DSP recipients were not receiving income support a year earlier.

**Figure 9.2: Income support payments received by new DSP recipients a year earlier, at 30 June 2021**

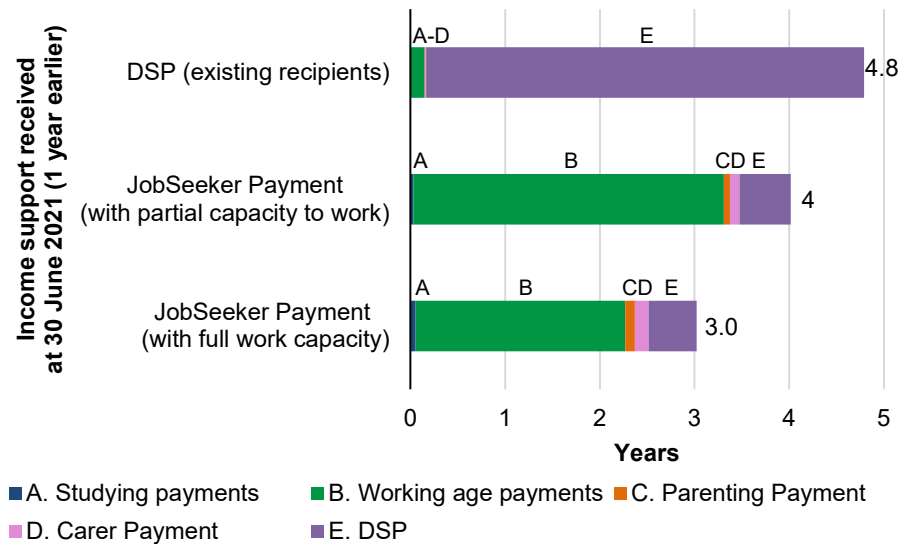


**New DSP recipients who were previously on JobSeeker Payment with a partial capacity to work received income support for a year longer than new DSP recipients who had been on JobSeeker Payment with full capacity to work.**

People receiving JobSeeker Payment with partial capacity to work prior to commencing DSP received income support for 4 of the 5 years to

30 June 2022 (Figure 9.3) on average. By comparison, new DSP recipients who were previously receiving JobSeeker Payment and had full work capacity prior to beginning DSP received income support for 3 years over the 5 years to 30 June 2022. Existing DSP recipients received income support for 4.8 of the previous 5 years.

**Figure 9.3: Average time on income support over the previous 5 years for people on DSP**

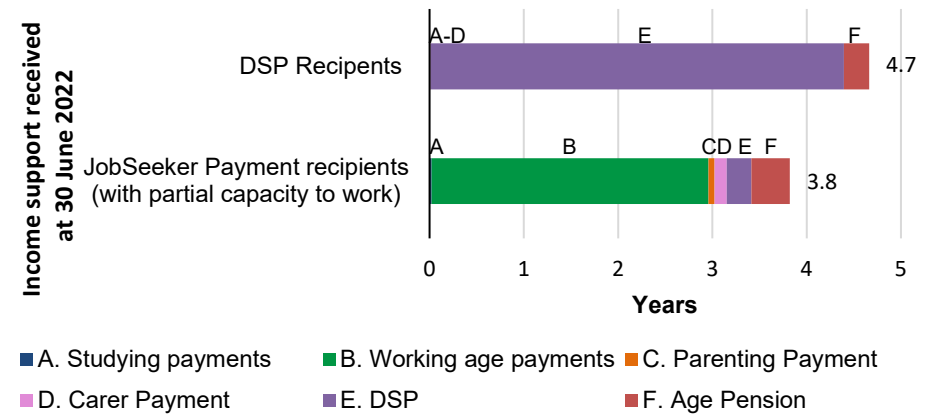


**People receiving DSP on 30 June 2022 are projected to continue receiving the payment for more than 4 of the next 5 years. This is almost a year more than people receiving JobSeeker Payment with a partial capacity to work.**

While most people on DSP are not predicted to leave the payment over the next 5 years, there is potential for some people on JobSeeker Payment with a partial capacity to work to recover and stop receiving income support. People receiving DSP are projected to spend 4.7 of the next 5 years on income support (Figure 9.4). By contrast, people receiving JobSeeker Payment with a

partial capacity to work are predicted to spend 3.8 of the next 5 years on income support.

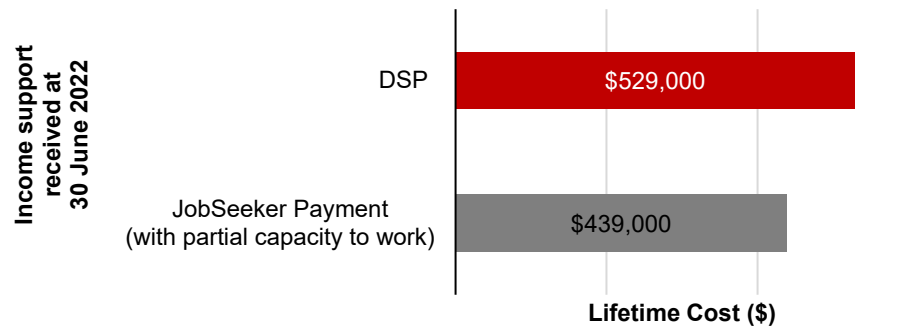
**Figure 9.4: Average projected time on income support over the next 5 years**



**People receiving DSP on 30 June 2022 have a 20% higher (\$90,000) Lifetime Cost than current JobSeeker Payment recipients with a partial capacity to work.**

DSP recipients at 30 June 2022 have a projected Lifetime Cost of \$529,000 on average compared to \$439,000 for current JobSeeker Payment recipients with a partial capacity to work (Figure 9.5). Much of this can be explained by the slightly higher income support use projected for DSP recipients in the near future.

**Figure 9.5: Average projected lifetime cost for people receiving DSP**



\* Lifetime Cost projections include Age Pension

**The majority of people receiving DSP are projected to receive DSP until they reach retirement age or for the remainder of their life.**

Many people receiving DSP continue to do so even after retirement age as the payment amount is the same as Age Pension. In 2021–22, there were 72,000 people on DSP above the eligibility age for Age Pension. This was 9% of the total number of people receiving DSP.

93% of current DSP recipients are projected to stay on DSP until they reach retirement age or for the remainder of their life.

## Reflections and looking ahead

2021–22 was a year of recovery for Australia. From a peak of over 1.6 million people receiving JobSeeker Payment in August 2020, around 890,000 people remained on JobSeeker Payment in June 2022 as economic conditions improved and temporary social security measures were wound back. Although higher than the 770,000 people recorded in June 2019, the number of people on JobSeeker Payment is expected to continue to reduce.

Since the May 2023 Budget, the Intergenerational Report (IGR) has provided an updated economic forecast. An alternative scenario, using August 2023 IGR economic forecasts, reduces the projected total Lifetime Cost by \$92 billion (1.7%) to \$5.462 trillion. This is primarily due to a lower long-term forecast for wage growth, which reduces the future indexation (to maintain the real value of payments) of the largest payment types, Age Pension and DSP. The long-term unemployment rate forecast was marginally higher under the IGR scenario, which has a very small offsetting effect to increase the Lifetime Cost.

Looking ahead, cost-of-living pressures will continue to pose challenges for Australians. In response to these challenges, several key Budget measures have been legislated since the 30 June 2022 valuation date. These include:

- Expanding eligibility for Parenting Payment Single (PPS), to allow single parents to receive PPS until their youngest child turns 14 (previously 8); and
- Cost-of-living relief measures, such as increasing the base rate of working age and student payments; extending the higher rate of payment for single people receiving JobSeeker Payment long-term to 55+ (previously 60+); and increasing the rate of Commonwealth Rent Assistance.

The effects of these policy changes, and associated projections, will be included in future valuations.

# Appendix A: General Glossary

## Australian population

The Australian population refers to the 26 million individual person records used in the model. This model population represents the resident population together with people living overseas receiving social security payments.

## Duration on payment

The number of years an individual has received a particular payment. Duration is only included for income support payments.

## Income support

Income support is the primary form of financial assistance for people who are unable, or not expected, to fully support themselves. Income support refers to the following social security payment categories: Studying Payments, Working Age Payments, Parenting Payment, Carer Payment, Disability Support Pension, and Age Pension.

## First Nations status

First Nations status refers to whether a person identifies as Aboriginal or Torres Strait Islander. First Nations status is based on self-reported information provided to Centrelink in the first instance. Where a person has not interacted with Centrelink, their First Nations status is based on information from the ABS census.

## Lifetime Cost

The net present value of all future in-scope social security payments. It is calculated for every Australian.

## Net Present Value

The sum of the present value of incoming and outgoing cash flows over a period of time.

## Other Supplementary payment

Other supplementary payments include any supplementary payments not specifically related to the cost of raising families (supplementary family) or for caring (supplementary carer). An example is Rent Assistance.

## Partial capacity to work

A person who is unable to work for at least 30 hours per week, whether due to a physical, intellectual or psychiatric impairment, is referred to as having a partial capacity to work. A person who is able to work for at least 30 hours per week is referred to as having full capacity to work.

## SEIFA

Socio-Economic Indexes for Areas. A product developed by the Australian Bureau of Statistics that ranks areas in Australia according to relative socio-economic advantage and disadvantage.



## **Social security**

The social security system provides targeted financial assistance to support people who are unable to fully support themselves. In this report, social security refers to both income support payments and supplementary payments.

## **Studying payments**

Studying payments include payments provided to students to assist them with living costs while undertaking their studies. Payments in this category include Austudy, ABSTUDY and Youth Allowance (Student).

## **Supplementary payments**

Supplementary payments include any payments that are not an income support payment. Examples of payments in this group include supplementary family payments (such as Family Tax Benefit, Child Care Subsidy), supplementary carer payments (such as Carer Allowance) and other supplementary payments (such as Rent Assistance).

## **Supplementary carer payment**

Supplementary carer payments include any payments provided to assist carers other than Carer Payment. Carer Allowance is the largest payment in this category.

## **Supplementary family payments**

Supplementary family payments refer to any supplementary payments provided to assist families. The main payments are Family Tax Benefit, Child Care Subsidy, and Paid Parental Leave.

## **Working age payments**

Income support payments to assist working age people who are temporarily unable to support themselves through work. Working age payments mainly consist of JobSeeker Payment for people aged 22 and above, and Youth Allowance (Other) for people aged 16 to 21. Other payments in this category include Special Benefit, and apprenticeship related payments such as Youth Allowance (Apprentice).

# Appendix B: Payment Glossary

## Income support payments

### ABSTUDY (Living Allowance)

ABSTUDY (Living Allowance) is a payment made to Aboriginal and Torres Strait Islander students and apprentices to help with living costs while studying or training.

### Age Pension

Age Pension is an income support payment that helps provide an adequate standard of living to senior Australians with low means and supplements the income of those with moderate means.

### Austudy

Austudy is a payment made to full-time students and Australian apprentices who are aged 25 years and older.

### Carer Payment

Carer Payment provides income support to people who, because of the demands of their caring role, are unable to support themselves through substantial paid employment.

### Disability Support Pension

Disability Support Pension provides support to people with a permanent physical, intellectual or psychiatric impairment. The person must also be assessed as being unable to work (or be re-skilled to work) for 15 hours or more per week, for at least the next two years, due to their impairment.

### JobSeeker Payment

JobSeeker Payment is the main income support payment for people aged between 22 years and retirement age (the minimum qualifying age for Age Pension), who have capacity to work now or in the near future. JobSeeker Payment is available to people who are looking for work, who temporarily cannot work or study due to an injury or illness, or bereaved partners in the period immediately following the death of their partner, subject to meeting eligibility requirements.

### Parenting Payment

Parenting Payment provides income support for parents or guardians to help with the cost of raising children. Parenting Payment Partnered is an income support payment for partnered parents with a youngest child under six years of age. Parenting Payment Single is an income support payment for single parents with a child under fourteen years of age (from 20 September 2023). This report uses policy settings at 30 June 2022, when Parenting Payment Single was available until the youngest child was aged 8.

### Special Benefit

Special Benefit is an income support payment for people who are in severe financial hardship due to circumstances beyond their control and who are ineligible for any other income support payment.

### Youth Allowance (Other)

Youth Allowance (Other) is the primary income support payment for young people aged 16–21 years who are seeking or preparing for paid employment. Some 15 year olds may also receive assistance. To qualify for Youth Allowance (Other) a person must be unemployed, aged under 22, looking for work or combining part-time study with job search, or undertaking any other approved activity, or temporarily incapacitated for work or study.

### Youth Allowance (Student)

Youth Allowance (Student) is a payment for full-time students.

### Youth allowance (Apprentice)

Youth Allowance (Apprentice) is a payment for Australian apprentices.

## Supplementary payments

### Carer Allowance

Carer Allowance is an income supplement available to people who provide daily care and attention in a private home to a person with disability or a severe medical condition.

### Commonwealth Rent Assistance

Rent Assistance is a non-taxable income supplement paid to eligible income support and Family Tax Benefit customers who rent in the private rental market or community housing.

### Family Tax Benefit (FTB)

FTB is the main family assistance payment for families with children, made up of FTB Part A and FTB Part B. FTB is available by fortnightly instalments or as a lump sum after the end of the financial year.

### Paid Parental Leave

Paid Parental Leave provides financial support to primary carers to allow them to take time off work, care for their child, enhance the health and development of mothers and children, and encourage women's workforce participation.

### Dad and Partner Pay

This payment provides financial support to fathers and partners to increase their time off work after a birth or adoption, create opportunities for bonding and allow them to take a greater share of caring responsibilities.

### Child Care Subsidy

Child Care Subsidy aims to assist families with the cost of approved childcare to support their workforce participation, and to meet the early childhood education needs of children. The Department of Education is responsible for the legislation underpinning Child Care Subsidy.

## Technical note

Numbers relating to payments in the text may not exactly match the numbers derived from the graphs due to rounding.

Total numbers may not exactly match the sum of individual parts because of rounding.

The calculation for "times longer" is the total number of years receiving income support payments for a particular group divided by the total number of years receiving income support payments for a comparison group.

These figures are from the Priority Investment Approach 2022 actuarial model. They will not match official or published recipient data due to different data extraction rules and timing. For official figures please refer to the [DSS Benefit and Payment Recipients Demographics reports](#) or [DSS Income Support Recipients – Monthly Time Series](#) published on [data.gov.au](http://data.gov.au).