

Help *and* Hassle

Do People on Welfare Really Want to Work?

The welfare lobby claims most unemployed people not only say they want to work, but also are *motivated* to do so. However, evidence is emerging that challenges this conventional wisdom, writes **Peter Saunders**

Most of us are familiar with the socialist principle of resource allocation: ‘From each according to his ability, to each according to his need.’¹ Most of us are also well aware of the fundamental flaws in this principle—that without incentives, people will not contribute anything like their full potential to the communal pot, and that without constraints, they will not voluntarily limit their demands upon it.

Thankfully, most of the world has learned the unhappy lesson of 20th century state socialism, and has moved on. In one area of our lives, however, the socialist principle continues to dominate thinking and practice. The welfare state still demands that people pay in what the government says they can afford (through taxes)

and still promises they can take out what they need when they need it (in cash benefits, and in services like education and healthcare). It stands today as an island of socialism in a capitalist ocean.

Just like any other socialist system, the welfare state has to confront the problem that the level of ‘need’ for its services is infinite and insatiable. The principle that people should be able to take out of the communal welfare pot what they need is inherently unsustainable. No matter how much is put in, it will all get taken

Peter Saunders is Director of Social Policy Programmes at The Centre for Independent Studies. Endnotes to this article may be obtained by emailing policy@cis.org.au

out again, and people will still end up complaining that their needs have not been met or that others have been given more than they have.

Forty years ago in Australia, just 3% of the working age population relied on welfare cash transfer payments as their main source of income. Today, the proportion is at least five times greater.² Welfare dependency has risen from 1 in 33 to 1 in 7 of working-age adults, and this has occurred during a period when real living standards have more than doubled. Yet despite the huge increase in the scale of provision, welfare organisations still claim that poverty is widespread, that 'need' is escalating, and that even more money has to be tipped into the welfare bucket to head off mass deprivation.

In the last 30 years, the proportion of the working-age population claiming unemployment benefits has grown from under 1% to 6%, the proportion claiming disability pension has grown from 2% to 5%, and the proportion reliant on single parent payment has grown from less than 1% to 3% (6% of women).³ But still the call is for more spending.

The belief in unconditional welfare

The Australian system of Income Support has recently been moving away from the simple socialist principle of entitlement on the basis of need. The introduction of 'mutual obligation' now requires people drawing unemployment allowances to undertake various activities as a condition of receiving their benefits. They have to keep a diary to record their job searches; they may have to attend classes on writing application letters or on interview technique; some have to undergo skills training or literacy training to improve their employability; and some have to undertake community activities or participate in a Work for the Dole assignment.

Mutual obligation only applies to a minority of Income Support claimants. Older unemployed people have only recently been brought into the system, people on Disability Support Pension are not included at all, and those living on Parenting Payment are largely untouched by mutual obligation requirements, although some very modest requirements have recently been introduced for them.

The mutual obligation policy has two purposes. The first, which is openly acknowledged, is to

increase the prospects for unemployed people to find a job. The second, which is less often acknowledged but which is just as important, is to weed out those who do not really need to be on welfare in the first place. The policy is thus designed both to help people get work, and to force those who do not want to work to change their ways or get out of the system. It involves elements of both 'help' and 'hassle'.⁴

The Australian public has always supported this shift away from unconditional welfare. A 1996 survey found that 58% of the population thought that unemployed people should be expected to take any available job, and in 1997, a Morgan Poll found 72% approval for the new Work for the Dole policy.⁵ A 1999 Social Policy Research Centre survey found that three-quarters or more of the population supported compulsory activities like re-training, community work and Work for the Dole for young and long-term unemployed claimants. Between one-third and two-thirds favoured extending these requirements to unemployed people over 50, parents with pre-school aged children and people with disabilities.⁶

The welfare lobby is much less enthusiastic. It is in favour of the 'help' component of mutual obligation (things like training), but thinks this should be voluntary. It is strongly opposed to the 'hassle' component (the imposition of activity requirements), and has challenged the use of financial penalties against claimants who fail to meet their compulsory obligations.⁷

This opposition to the compulsory element in mutual obligation reflects a lingering commitment to the idea that welfare should be made available to all who need it, irrespective of why they need it. That is, welfare should be unconditional. Activity tests, breaching penalties and other requirements of mutual obligation are reviled precisely because they undermine the socialist principle of allocation according to need. As Fred Argy complained in his recent book, *Where To From Here?* (reviewed in this issue, pp.55-57):

One of [the] key tenets [of the Income Support system]—that welfare support should be available as an unconditional right when need can be clearly demonstrated—is being challenged . . . Three decades ago, welfare benefits were

universally accessible to those in need and were viewed as a citizen's entitlement; the only two eligibility requirements were low income and (in the case of the unemployed) a simple activity test to ensure applicants were looking for work . . . This is no longer true.⁸

Blaming the victim?

Social policy groups and intellectuals defend unconditional welfare entitlements by insisting that the great majority of welfare claimants want to get off welfare and achieve economic self-reliance. They argue that people do not need to be forced to find jobs, so the system does not need to use compulsion and financial penalties. They also deny that fraud, malingering and work avoidance are serious problems among unemployed people.

Just like the Utopian socialists of old, they think people can and should be trusted not to abuse the system. While the working population must be forced to contribute ever-increasing sums to the collective welfare pot, those who draw from it should be on trust to take no more than what they truly need.

The welfare lobby's claims that virtually all unemployed people want to work, and that few if any opt willingly for a life on welfare, have rarely been tested empirically. They are defended with emotion and rhetoric rather than evidence and logic.

The welfare lobby fiercely resists the idea that the unemployed can be separated into 'deserving' cases (e.g. those genuinely looking for work) and 'undeserving' ones (e.g. those who are abusing the system).⁹ However, this resistance to judging the merits of people's claims opens them up to the criticism that they are willing to tolerate abuse of the system. Their answer to this is to insist that abuse hardly ever takes place, and that virtually all claimants want to work. The problem, they say, is not lack of work motivation, but a shortage of jobs.¹⁰

The conventional wisdom on work motivation

The welfare lobby's defence of unconditional welfare clearly stands or falls on its core claim that virtually all unemployed people not only say they want to work, but are also motivated to do so. This claim rests on two key assumptions.

The first is that there are not enough jobs to go around. Time and again, welfare activists have cited as proof that unemployed people cannot find work the fact that the number of notified job vacancies is much smaller than the number of people registered as unemployed.¹¹ There are, however, at least four fallacies in this argument. First, it underestimates the current availability of jobs, for most job vacancies are never officially notified or recorded.¹² Second, it is blind to the new vacancies that are being created all the time as a result of the rapid turnover of people and jobs.¹³ Third, it ignores the fact that, by changing the supply of labour, the current pattern of employer demand is also likely to change.¹⁴ And fourth, it fails to explain why unemployment remains high even when more vacancies become available.¹⁵

The welfare lobby's second assumption is that nobody would freely choose to live on welfare if decent jobs were available for them to do, for welfare benefits are much lower than wages.¹⁶ But this ignores evidence that some households receive little more in net wage income than they would get if they were reliant on welfare (the problem of 'high effective marginal tax rates').¹⁷ It is also no more than an assumption. Fred Argy might think it is 'inconceivable that any appreciable proportion of workers would willingly choose to remain unemployed as a way of life', but what is inconceivable to a middle class intellectual may not be inconceivable to someone facing less attractive job options.¹⁸

The welfare lobby's claims that virtually all unemployed people want to work, and that few if any opt willingly for a life on welfare, have rarely been tested empirically. These are assertions, not findings. They are defended with emotion and rhetoric rather than evidence and logic, and those who question them are derided in an attempt to close off discussion.¹⁹ Recently, however, evidence has begun to emerge which challenges the received wisdom.

Actions speak louder than words

More than one-third of jobseekers succeed in finding work within four weeks of registering as unemployed, and half do so within eight.²⁰ This indicates both that jobs are available, and that substantial numbers of unemployed people are seriously committed to getting back into the labour force as quickly as possible.

When questioned, many of the longer-term unemployed also tell researchers that they want a job. However, as Lawrence Mead has pointed out, there may be a huge gap between expressing a preference for employment and engaging in the kind of behaviour required to bring the preference to fruition:

Disadvantaged people without jobs find no end to reasons why working is impossible for them . . . They avoid personal responsibility and blame circumstances beyond their control . . . Work and other norms come to be felt as aspirations but not as obligations . . . a mentality is at work that refuses to believe that opportunity exists, even when it does.²¹

Most people know what the appropriate answer is when they are asked in an interview whether they prefer to work or stay on welfare. But we also know how to 'rationalise' our continued failure to find or keep a job. We say we are 'too old', or we 'cannot find suitable child care', or employers 'discriminate' against us because of our race, or the jobs 'do not pay enough', or we are 'under-qualified' or 'over-qualified', or the job is 'dead-end' and 'demeaning', or we lack 'experience', or we suffer from a 'drug habit' or some other 'barrier' that stops us from working. We would like a job, we say (and we probably mean it), but the issue is whether we do much about it.

How many unemployed people are actively looking for work?

A 2002 research report prepared for the Department of Employment and Workplace Relations and based on interviews with 3,500 jobseekers²² found that only 16% of jobseekers were 'drivers' (people who were optimistic about finding a job and who were willing to take anything suitable). A further 8% were 'strugglers' (people who were motivated but who

lacked confidence) and nearly one-fifth were what Employment Minister Tony Abbott once referred to as 'job snobs' (people who want to find work but who are picky about what they would be willing to accept). Another sizeable category consisted of people who said they were willing to work but who were doing nothing about it (13% were 'drifting' and 15% had effectively given up looking). The remainder was made up of 'cruisers' (16%) who had no desire to get off welfare, and 13% who thought they were incapable of working.

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The report indicates that 57% of jobseekers at any one time are 'demotivated'. Fewer than half are determined to find work (and some of them are choosy about what they will accept). These findings are consistent with Lawrence Mead's argument that claimants may need 'hassle' as well as 'help' if they are ever to move from welfare to work.

This report is not the only recent Australian research pointing to weak work motivation as a factor in long-term welfare dependency. Alfred Dockery reports that most unemployed Australians believe there are jobs available for them to do (only three in ten deny it), but many are unwilling to consider applying for or accepting jobs paying less than they earned in their previous position.²³ Similarly, the Australian Bureau of Statistics finds that fewer than three in ten unemployed people believe there are no jobs available for them to do, but two-thirds are unwilling to move to another location in their own State or Territory to take a suitable job.²⁴

All of this casts considerable doubt on the welfare lobby's repeated claims that virtually all unemployed people are committed to finding work

and that what stops them is lack of opportunity. It rather supports Lawrence Mead's argument that, while many people on welfare say they want to find a job, fewer actually do anything about it. This is the rationale for making participation in various activities a compulsory condition of claiming and receiving benefits: to push people into doing what they say they want to do.

Deterring fraud and malingering

Compulsory requirements also play a crucial role in identifying recalcitrant or fraudulent claimants and driving them out of the welfare system. Indeed, requirements like job search training can have a bigger effect in prompting people to leave welfare and find a job on their own initiative than they do in equipping claimants with the ability to make successful job applications. As the Productivity Commission has found:

Many job seekers who are referred to JST [Job Search Training] or IA [Intensive Assistance] do not actually commence with these programs. For example, 132,400 persons were referred to JST in 1999 but only 50,300 (or 38 per cent) commenced with that program. Similarly only 68 per cent of those referred to IA commenced . . . [C]ompulsory participation in programs can generate a compliance (or motivation or deterrence) effect whereby—to avoid having to participate in the program—some job seekers increase their job search activity and find employment, or those inappropriately claiming income support stop doing so because of their lack of availability for participation.²⁵

It seems from this Productivity Commission report that sizeable numbers of people disappear when they are told to turn up for activities like job search training or Intensive Assistance. Some of them are presumably already working and claiming benefits fraudulently. They disappear from the rolls because they cannot carve out the time to undertake the activities required of them while also holding down a job elsewhere. Others have no intention of looking for work, and they melt away when they are told to turn up for intensive work or training activities.

The Organisation for Economic Cooperation and Development calculates that merely requiring unemployed claimants to attend an initial interview at the employment office results in a reduction in the welfare rolls of between 5% and 10%.²⁶ When more is asked of claimants, the number who disappear swells even further. Dan Finn reports as many as three-quarters of young people who are referred to Work for the Dole schemes fail to attend the first session, preferring to leave welfare altogether rather than undertake part-time work.²⁷

It is difficult to estimate the extent of outright fraud in the social security system, for many cases probably go unnoticed or unprosecuted.²⁸ The welfare lobby insists that fraud is not a serious problem,²⁹ but in 2001-02 there were nearly 3,000 convictions for welfare fraud (involving \$28 million of payments), and 9% of Centrelink entitlement reviews (nearly quarter of a million cases) resulted in cancelled or reduced payments. A total of \$345 million was clawed back last year from people claiming money to which they were not entitled.³⁰ It is also worth noting that the welfare lobby seems out-of-step with the sentiments and beliefs of the general public on this issue. Only half of the Australian population disagrees with the extreme statement that 'most people on the dole are fiddling'.³¹

The case for time limits

A recent report co-sponsored by the Brotherhood of St Laurence and the St Vincent de Paul Society complains that mutual obligation is making life more difficult for the long-term unemployed. Based on interviews with 45 people around Melbourne who had been out of work for an average of more than two years, the report states that 'a substantial minority' of them said the mutual obligation system was 'complex, confusing and highly stressful'. Most complained that having to keep a Jobseeker Diary was 'depressing', because it reminded them of their failure to find work, and the requirement to obtain certification from employers was 'not seen as helpful at all'. The compulsory Preparing for Work Agreement was criticised for failing to 'respond to their own needs or goals', and was widely dismissed as a 'formality'. Their job search requirements were 'experienced only as an annoyance, not an aid', and many of them 'expressed great dissatisfaction with,

even hostility towards, Centrelink'. A quarter of the sample had been penalised for failing to meet their activity requirements, and they complained that this had caused them 'severe financial hardship'. Some said they would like to be moved to the Disability Pension (which pays more than Newstart and which imposes no activity requirements).³²

The report concludes:

The emphasis on compulsion in the Australian mutual obligation regime appears to generate avoidance and resentment among those who need most assistance. While people may comply, these requirements are not a means to finding work, but a necessity for remaining eligible for benefits.³³

It suggests that we should 'rethink . . . the number and range of requirements', that we should put more emphasis on 'meeting individuals' own goals rather than simply compliance with requirements', and that we should acknowledge that there are insufficient jobs for the unemployed to do.³⁴ In other words, we should increase the help and remove the hassle.

Let us suppose that this study of just 45 people provides an accurate picture of how the long-term unemployed throughout Australia feel about mutual obligation. Some of them may have been genuinely incapable of working and looking after themselves, in which case they should be transferred to the Disability Pension, but most are presumably competent to work. Would the fact that, after an average of 2½ years on welfare, these people find the system 'stressful', 'annoying' and 'unhelpful' justify relaxing the requirements made of them?

Welfare for the competent unemployed should be regarded as strictly short-term. It may be true that mutual obligation is not helping people who have been unemployed for several years improve their job prospects, but the answer is not to loosen the requirements made upon them. It might make more sense to stop people spending two years or more on welfare in the first place.

In the United States, unemployment insurance (UI) is time-limited. People can claim no more than 26 successive weeks of benefits (or 39 weeks during periods when unemployment rises above a certain threshold level). The effect of this limit is that exit

rates from UI increase as the limit approaches. The approaching deadline makes people revise their behaviour and expectations so they become less picky and more motivated. Just as an unlimited system expands long-term unemployment, so limiting potential benefit duration reduces it.³⁵

Since 1996, the US has also time-limited uninsured welfare, tellingly named Temporary Assistance for Needy Families (TANF). Federal funding for welfare is now limited to a maximum of five years per recipient, with no more than two years for any one claim period, although states vary in their application of these limits.³⁶ As a result, many claimants have found jobs. Although they are often low-paid, they have ended up significantly better-off than before: single mothers who moved off welfare improved their incomes by an average of 60 per cent.³⁷ Follow-up surveys have found that most former-claimants are pleased to be off welfare and say their lives are better than before.³⁸ Their children, too, seemed to benefit—the poverty rate among black children and single parents is at its lowest in recorded US history.³⁹

Time limits on welfare not only raise the motivation of claimants, and reinforce their understanding that assistance is only temporary, but also help change the culture of welfare officials by forcing them to put more time and effort into placing their more problematic clients.

Both the UI and TANF programmes in the US demonstrate that time limits can have a major impact in getting people off welfare and into work. This is not only because they raise the motivation of claimants, and reinforce their understanding that assistance is only temporary, but also because they help change the culture of welfare officials by forcing them to put more time and effort into placing their more problematic clients.⁴⁰

The big question mark against time limits is what happens to those who reach their limit without having secured a job? In the US, different states handle this in different ways, and there is

much fudging as states suspend people before they reach their limit, or extend them beyond the limit, or transfer them onto other programmes as they pass the limit.⁴¹ When eligibility expires, some other form of assistance generally kicks in, which suggests that time limits do not always mean what they appear to mean.

One of the original architects of time limits in the US, David Ellwood, has always argued that some 'last resort' work provision has to be made for time limits to be credible, for nobody really believes that the government will simply cut off the cash and let people starve. In his 1988 book, Ellwood proposed time limits of between 18 and 36 months, with government-sponsored jobs for those who exhaust their eligibility.⁴² Reflecting on the 1996 reforms, he is still making the same point today: 'It is hard to see how a time-limited work-oriented reform strategy can work without some form of long-term aid or last-resort subsidized jobs in cases where people cannot find work.'⁴³

Following Ellwood's logic, we might conclude that unemployment assistance in Australia should be time-limited (it might even be renamed 'Temporary Assistance for Jobseekers'), but that Work for the Dole or some equivalent system should be available for those whose time limits expire.⁴⁴ There is a case

for making limits shorter for school-leavers and young people (given the importance of establishing a work discipline), and for making them longer in parts of the country where unemployment is particularly high. But whatever limits are eventually agreed upon, some kind of back-up work (paid at welfare levels) must be made available for those who exceed their limits.

Conclusion

The welfare lobby claims that motivation is not a problem among the unemployed, but this is fanciful. Some unemployed people are tenacious in searching for work, but significant numbers are not. This fact needs to be faced rather than being repeatedly denied and ignored in public debates. It is insulting to those who are serious about finding work when welfare analysts refuse to distinguish them from those who are not. It is counterproductive when the social affairs media, the Canberra politicians, the academics and the welfare profession refuse to acknowledge that significant numbers of those claiming benefits have either given up looking for work, or are consciously cheating, defrauding or taking advantage of the system. Until this is recognised, we shall not succeed in driving down unemployment and long-term welfare dependency, for we shall be blind to one of its contributory causes.

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