



The Liberal Democrats will modify the welfare system to foster a culture of independence and civil society without neglecting the genuinely needy.

Principles

The Liberal Democrats:

- Support a society that favours individual responsibility and civic institutions rather than government funded welfare.
- Believe individuals should take responsibility for themselves and their dependents before seeking the support of strangers via their taxes.
- Believe in providing support for those in genuine need.
- Will limit taxpayer-funded welfare to citizens who genuinely cannot provide for themselves.
- Believe nobody should be better off in welfare than they would be in work.
- Believe governments should be limited to a regulatory role and not involved in the provision of services.

Policy

The Liberal Democrats would:

- Expand the current superannuation savings account system to encompass health, unemployment and disability as well as retirement.
- Make such accounts tax free with respect to contributions, earnings and permitted withdrawals.
- Limit the use of account funds to authorised health, unemployment, disability and retirement expenditure, for the account holder and dependent relatives.
- Require account holders with less than a nominated balance to take out health and income protection insurance.
- Provide the parents of newborn children with a health voucher, paid via a savings account.
- Promote a competitive market among savings accounts providers including transparency with respect to fees, operating expenses and remuneration of trustees.

- Ensure patients are always liable for a co-payment in health transactions funded by insurance.
- Foster a competitive, efficient market for the provision of health, disability and aged care services in which the government is not a provider.
- Promote comparison shopping by requiring health, disability and aged care providers to publish price lists.
- For those unable to accumulate sufficient savings, provide welfare via their savings account as follows:
 - Eligibility will be limited to citizens.
 - All benefits, both cash and in-kind, will be subject to income and assets eligibility criteria including the family home.
 - Catastrophic health insurance must be purchased.
 - Education and training payments will be limited to school-aged children.
 - Reduced child-related payments will terminate when the child turns 16.
 - Rental or rent-to-buy housing assistance (public housing will be abolished with current occupants of existing housing given first option to purchase).
 - Age pension will continue but with reduced disincentives to earn additional income and regularly increasing age of eligibility except in instances of impairment causing an inability to work.
 - Unemployment payments will involve job search requirements with the maximum payment frozen for the duration of a recipient's unemployment.
 - Disability payments for both the sick and carers will distinguish between those expected to return to work and those who are not, with job search requirements for the former.
- In general, reduce all retained welfare payments by:
 - Limiting payment growth to the rate of price inflation.
 - Ensuring payments reduce whenever income or assets increase, while ensuring withdrawal rates are gradual.
 - Abolishing higher payments for 'singles' compared to members of a couple.
 - Applying a time limit to all payments, at the expiry of which recipients must reapply if they wish to continue receiving them.
 - Promoting a competitive market for home owners to access their equity without moving out.
 - Providing an option for recipients to convert age pension entitlements to a lump sum subject to permanently relocating to another country.
- Continue programs that deliver direct, tailored assistance to those with special needs including child welfare, women's shelters, and care for the homeless, prisoners, refugees and victims of crime.

Discussion

People who are healthy and capable should as far as possible provide for their own material needs through personal effort, thrift and financial independence, backed up by insurance.

Where they are genuinely unable to provide for themselves they should be supported primarily through social institutions such as family, friends, their local community, community and religious groups, and private charities.

Australians already demonstrate an enormous level of goodwill towards those in need through numerous voluntary organisations such as the volunteer bush fire services and surf life-saving clubs.

Over successive generations the role of government welfare has shifted from being an ancillary service that supplements and supports community and family-based efforts, to full scale intervention that in many instances completely displaces civil society. In the process it has created many perverse incentives and dependencies that in some instances exacerbate problems rather than provide assistance.

Respected aboriginal leader Noel Pearson has complained that welfare dependency has been destructive of aboriginal culture, society and self-respect. He describes welfare handed out by government, without obligation from the recipients, as sit down money.

The criticisms of welfare mentality in the Aboriginal community apply just as much to the wider community. What started out as a system for assisting people in genuine need has mutated into a system that fosters welfare dependency. In addition, the welfare system has grown into a self-serving industry with whole government departments, consultants, lobbyists and companies all relying on large numbers of "clients" to justify their existence.

The Liberal Democrats will enable most people to remove themselves from the welfare system in exchange for a major reduction in taxation.

The existing superannuation savings account system, despite some distortions and corruption in management, has helped Australia avoid the problem of government-run contributory retirement schemes in which no funds are accumulated and liabilities are accrued against future generations. These are common in many other developed countries and have contributed significantly to high taxes and government indebtedness.

In Australia, a growing proportion of the population is able to live on their savings in retirement, at limited expense to taxpayers. If superannuation accounts were freed from taxation and the accountability of funds managers and trustees improved, a large majority could be in this position.

The Liberal Democrats propose a similar approach to health, disability and unemployment. In a lot of cases there is no need for the government to fund these. Rather, via tax-free savings accounts, taxpayers can provide for themselves while government involvement is limited to situations of genuine hardship.

A scheme similar to this has been operating in Singapore since about 1984 and is considered to be highly successful.

Under the Liberal Democrats scheme, funds held in designated savings accounts could be used to cover health expenses and provide an income in the event of disability or unemployment and ultimately retirement.

The health component of the accounts would be available to pay Medicare approved expenses, for the account holder and dependents, and holders with less than a designated amount in their accounts would be required to take out catastrophic health insurance. This would protect those with low balances from large health costs and also lead to a large and highly competitive market for health insurance.

To prevent insurance from becoming a substitute for welfare, a co-payment on all health expenses would be required. This helps maintain a competitive market among service providers in Singapore.

The government would not be an insurance provider and would withdraw from the provision of health, disability and aged care services, limiting its involvement to regulating minimum quality and establishing a regulatory regime that fosters a competitive, transparent market.

Savings account providers, expected to be largely the same as current superannuation fund providers, would be required to substantially increase their transparency and performance benchmarking. It is anticipated this would considerably improve the accumulation of fund earnings.

Account holders who are working and have less than a nominated balance would also be required to take out loss of income insurance, which covers inability to work due to accidents and illness. This would provide an income for a period in the event of a serious illness or accident.

Savings in the fund could also be used to establish an annuity type income stream in the event of unemployment. Lump sum withdrawals would not be permitted, and health and loss of income insurances would have to be maintained.

As is currently the case, the funds could also be used for retirement purposes. However, withdrawals prior to eligibility for the age pension would be subject to standard income tax rates to prevent accelerated rundown of funds to qualify for the age pension.

The Liberal Democrats would also consider allowing use of the funds for education, with child education vouchers paid via the funds.

For citizens who are unable to accumulate sufficient savings in their savings accounts, welfare will be paid into them. This includes health, unemployment payments, disability pensions and aged pensions. Recipients will be required to maintain health insurance, with government (taxpayer) funding of health expenses only in the most severe situations.

The Liberal Democrats will abolish all post-school education and training payments, such as Austudy and Abstudy, as it is unfair for those without the benefit of post-school education and training to pay for the post-school education and training of others. The Liberal

Democrats' significant tax reductions will improve the capacity of prospective students and their parents to save so as to fund post-school education and training. They will also increase the after-tax incomes of those undertaking post-school education and training. Loan schemes (eg HECS) will continue, although repayments will become obligatory irrespective of income as soon as full time employment commences.

The Liberal Democrats will abolish most child-related payments, as those without children should not be forced to subsidise those with children. The Liberal Democrats will abolish Family Tax Benefit Part B, the Baby Bonus, government-funded paid parental leave, the Child Care Benefit and the Child Care Rebate. The child care industry would be largely deregulated, including the excessive emphasis on credentials.

The Liberal Democrats will abolish large scale public housing (giving first option to purchase properties to occupants), whilst maintaining specific programs for those in high need of temporary housing support such as the homeless, people with impaired physical and mental abilities, victims of violence and people with a criminal record. To manage this change, the Liberal Democrats will retain rent assistance supplements for welfare payment recipients, which are a less discriminatory and bureaucratic form of accommodation assistance.

Taxpayers should not be expected to pay people of sound body and mind not to work. Accordingly, the Liberal Democrats will regularly increase the age of eligibility for the age pension. Earlier eligibility will be available for those with an impairment causing an inability to work. Disincentives to earn additional income will be reduced.

The federal age pension was introduced in 1909 with the age of eligibility for men set at 65. At the time, male life expectancy at birth was 55. It is now around 80.

Under current law, the age of eligibility for an age pension, for both men and women, is rising to 67 between 2017 and 2023. Under the Liberal Democrats, the age of eligibility will continue to rise after 2023. The pace of increase will ensure that, once people reach the eligible age, they will remain eligible for the remainder of their lives. The table below indicates the eligible age at various years.

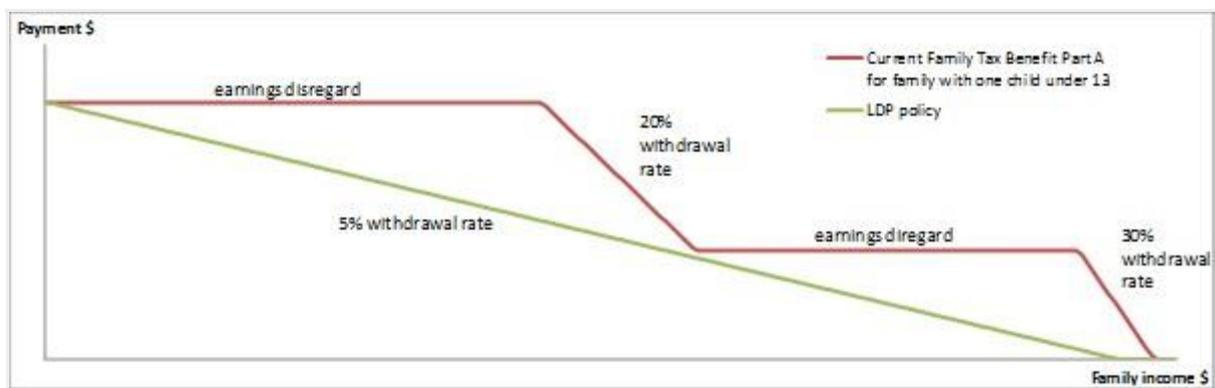
From 1 July:	2023	2024	2025	2026	2027	2035	2043	2051
	67	67 $\frac{3}{4}$	68 $\frac{1}{2}$	69 $\frac{1}{4}$	70	76	82	88

Some nearing the current age of eligibility may argue that as they have paid their taxes they deserve the age pension. But the age pension has always been an income and asset tested welfare payment, not superannuation. It has always been provided to some, and withheld from others, irrespective of the amount of tax a person has paid. In contrast, the superannuation savings of millions of Australians are savings in their own name, and will enable them to retire at 60 or a later time of their choosing.

Welfare payments are payments to assist with the cost of living. They are not wages. As such, the Liberal Democrats will abolish arrangements that allow certain payments to grow at a faster rate than inflation.

The Liberal Democrats will freeze the maximum payment of unemployment payments for the period that they are received. Increases in line with inflation will only be reinstated where a genuine job seeker applies for all forms of employment and is rejected at each turn.

The Liberal Democrats will reform the means testing of all welfare payments so as to reduce disincentives to work, while ensuring that welfare payments are never higher than under current arrangements. At present, welfare payments are unaffected when recipients earn certain amounts of income, but then are dramatically reduced when earnings increase beyond an arbitrary threshold. Under the Liberal Democrats, welfare payments will always reduce as income or assets increase, with the rate of withdrawal being gradual so as to minimise the disincentive to earn income (see Family Tax Benefit Part A example below).



Arrangements that provide 'singles' more than a member of a couple, and that provide singles living alone more than singles in share accommodation, will be abolished. Welfare payments should not discriminate against forming and maintaining a couple, and should not claw back the reduced per person costs associated with share accommodation.

For those who are in receipt of aged pensions and wish to permanently relocate to countries with a lower cost of living, the Liberal Democrats will offer a system of actuarially-calculated lump sum payments to replace the pension. There will be no opportunity to re-enter the welfare system upon return to Australia except through the savings account approach, leaving those who sign up to the offer in the same position as non-citizens with respect to welfare.