



Australian
National
University

A Fairer Tax and Welfare System for Australia

Research Report for St Vincent de Paul Society

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Introduction

- Aim of the project?
 - To identify those groups within the existing welfare system with the greatest financial need
 - Alter existing welfare system to improve their financial position using ‘optimal policy modelling’
 - Fund increased expenditure over the forward estimates through tax increases
 - The goal is develop policy change that has some chance of being politically viable in the medium term and doesn’t require wholesale changes. Eg not UBI
 - Hope to inform policy and stimulate discussion.

What are microsimulation models?

- Models that work at the unit record level (persons, households, traffic flow, etc)
- Our focus is typically tax and welfare policy but microsimulation is much broader than that
- Who uses these models?
- Tools to simulate government programs, demographic and economic change, current or alternative situation
- Based on microdata (ABS household surveys in this case)
 - Records of individual people or households
 - Usually large – thousands of records
 - Sample surveys or administrative data
- Allow detailed assessment of impact of change
 - On individuals, or groups of individuals
 - On whole population
 - On government budgets

After-Housing Poverty Rates 2023 (PolicyMod)

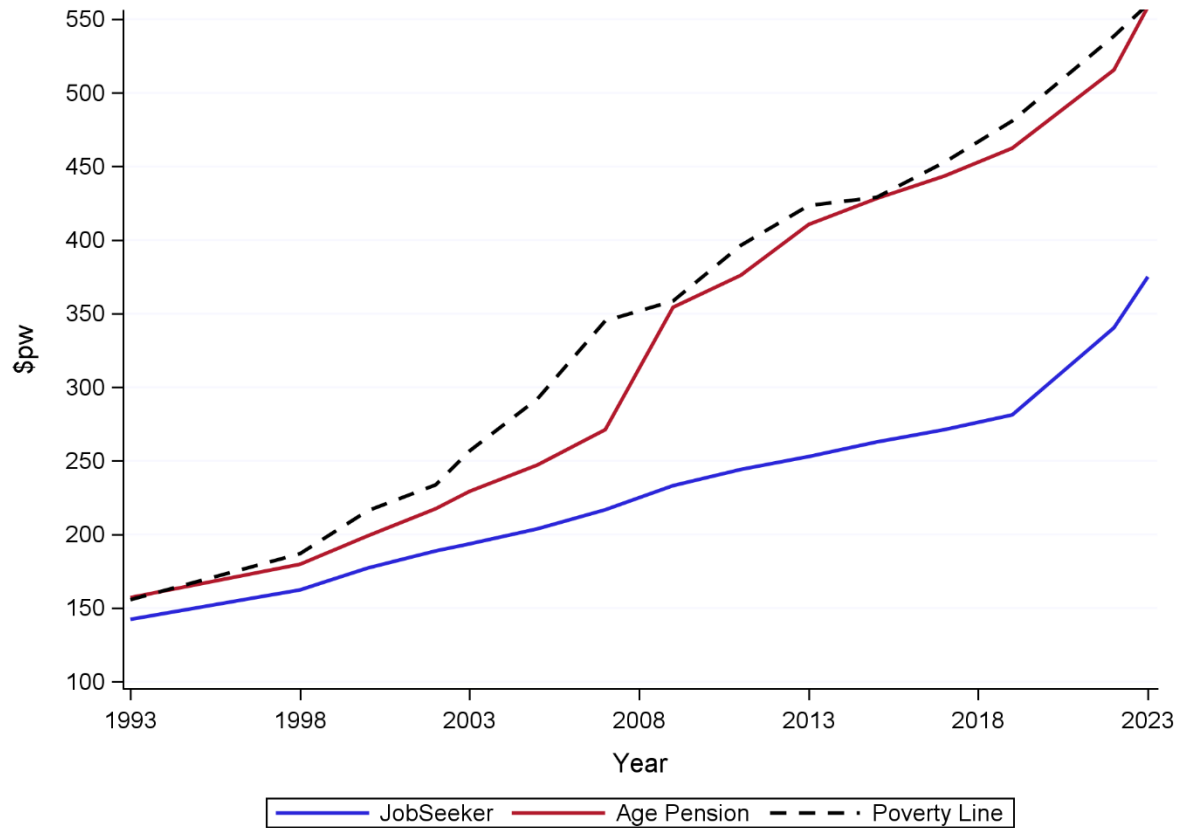
	<i>Category</i>	<i>Poverty %</i>	<i>Persons (000s)</i>	<i>Share</i>	<i>Stress</i>
Main Source of Income	Wages	6.7%	1223	38.9%	12%
	Business	26.5%	320	10.2%	11%
	Working Age Pension	25.7%	326	10.4%	41%
	Age Pension	15.0%	395	12.6%	10%
	JobSeeker	59.6%	283	9.0%	51%
	Other Welfare	54.5%	308	9.8%	49%
	Other Income	12.5%	289	9.2%	8%
Income Quintile	Quintile 1	42.1%	2260	71.8%	22%
	Quintile 2	12.2%	658	20.9%	20%
	Quintile 3	2.5%	133	4.2%	13%
	Quintile 4	1.3%	72	2.3%	9%
	Quintile 5	0.4%	22	0.7%	5%
Wealth Quintile	Quintile 1	21.5%	1155	36.7%	33%
	Quintile 2	11.1%	593	18.9%	16%
	Quintile 3	10.7%	574	18.2%	11%
	Quintile 4	8.5%	457	14.5%	8%
	Quintile 5	6.8%	366	11.6%	5%
Age	15 to 24	14.8%	116	3.7%	31%
	25 to 34	11.1%	450	14.3%	17%
	35 to 44	12.3%	806	25.6%	17%
	45 to 54	12.1%	720	22.9%	16%
	55 to 64	9.8%	412	13.1%	14%
	65 to 74	14.2%	407	12.9%	11%
	75+	9.7%	235	7.5%	6%
Household Type	Couple, Kids	9.6%	1014	32.2%	12%
	Couple Only	10.1%	617	19.6%	8%
	Lone Person	18.7%	482	15.3%	15%
	Other Household	9.0%	483	15.4%	17%
	Single Parent	25.5%	549	17.5%	38%
Tenure Type	Own Outright	6.4%	413	13.1%	7%
	Purchaser	11.3%	1354	43.0%	11%
	Renter	17.0%	1355	43.1%	25%
	Other	5.7%	23	0.7%	15%
All	All	11.7%	3145	100%	14%

Summary of poverty rates

- Overall poverty rate 11.7% (3.14 million persons)
- Overall rate of serious financial stress 14% (2019-20)
- 40% of poverty in Australia exists with mostly welfare dependent households (so existing welfare system has limitations with regard poverty reduction)
- Working age payments high to very high rates of poverty
- 60% for JobSeeker dependent households and 51% in financial stress
- Mostly low income/low wealth
- Poverty spread across all ages
- Single parents and lone persons higher than couples
- Renters 17% compared to owners with mortgage 11.3% and own outright 6.4%
- Poverty rates defined as half median of disposable income – housing costs.
(Adjusted for household type and size)

JobSeeker vs Age Pension vs Poverty Line

1993 90%, 2023 68% (includes recent increases)



‘Low’ Proposal (\$4b pa)

- Expenditure
 - JobSeeker single rate + \$176pf (couple rate unchanged) to \$929pf
 - Youth Allowance increased in proportion with JobSeeker max rate increase
 - Single rate of JobSeeker increases from around \$750 to \$929pf (84% of age pension)
- Tax
 - Capital Gains Tax discount lowered from 50% to 37.5%

‘Modest’ Proposal

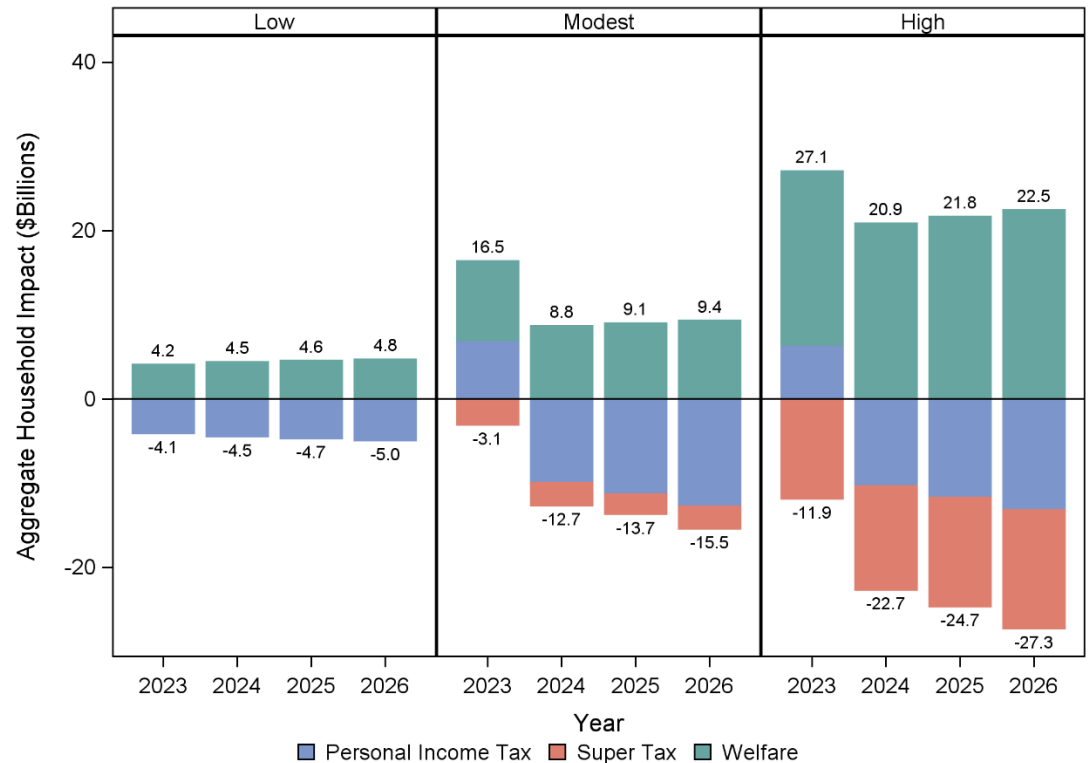
- Expenditure
 - JobSeeker + \$249pf (90% of age pension single rate) = \$1002pf
 - DSP/Carer payment + \$69pf singles and couples
 - Parenting Payment increased to \$1228pf (+\$238 from \$990 expected in December 2023)
 - No change to CRA or FTB
- Tax
 - Capital Gains Tax discount lowered from 50% to 37.5%
 - Remove stage 1,2,3 tax cuts but increase tax free threshold to \$24,000 from \$18,200
 - Superannuation tax on income and contributions shifted to a progressive basis (marginal tax – 20 percentage points)

‘High’ Proposal

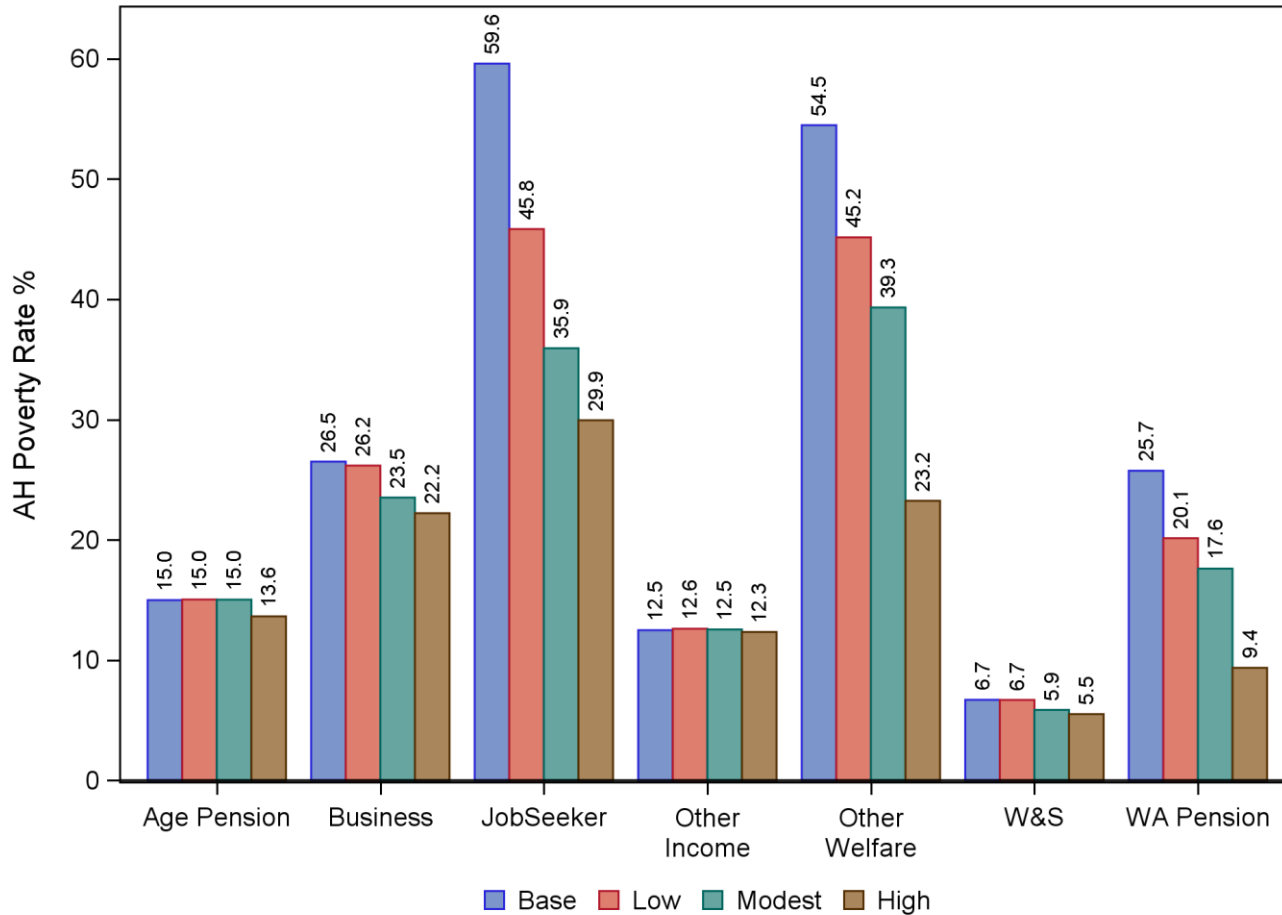
- Expenditure
 - ‘Modest’ policy but increase JobSeeker by \$338pf (age pension level).
 - Increase Disability Support/Carer by \$249pf (age pension + \$249pf)
 - Increase Family Tax Benefit Part A by 20%
 - Increase CRA by 25% (on top of proposed 15% increase Budget ’23)
- Tax
 - As per ‘Modest’ +
 - Superannuation tax on income and contributions shifted to a progressive basis (marginal tax – 15 percentage points)

Policy Proposals

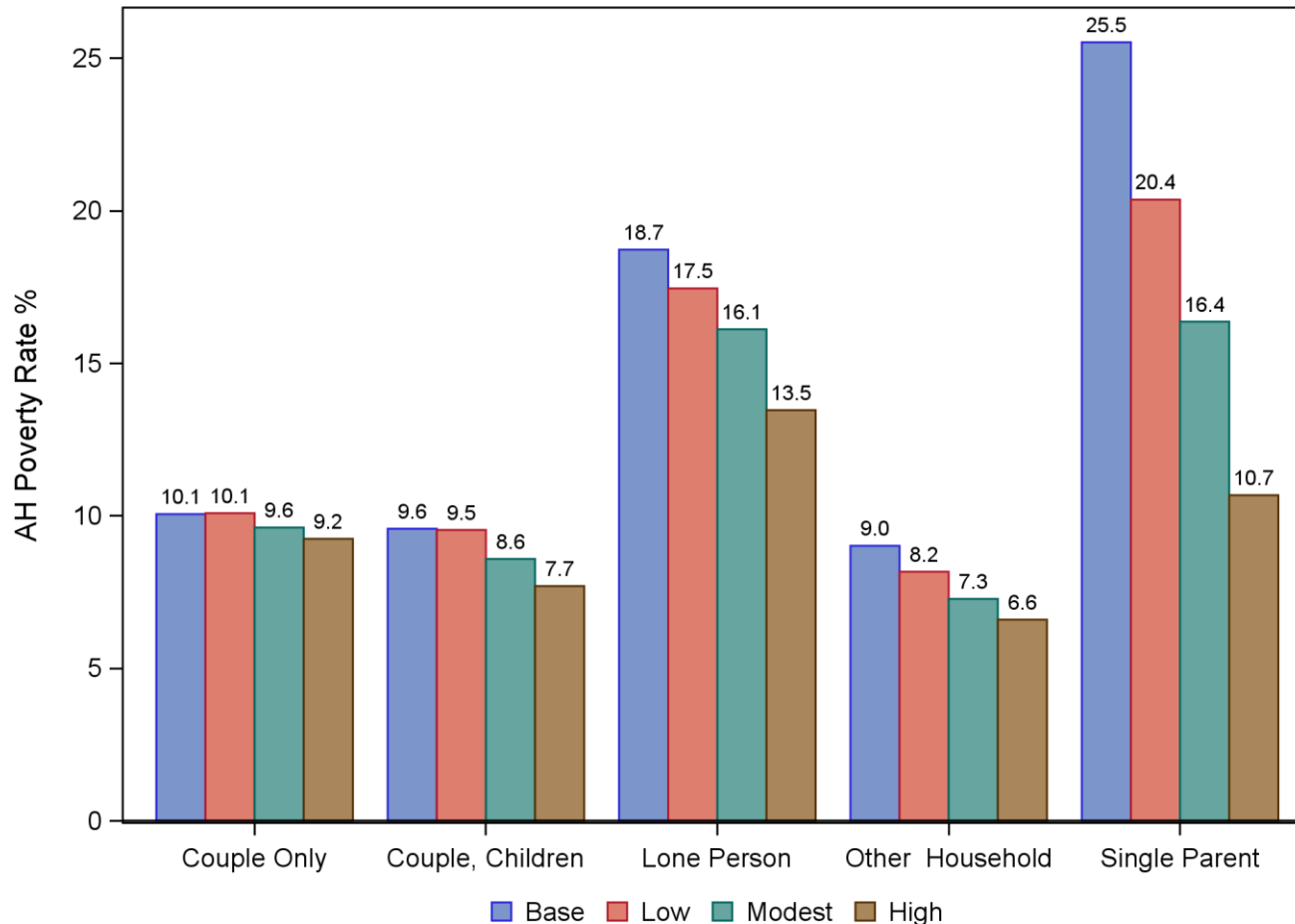
- Three proposals designed to lower poverty and financial stress
 - ‘Low’ \$4b pa from 2023-24
 - ‘Modest’ \$8b
 - ‘High’ \$20b
 - Current cash welfare
- Bill = \$145B pa



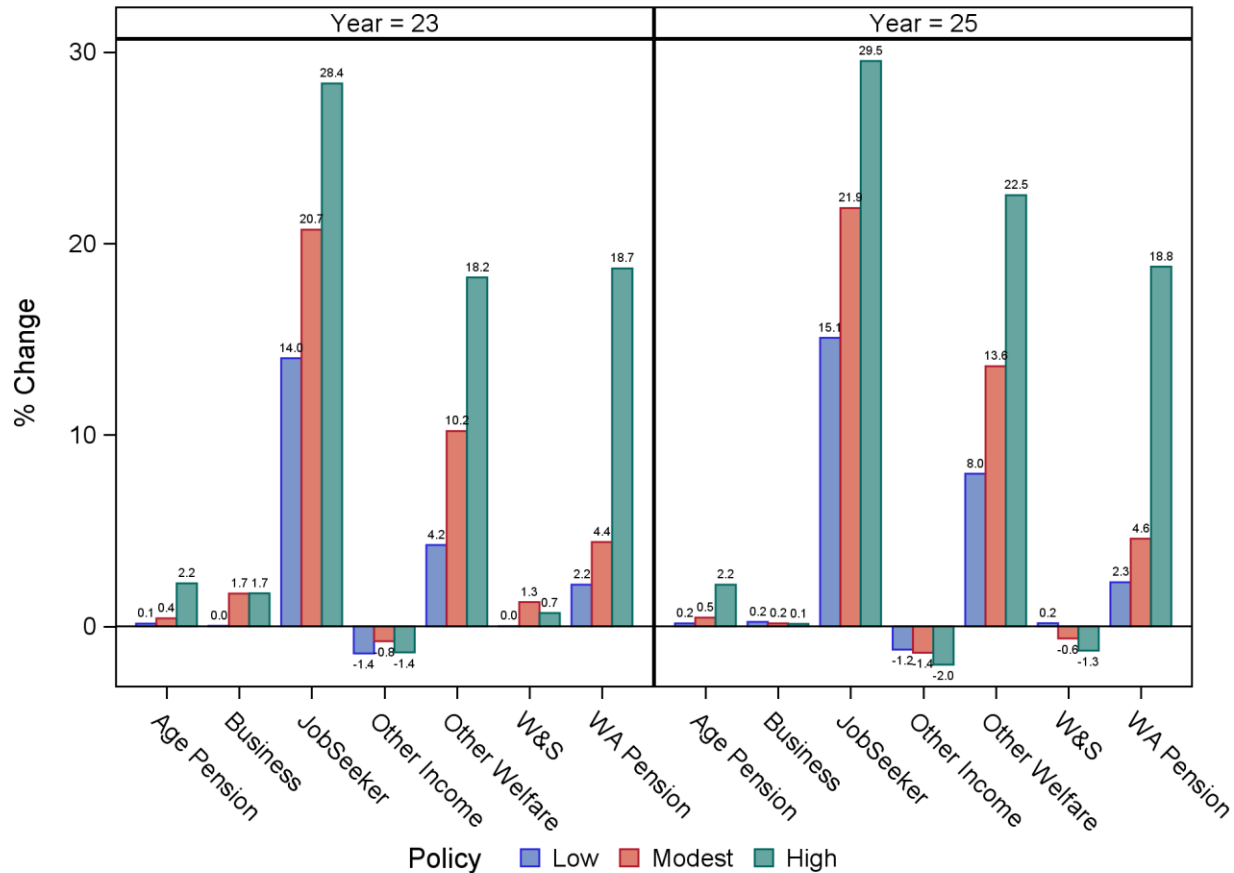
Results – Poverty by main income source



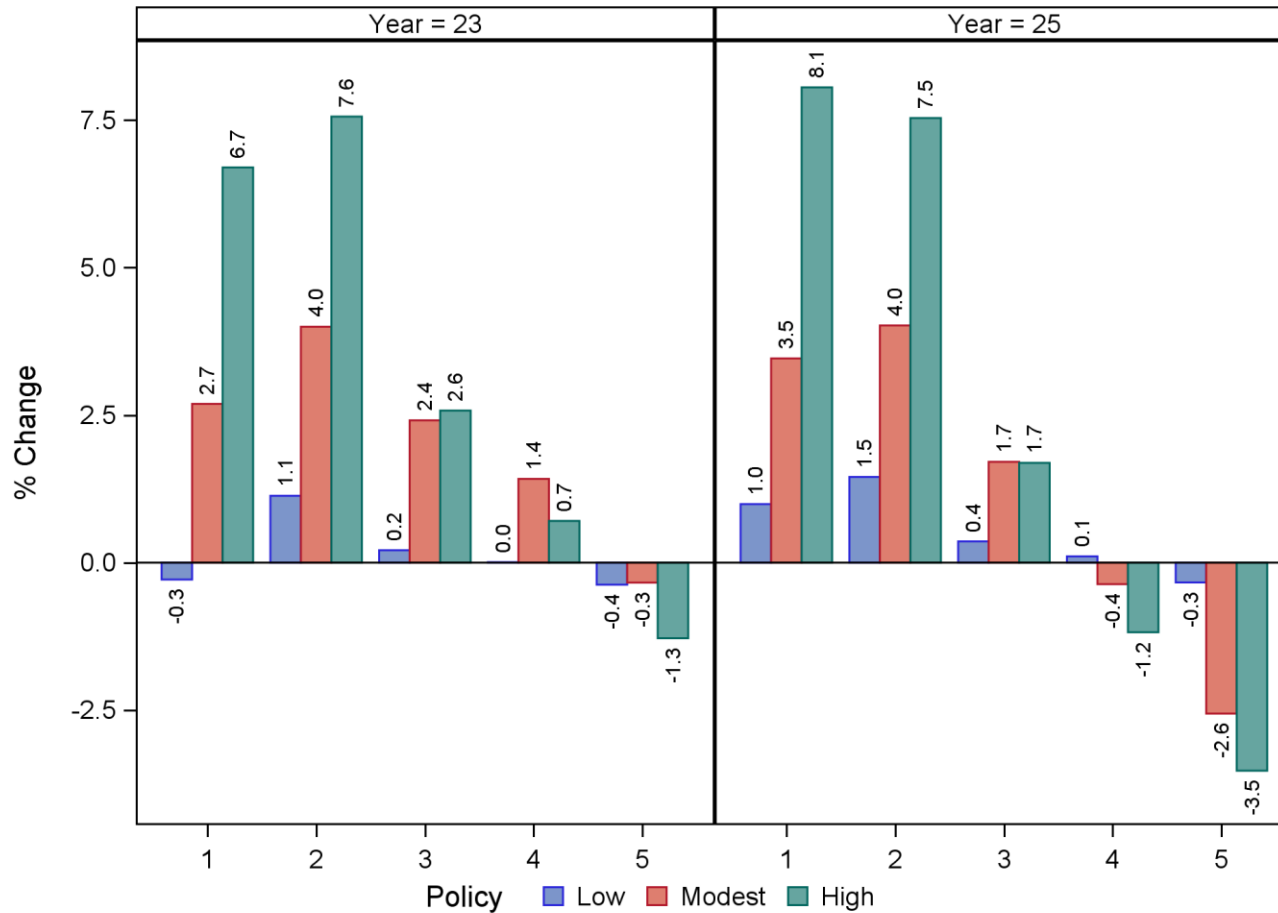
Results: Poverty by family type (2023)



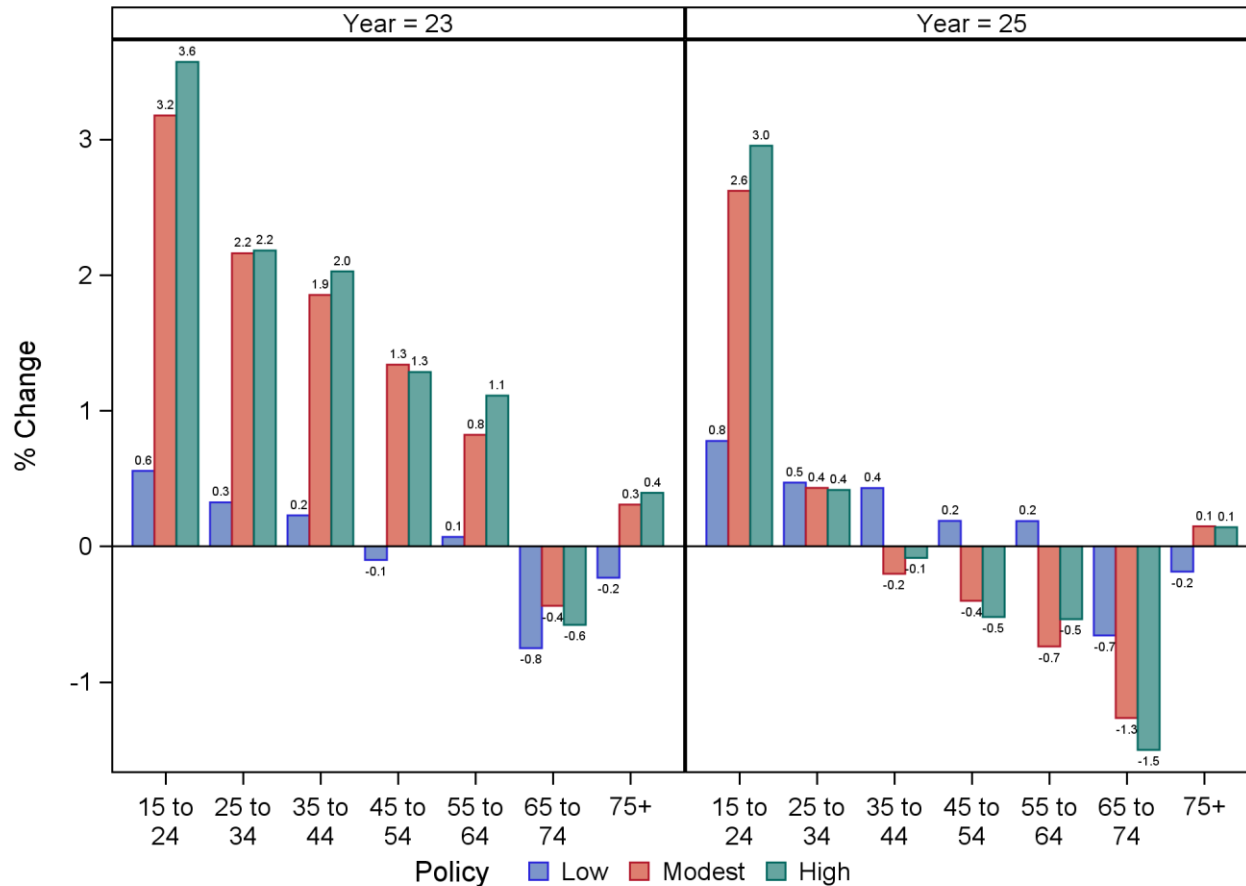
Results: Where are the \$s going? Change in Disposable Income



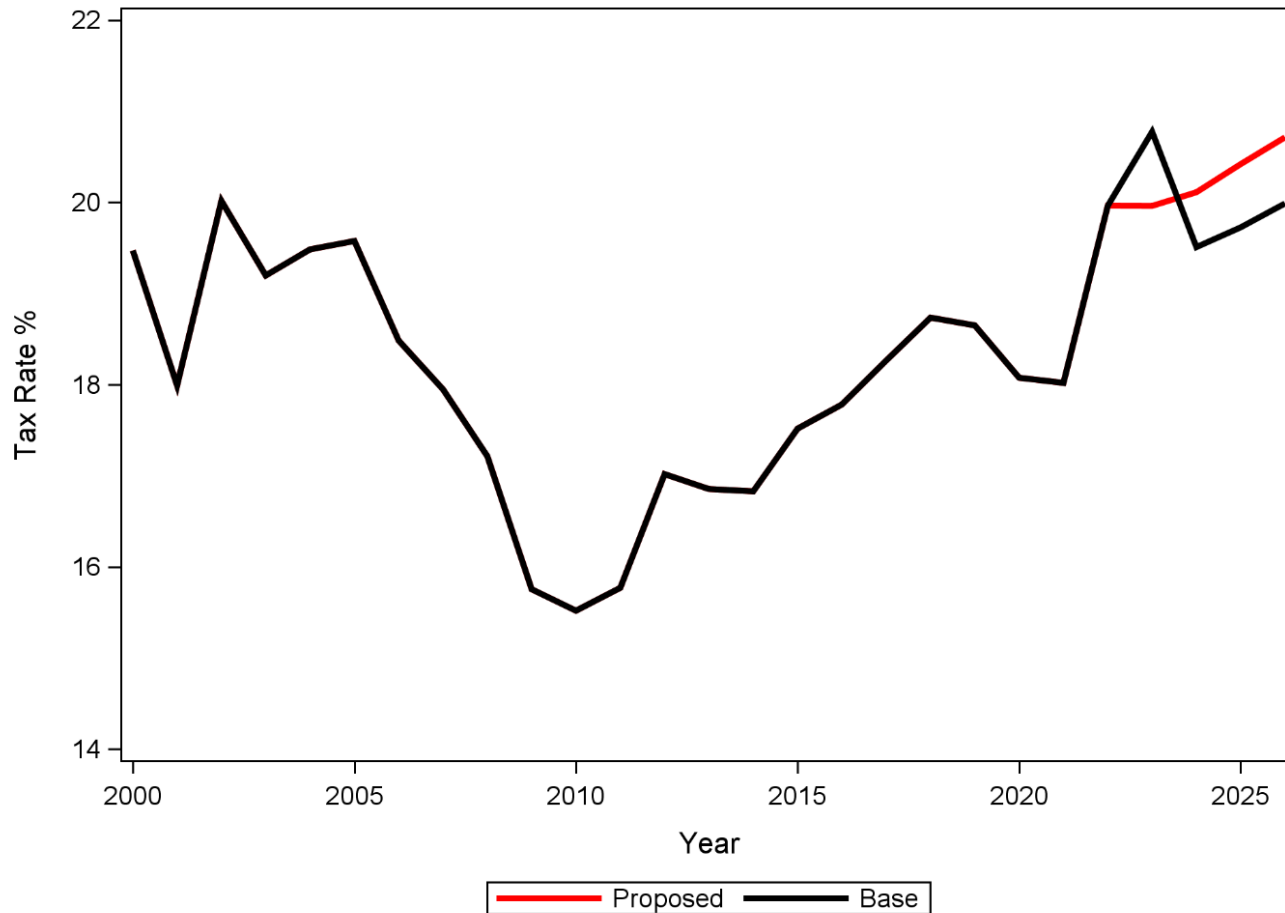
Results: Where are the \$s going? Income Quintiles



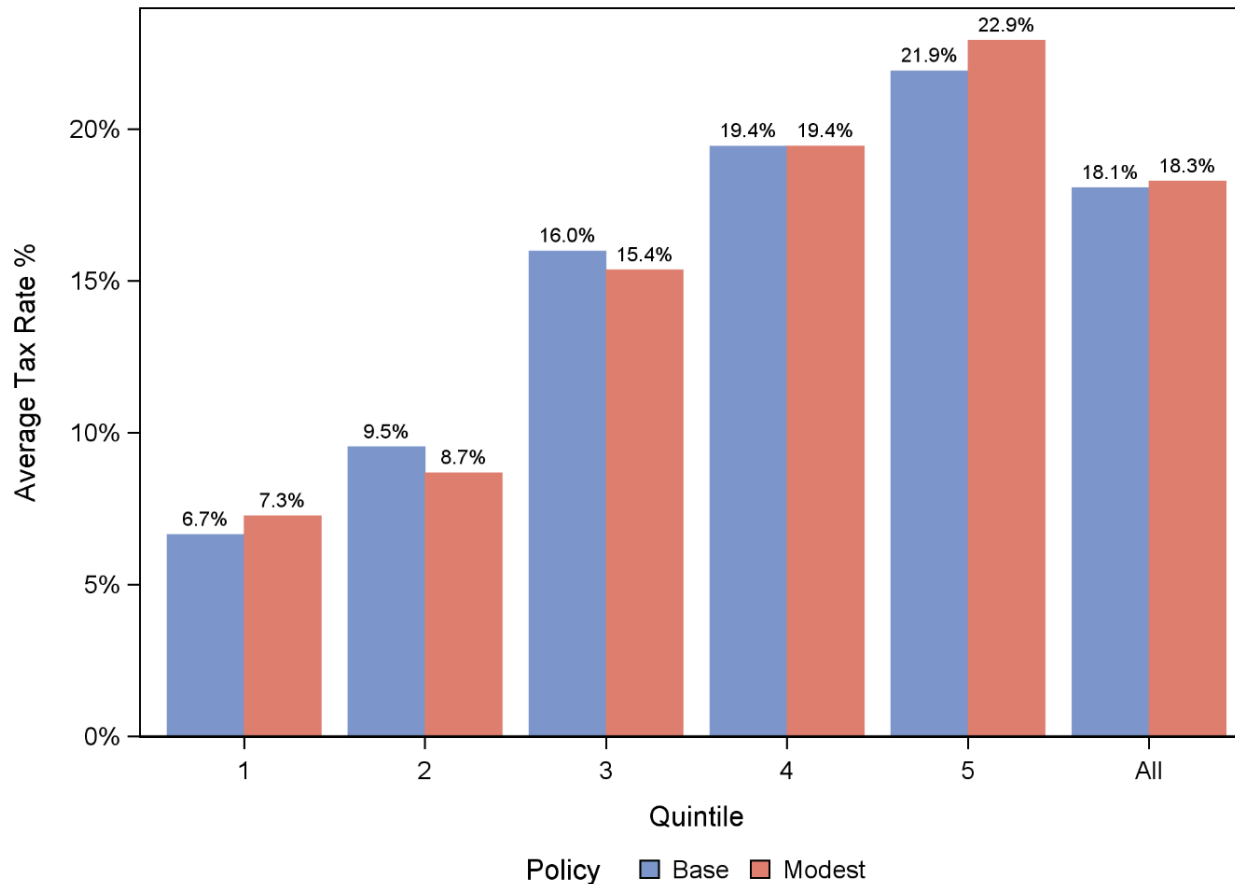
Results: Where are the \$s going?



Personal income tax rate implications



Personal income tax rate implications – income quintile tax rates 2023-26 average



Dynamic Modelling: Estimated Superannuation Retirement Balance modelling

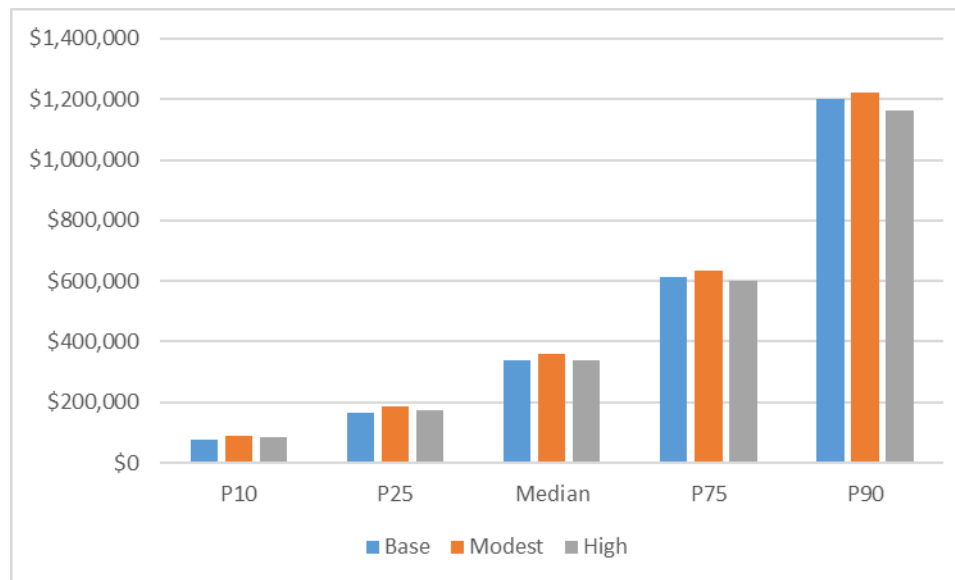
Modest and High scenarios

- In each scenario, super contributions and earnings are taxed at a person's marginal personal income tax rate, including Medicare levies, less a discount.
- Taxable income for superannuation purposes is combined taxable income (wages, salaries and business earnings) plus concessional superannuation contributions.
- The marginal tax discount is 15% for the High scenario and 20% for the Modest scenario.
- Comparison with current policies



Final super balances

Expected Retirement Balance distribution at age 65 years for all persons aged 15 to 64 years in 2023 by policy, PolicyMod Dynamic



Regional Impacts Highest poverty rates

ANU CSRМ Poverty and Financial Stress Analysis				Poverty Rate (After-Housing)				
Electorate	State	Party	Member	Base	Policies Modelled			Potential Poverty Reduction \$20B
					\$4b	\$10B	\$20B	
McMahon	NSW	ALP	Bowen	22.0%	19.7%	21.2%	16.7%	-5.4%
Blaxland	NSW	ALP	Clare	21.9%	20.2%	21.3%	18.1%	-3.8%
Fowler	NSW	IND	Le	21.8%	19.6%	20.9%	16.5%	-5.3%
Watson	NSW	ALP	Burke	19.6%	18.1%	19.2%	16.1%	-3.5%
Werriwa	NSW	ALP	Stanley	19.1%	17.3%	18.4%	14.8%	-4.3%
Sydney	NSW	ALP	Plibersek	18.5%	18.1%	18.3%	17.9%	-0.6%
Calwell	VIC	ALP	Vamvakinou	18.3%	16.4%	17.4%	13.5%	-4.8%
Chifley	NSW	ALP	Husic	18.1%	15.9%	17.3%	13.1%	-5.1%
Banks	NSW	LP	Coleman	17.5%	16.2%	17.1%	15.0%	-2.4%
Macarthur	NSW	ALP	Freeland	17.2%	15.3%	16.5%	12.7%	-4.5%
Richmond	NSW	ALP	Elliot	16.7%	15.0%	16.0%	12.6%	-4.2%
Parramatta	NSW	ALP	Charlton	16.7%	15.3%	16.3%	13.3%	-3.4%
Spence	SAU	ALP	Burnell	16.6%	14.0%	15.6%	10.3%	-6.3%
Rankin	QLD	ALP	Chalmers	16.6%	14.5%	15.7%	11.6%	-5.0%
Moncrieff	QLD	LNP	Bell	16.4%	15.1%	15.8%	13.0%	-3.4%
Barton	NSW	ALP	Burney	16.3%	15.3%	15.9%	13.7%	-2.5%
Melbourne	VIC	AG	Bandt	16.1%	14.9%	15.6%	13.7%	-2.4%
Kingsford Smith	NSW	ALP	Thistlethwaite	15.8%	15.0%	15.5%	14.1%	-1.6%
Lingiari	NTE	ALP	Scrymgour	15.8%	12.8%	15.1%	9.1%	-6.7%
Forde	QLD	LNP	van Manen	15.6%	13.6%	14.8%	10.8%	-4.8%

Regional Impacts – Lowest poverty rates

Electorate	State	Party	Member	Base	\$4b	\$10B	\$20B	Potential Poverty Reduction \$20B
Perth	WAU	ALP	Gorman	10.8%	9.7%	10.3%	8.2%	-2.6%
McEwen	VIC	ALP	Mitchell	10.7%	9.7%	10.2%	8.2%	-2.4%
Fremantle	WAU	ALP	Wilson	10.6%	9.5%	10.1%	7.9%	-2.7%
Farrer	NSW	LP	Ley	10.6%	9.0%	9.9%	7.0%	-3.6%
Berowra	NSW	LP	Leeser	10.5%	10.2%	10.4%	9.8%	-0.7%
Kooyong	VIC	IND	Ryan	10.4%	9.9%	10.2%	9.6%	-0.8%
Fenner	ACT	ALP	Leigh	10.4%	9.5%	10.0%	8.0%	-2.4%
Ryan	QLD	AG	Watson-Brown	10.2%	9.3%	9.8%	8.2%	-1.9%
Higgins	VIC	ALP	Ananda-Rajah	10.0%	9.3%	9.8%	8.5%	-1.5%
Warringah	NSW	IND	Steggall	10.0%	9.7%	9.8%	9.4%	-0.6%
Boothby	SAU	ALP	Miller-Frost	10.0%	8.9%	9.5%	7.6%	-2.4%
Bradfield	NSW	LP	Fletcher	9.8%	9.7%	9.7%	9.2%	-0.7%
Jagajaga	VIC	ALP	Thwaites	9.8%	9.0%	9.4%	7.9%	-1.9%
Tangney	WAU	ALP	Lim	9.7%	8.9%	9.3%	7.7%	-2.0%
Curtin	WAU	IND	Chaney	9.6%	8.8%	9.3%	7.8%	-1.8%
Canberra	ACT	ALP	Payne	9.6%	8.7%	9.3%	7.8%	-1.7%
Mackellar	NSW	IND	Scamps	9.5%	9.4%	9.3%	9.2%	-0.3%
Goldstein	VIC	IND	Daniel	9.3%	8.8%	9.0%	8.4%	-0.9%
Moore	WAU	LP	Goodenough	8.5%	7.8%	8.1%	6.8%	-1.7%
Bean	ACT	ALP	Smith	8.5%	7.7%	8.2%	6.5%	-1.9%

Regional Impacts – Highest poverty rate regions

Table 2 Poverty Rates, SA3s (top 20 out of 151)

ANU CSRM Poverty and Financial Stress Analysis			Poverty Rate (After-Housing)				
			Policies Modelled				
SA3	Electorate (main)	State	Base	\$4b	\$10B	\$20B	Maximum Reduction
Merrylands - Guildford	McMahon	NSW	28.9%	28.4%	26.2%	23.7%	-5.2%
Auburn	Blaxland	NSW	28.7%	28.3%	26.3%	24.8%	-4.0%
Bringelly - Green Valley	Werriwa	NSW	27.3%	26.8%	24.7%	23.0%	-4.3%
Tullamarine - Broadmeadows	Calwell	VIC	27.2%	26.3%	23.6%	21.1%	-6.1%
Canterbury	Watson	NSW	26.7%	26.2%	24.4%	22.5%	-4.2%
East Arnhem	Lingiari	NT	26.4%	25.3%	22.8%	19.2%	-7.1%
Casey - South	Holt	VIC	25.8%	25.2%	22.8%	21.1%	-4.8%
Bankstown	Blaxland	NSW	25.8%	25.4%	23.4%	21.6%	-4.2%
Fairfield	Fowler	NSW	25.7%	25.1%	23.3%	21.1%	-4.6%
Liverpool	Fowler	NSW	25.7%	25.2%	23.1%	20.9%	-4.8%
Mount Druitt	Chifley	NSW	25.0%	24.4%	22.3%	19.6%	-5.4%
Campbelltown (NSW)	Macarthur	NSW	24.7%	24.0%	21.8%	19.5%	-5.2%
Browns Plains	Rankin	QLD	23.6%	22.8%	20.2%	17.4%	-6.2%
Carlingford	Parramatta	NSW	23.5%	23.2%	21.8%	20.8%	-2.6%
Caboolture Hinterland	Longman	QLD	22.9%	22.4%	21.1%	19.3%	-3.6%
Springwood - Kingston	Rankin	QLD	22.7%	22.0%	20.4%	18.3%	-4.4%
Jimboomba	Wright	QLD	22.7%	21.8%	19.5%	18.0%	-4.6%
Southport	Moncrieff	QLD	22.6%	21.7%	19.4%	17.8%	-4.7%
Wyndham	Lalor	VIC	22.6%	21.8%	19.5%	17.8%	-4.8%
Playford	Spence	SA	22.5%	21.5%	19.7%	17.2%	-5.3%

Source: ANU Policy Mod. Regional

Regional Impacts – Lowest financial stress rates

Electorate	State	Financial Stress 2023	Poverty	Party	Member
Grayndler	NSW	11.7%	13.0%	ALP	Albanese
Ryan	QLD	11.6%	10.2%	AG	Watson-Brown
Jagajaga	VIC	11.6%	9.8%	ALP	Thwaites
Curtin	WAU	11.3%	9.6%	IND	Chaney
Moore	WAU	11.3%	8.5%	LP	Goodenough
Bean	ACT	11.1%	8.5%	ALP	Smith
Canberra	ACT	11.0%	9.6%	ALP	Payne
Hughes	NSW	10.9%	10.9%	LP	Ware
Higgins	VIC	10.9%	10.0%	ALP	Ananda-Rajah
Cook	NSW	10.9%	12.3%	LP	Morrison
Menzies	VIC	10.5%	11.5%	LP	Wolahan
Wentworth	NSW	10.3%	13.4%	IND	Spender
Mitchell	NSW	10.1%	11.3%	LP	Hawke
Kooyong	VIC	9.9%	10.4%	IND	Ryan
Goldstein	VIC	9.8%	9.3%	IND	Daniel
North Sydney	NSW	9.7%	11.0%	IND	Tink
Berowra	NSW	9.6%	10.5%	LP	Leeser
Warringah	NSW	8.8%	10.0%	IND	Steggall
Mackellar	NSW	8.6%	9.5%	IND	Scamps
Bradfield	NSW	8.4%	9.8%	LP	Fletcher

Gains and Losses

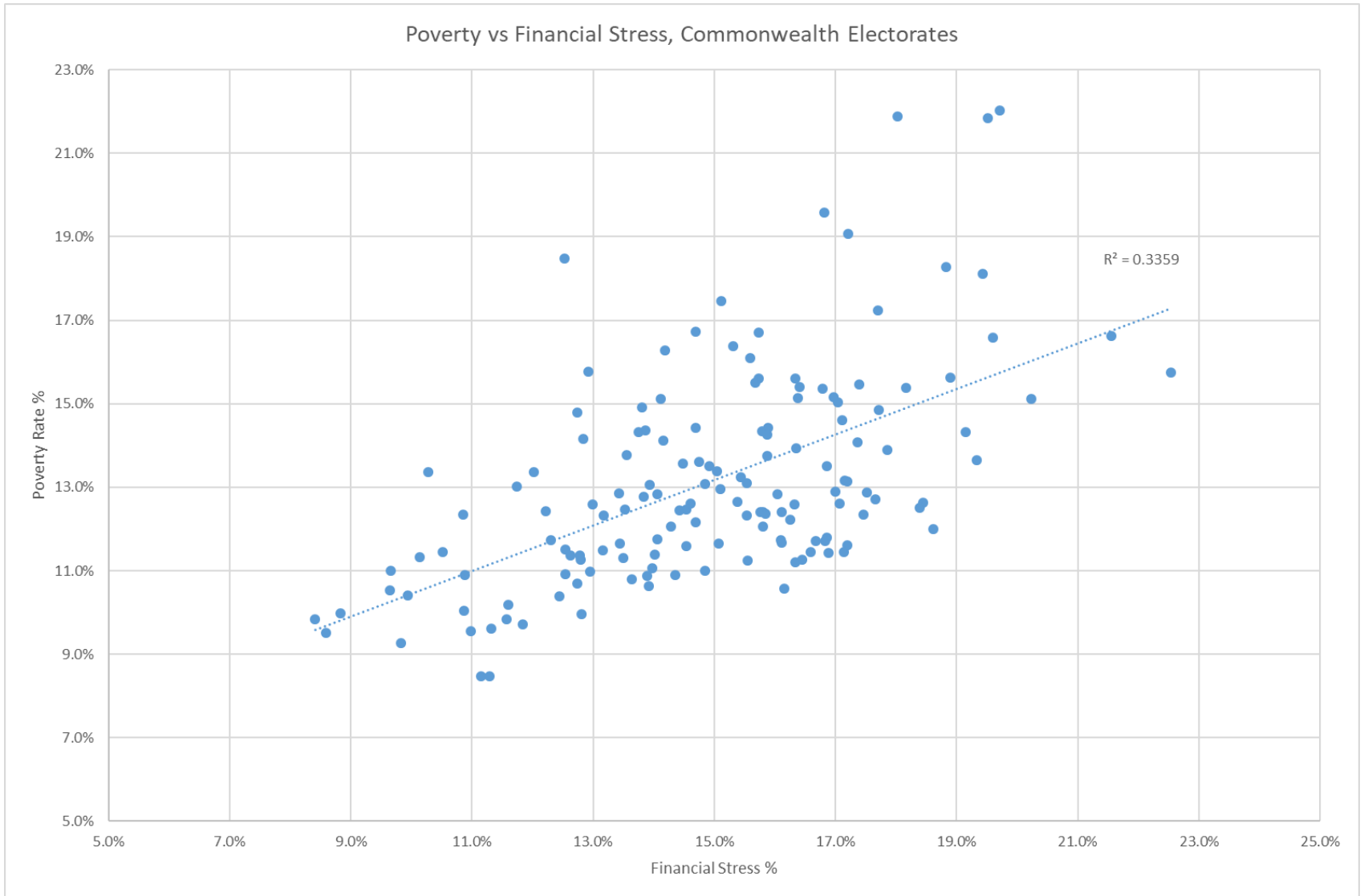
- Largest average household gain – Spence (SA) +\$4376

Spence has #2 highest financial stress in Australia

- Largest average household loss – Bradfield -\$17,700

Bradfield has the lowest rate of financial stress in Australia.

- 93 electorates better off on average, 58 worse off.



Conclusions

- The greatest rates of poverty are found amongst working age welfare recipients (JobSeeker, DSP, Parenting Payment, Carer), Single parents, low income renters, younger persons.
- SVDP propose three simple policy options that raise some or all working age payments, rent assistance, FTB
- Poverty can be reduced by up to 900,000 persons from such increases in payment.
- Funded through increases in tax to capital gains, superannuation and personal income tax
- Superannuation tax proposal increases progressivity and potentially increases most people's super balance at retirement
- Personal income tax proposal focus on indexation of brackets and removal of stage 3 tax cuts for a more equitable tax system.