

Barton Deakin Brief: Australian Priority Investment Approach to Welfare**20 September 2016**

Today, the Hon Christian Porter, Minister for Social Services, announced the release of the Department's [Baseline Valuation Report](#) into the future lifetime costs of Australia's welfare system. The publication of the report marks an important first stage in the Australian Government's new approach to the welfare system: the [Australian Priority Investment Approach to Welfare](#).

This Barton Deakin brief provides some background to today's announcement and an overview with links to key publications.

Background

In its May 2015 Budget, the Commonwealth Government announced an intention to implement the Australian Priority Investment Approach to welfare. The development of this approach was one of the recommendations of the 2015 review of Australia's welfare system, A New System for Better Employment and Social Outcomes ([the McClure Report](#)), along with the recommendations for reform, to simplify the system and reward work. Barton Deakin's 2015 Brief on the review's final report is available [here](#).

Funding in the 2015-16 budget included \$20.7 million for the actuarial services, ICT capital, verification of the actuarial model and departmental resources. A further \$13.1 million was spent to maintain four longitudinal studies which will form part of the evidence base supporting the approach.

The 2016-17 budget established a \$96.1 million [Try, Test and Learn Fund](#) to build and develop the methodology of the Australian Priority Investment Approach and apply actuarial analysis to social security data to better target and develop social security policies.

The new approach (based in part on a model introduced in New Zealand in 2012) aims to ensure funds are invested in people most at risk of long-term welfare dependency, and that they would receive additional targeted support early.

Overview

As recommended by the McClure review, the Australian Priority Investment Approach is underpinned by annual actuarial valuations. The actuarial analysis is used to value Australia's future lifetime welfare costs, and the costs of various groups within the population. Data sources include administrative welfare data from the Department of Human Services,



Australian Bureau of Statistics population data and the [Government's longitudinal studies](#) such as the Household, Income and Labour Dynamics in Australia Survey.

The first step in this analysis is the [Baseline Valuation Report](#) produced by PricewaterhouseCoopers (PwC) which was released today. PwC was contracted to undertake the analysis and provide four annual valuation reports of the Government's future welfare costs.

The report provides a baseline analysis of lifetime welfare costs as at 30 June 2015; setting a benchmark and highlighting areas of interest. The report has also identified the priority groups for initial policy responses as young carers, young parents and young students transitioning directly to unemployment payments.

This and future analyses will help the Government develop innovative, evidence-based policies and programs and direct them where they best deliver results.

Next steps

A key part of the new approach is the [Try, Test and Learn Fund](#) which will enable organisations to compete for a chance to try a policy that proposes to create a path out of the welfare system. Although no date has been set, the Minister indicated the fund will be open by the end of the year for not-for-profit organisations, governments, social policy experts and industry to pitch their ideas.

Social policy experts and service providers outside Government will also be provided access to de-identified information developed for the approach, available through a secure website.

Subsequent annual valuation reports are due each year, with the final valuation report to be completed by the current provider, PwC, in 2018. From 2019, the Department of Social Services will take on the responsibility of producing annual valuations.

Further information

To view the Minister's media release, see [here](#).

To access the Department's information page and for updates, see [here](#).

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