



The Welfare Rights Centre 2010 Election Platform

The real election issues for 2010

Making welfare work



ABN: 76 002 708 714 102/55 Holt Street, Surry Hills NSW 2010
P] 02 9211 5300 F] 02 9211 5268 TF] 1800 226 028 TTY] 02 9211 0238
welfarights@welfarights.org.au www.welfarights.org.au

Welfare Rights Centre is a member of the National Association of Community Legal Centres™

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About the Welfare Rights Centre

The Welfare Rights Centre (WRC) is the largest member of the National Welfare Rights Network (NWRN), a network of community legal centres throughout Australia which specialise in Social Security law and its administration by Centrelink.

The Centre provides casework assistance to its clients, usually by phone, at least in the first instance. We also conduct training and education for community workers and produce publications to help Social Security recipients and community organisations understand the Social Security system. The Centre also engages in policy analysis and lobbying to improve the current Social Security system and its administration.

Our aim

The Welfare Rights Centre aims to reduce poverty, hardship and inequality in Australia by:

- providing casework advice and assistance to individuals to ensure they can exercise their rights, fulfil their obligations, meet their responsibilities and maximise their entitlements under the Australian Social Security system; and
- advocating for the maintenance of a Social Security system that has rights and entitlements, obligations and responsibilities, detailed under and protected by law.

Our principles

The WRC advocates that the Social Security system in Australia should be characterised by an uncompromising recognition of the following rights:

- the right of all people in need to an adequate level of income support which is protected by law;
- the right of people to be treated with respect and dignity by Centrelink and those administering the Social Security system;
- the right to accessible information about Social Security rights and entitlements, obligations and responsibilities;
- the right to receive prompt and appropriate service and Social Security payments without delay;
- the right to a free, independent, informal, efficient and fair appeals system;
- the right to an independent complaints system; and
- the right to independent advice and representation.

The recession hits close to home

We call for all parties to announce policies to help the most vulnerable and marginalised members of the community.

Australians naturally felt a sense of relief with the news that unemployment had stabilised at around 5 per cent. Predictions that rates of unemployment would hit 8.75 per cent failed to materialise. We escaped the social and community dislocation experienced in other developed nations, where rates of joblessness have averaged 9.5 per cent and bankruptcies and home repossessions have increased at an alarming rate.

The recent experience did, however, bring home to millions of Australians that life is uncertain and that the loss of a secure job, a reduction in the number of hours worked and the consequent foreclosure on the mortgage could happen to anyone, anywhere, anytime.

Young people were hit particularly hard by the recent recession, with unemployment rates around three times that of the official levels. In some locations levels of youth unemployment are far higher, with around one in five people under the age of 20 excluded from work. The situation facing single parents is also grim. Single mothers are experiencing levels of unemployment double that of the general community.

At the height of the recent recession a survey commissioned by the Welfare Rights Centre found that half of all Australians (51.3 per cent) knew someone who had lost their job in the previous six months, and more than one in two Australians believed that the single rate of Newstart Allowance, at just \$231 per week, was too low and should be increased.

The number of people receiving Newstart Allowance for more than a year is at its highest level since 2003. Despite the overall strong performance of the labour market, the number of people who are long-term unemployed continues to grow. There were over 341,000 people out of work on Newstart Allowance for more than one year in June 2010, an increase of 40,000 since December 2009. Long term unemployment is increasing. This is a feature after every economic downturn, and those who find it hardest to find employment are young people and people who have already been out of work for a long time.

Every week an additional 1,000 Australians join the burgeoning ranks of the long-term unemployed.

Older people are also acutely affected by long term unemployment. There are currently over 31,000 older unemployed people over 50 who have been out of work for more than 12 months.

Even though as a nation we escaped the worst of the global recession, the impact on those affected was devastating. An estimated 150,000 people in Australia were retrenched as a result of the global downturn, and millions of work hours were lost as businesses adjusted to the tougher economic circumstances.

Over half of Australians out of work have been trying to make their way back into the labour market for more than a year. A key cause of long-term joblessness is a lack of suitable skills and low education levels. For older people being seen as “too old” and negative employer attitudes are the major reasons for being locked out of the labour market.

What should our Social Security system look like?

Australia's system of income security should provide a basic level of financial support to cover the needs of people too old or infirm to work and to assist people with caring responsibilities for people with disabilities and children. It should also provide an adequate standard of living for those out of work or studying.

It should not leave people in poverty, or discourage them from seeking employment or working extra hours. Income support arrangements should provide extra assistance to meet the additional costs of study, training or caring.

The rules governing the system should not trap people on payments or provide incentives for people to act in an economically irrational manner to obtain benefits or avoid activity requirements.

Australia's welfare system should not be overly complex, should be simple to understand, and not based on outdated notions that some people are "deserving" and others "undeserving". Payment rates should be based upon people's actual living costs and maintained over time. Activity requirements need to take account of individual needs and circumstances.

How does our system measure up?

Our current income support system is complex and out-dated, and in need of a thorough overhaul. The 2008 *Pension Review* (the "Harmer Review") found that we were failing to meet the income needs of many older people who built our country over the past century. Major pension changes in September 2009 saw a boost in incomes for many of the poorest Australians, especially single age pensioners. The pension means-test was tightened to ensure fairness and improve the financial sustainability of the system. Over 3.3 million pensioners benefitted from these reforms, which led to the establishment of new community benchmark for payment adequacy. Payment for a single person was set at two-thirds of the rate paid to coupled pensioners.

Historic as these changes were, the financial needs of almost 2 million working age Australians were overlooked.

While Age, Carer, Veteran's Affairs and Disability Support Pensioners all received a welcome increase of up to \$32.50 for a single pension. On the other hand, around 240,000 people receiving Parenting Payment Single were denied the pension increase.

People receiving Newstart Allowance – currently just \$231 a week – also missed out. Also overlooked were young unemployed people and students, who must make ends meet on \$103 a week if under 18 and living at home and \$188 a week if over 18 (plus Rent Assistance worth a maximum of \$57 per week).

In July 2006 welfare rules were changed. As a result we now find that around 20,000 parents are only eligible for Newstart Allowance and the same number of people with disabilities are deemed ineligible for the Disability Support Pension (DSP) and instead placed on Newstart Allowance. These people were also denied an increase to their basic rates of payment in September 2009.

The gap between pensions and allowances has almost doubled in the past year, and it now stands at \$109 a week. Different indexation arrangements for pensions and allowances also mean that the gap between pensions and allowances will continue to grow over the years.

In 1980 the difference in payments was just \$6.45. If nothing is done to address the flaws in the current arrangements by 2040 to difference in payments rates will be a massive \$1043. This growing divergence between allowances and pensions will continue to fuel economically irrational behaviour because people kept in poverty will inevitable seek higher levels of payments.

By international standards, the level of income support for unemployed people is very low. A recent report by the Organisation for Economic and Co-operative Development (OECD) found that Australia’s single age pensioners were ranked 4th worse off, and Australia’s unemployed are the poorest, of all 30 developed nations that make up the OECD.

Table 1 below shows current levels of a number of Social Security payments, highlighting the complex nature of our welfare system. It highlights anomalies in the system, showing unfair withdrawal rates and different payment “cut-out” points.

Difference between pensions and allowances						
Payment type	Amount per week	Amount per year	Income per week for full rate	No payment when income per week	No payment when assets reach¹	Weekly income as a % of the maximum level of pension
Age, Carer and Disability Pension	\$335	\$17,420	\$73	\$774	\$649,250	100%
Newstart Allowance	\$231	\$12,012	\$31	\$432	\$181,750	69%
Parenting Payment (Single)	\$300	\$15,600	\$85 + \$12 a child	\$836 + \$12 a child	\$181,750	89%
Youth Allowance (job seekers) under 18 at home	\$103	\$5,356	\$31	\$218	\$181,750	30%
Youth Allowance (job seekers) 18+ away from home	\$188	\$9,776	\$31	\$360	\$181,750	56%

Table 1: Basic conditions and rates single Social Security payments, July 2010.

High levels of homeownership among age pensioners provide an important level of financial security which, along with the Pension Supplement helps in meeting daily expenses. Note however, that

¹ Rates calculated for homeowners.

approximately one-third of all pensioners live on the pension alone which provides for a very frugal existence.

Pensioners, however, are not the only group in the community who are having trouble making ends meet. Research suggests that unemployed adults experience significant difficulties making ends meet. Few are homeowners and about one in eight earns more than the allowable \$31 a week and therefore receive a part-rate allowance. In an emergency 45 per cent of unemployed people could not scrape together \$2,000, while 18 per cent of Age Pensioners would have difficulty getting hold of this sum of money. Two out of three single parents reported being unable to raise \$2,000 in an emergency.

Sole parents were twice as likely as the general community to go without essential items according to recent research by the Social Policy Research Centre. While the average level of multiple deprivations in the wider community was 19 per cent, almost 50 per cent of single parents experienced multiple deprivations. Key findings for Parenting Payment recipients were that 43 per cent lacked a decent and secure home, 57 per cent were unable to pay for utility bills, 56 per cent could not access \$500 in an emergency and 24 per cent could not afford to update school books and clothes for their children.²

The same survey found that most people struggled to live on Newstart Allowance and 54 per cent of recipients lacked \$500 in emergency savings, 28 per cent were unable to pay a utility bill and 23 per cent lacked a decent and secure home.

A single unemployed person is expected to live on just 69 per cent of the amount a single pensioner lives on each week. Young unemployed people over 18 find the going particularly hard, having just \$150 or 56 per cent a week on which to survive.

What needs to be done?

Welfare Rights recognises that the most effective way out of poverty and disadvantage is through greater economic participation where this is possible. With so many people excluded from the labour market, it's time for policies and programs to help people into work. Job seekers need assistance to find their way into work, and must be provided with the financial resources to make the transition to employment.

A priority area for action is to increase Newstart Allowance, Youth Allowance and student payments by \$45 a week. This must be followed with a fairer method for indexing payments and the value of payments must be maintained over time. Levels of benefits for unemployed people, at just \$33 a day or \$231 a week, are significantly less than the traditional measurement of poverty in Australia. The most recent Henderson Poverty Line for a single adult is \$401 a week, yet the maximum Newstart allowance plus Rent Assistance is only \$283 a week, leaving hundreds of thousands struggling to make ends meet on payments that are 30 per cent below the poverty line.³

As a further step the next Government should restore the link and parity in payments between the rate of Parenting Payment (single) and Age Pension. These measures would assist in easing financial

² ACOSS, 2008, *Who is Missing Out?* At: www.acoss.org.au

³ Institute of Applied Economic and Social Research, *Poverty Lines: Australia, March Quarter 2010*, University of Melbourne.

hardship and moving towards a fairer system where payments are based on financial need rather than anachronistic notions of the “deserving” or “undeserving”.

Additionally, there is a fundamental structural problem with the income “free area” for Newstart and Youth Allowance, which has remained virtually unchanged for 30 years at \$31 a week. (The level of income “free area” was adjusted by \$1 in 2000 as part of the compensation adjustment package for the introduction of the Goods and Services Tax).

Indexation arrangements (or the absence of them) have been responsible for a decline in the real value of the free area for allowances. In 1986 the allowance free area — (the amount that a person can have before their payment is reduced) was 31 per cent of the lower single rate of allowance. By 1995 this had fallen to 20 per cent and is currently 14 per cent.

The failure to adjust the amount that a person can earn before their Social Security payment is reduced constitutes a serious work disincentive. To make work pay the income free threshold for Newstart and Youth Allowance needs to be increased and indexed. The current withdrawal rates of 50 cents in the dollar for income between \$62 and \$250 and 60 cents in the dollar for income above \$250 means that the financial returns from work are extremely limited for some unemployed people, especially when the costs of transport, clothes and other costs associated with employment are taken into account.

Some State Government policies are counterproductive, for example, in NSW a job seeker loses eligibility for half-fare transport concessions if they earn more than \$31 a week, and become eligible for part-rate Newstart Allowance

The next Federal Government needs to respond to these issues with a blueprint for the reform of working age payments which takes into account basic rates of payment, indexation arrangements, taper rates and concessions. A failure to address both the inadequacy of payment rates and the punitive income tests will further entrench social exclusion and disadvantage for those reliant on income support whether on a short term or long term basis. In the past the gap between pensions and unemployment payments has been justified on the grounds that pensioners have to rely on income support for longer periods. However, the increasing duration of unemployment by many recipients, makes this argument untenable.

The government should introduce a participation allowance of \$25 a fortnight and simplify the current supplementary payments.⁴ If we are genuinely serious about re-skilling the nation we should be providing incentives across the range of working age payments with participation requirements.

Additional support and services are needed to get people off welfare and into work. The current level of assistance provided to help the most disadvantaged jobseekers into employment is inadequate, at a maximum entitlement of just \$500. Research clearly shows that the funding of paid work experience – to builds skills, confidence and individual capacities – is an important ingredient that can help turn around the lives of people looking to get ahead.

⁴ Language, Literacy and Numeracy Supplement and Work for the Dole of \$20.80 a fortnight are paid to some job seekers. These payments have fallen in real value because they are not indexed. The Training Supplement is currently available to Newstart Allowance and Parenting Payment (Single), but not Parenting Payment (Partnered) recipients undertaking certain training. The payment is \$20.80 a fortnight and scheduled to cease from March 2011.

A welfare system that works for all

Unemployed people are expected to undertake reasonable activities to obtain employment. For the majority, this means at a minimum, looking for 10 jobs a fortnight. The job search must extend to any set of reasonable activities and cannot be limited to an individual's preferred career choices. Unemployed people are also required by law to be willing to travel up to 90 minutes each way to look for work or undertake work. Many people who are unemployed, however, choose to travel further if suitable work is available. Financial penalties are applied to job seekers if they fail to undertake activities, such as a training course, or if they fail to attend appointments. In the first nine months of the new Job Services Australia system of employment services that started in July 2009 over 21,000 financial penalties were imposed on job seekers.

The next government needs to make our income support system by introducing the following package of measures:

- 1. Increasing Newstart Allowance, Youth Allowance and student payments by \$45 a week, as a first step in addressing the gap between pensions and allowances.**
- 2. Doubling the maximum amount of Crisis Payment. Crisis Payment is paid to individuals in dire financial circumstances, such as people fleeing domestic violence and people released from prison. Crisis Payment is equal to one week's payment of the person's pension benefit or allowance.**
- 3. Addressing anomalies in Special Benefit (the Social Security payment of last resort). Special Benefit is set at the same rate as Newstart Allowance, just \$231 a week. Special Benefit has no income free area and a withdrawal rate of dollar for every dollar earned. The maximum rate of Special Benefit should be increased by \$45 per week.**
- 4. Relaxing the allowance withdrawal rate to 50 cents every dollar of earnings so that job seekers get to keep more from working.**
- 5. Ensuring that the March 2009 relaxation of the Liquid Assets Waiting Periods become a permanent change, beyond March 2011. This will result in unemployed people with very modest levels of savings getting earlier access to income support if they are retrenched.**
- 6. Introducing a comprehensive program of paid work experience.**
- 7. Providing greater financial support for young people training by extending the \$20.80 per fortnight Training Supplement to all Youth Allowance recipients undertaking training. This supplement is only available to Newstart Allowance and Parenting Payment recipients and is due to cease in March 2011.**

8. **Removing the “sudden death” assets test for unemployment benefits and Parenting Payment by introducing a gradual withdrawal for the allowance assets test, similar to the pension asset test taper rate.**
9. **Initiating a review into the fairness and accessibility of all government concessions programs policies to be undertaken by the Productivity Commission as recommended in the recent Independent Review *Australia’s future tax system* that was released in May 2010.**

Relocation and employment

The challenge of creating suitable employment opportunities close to where people live, with access to transport, services and housing has been a policy that has received limited attention by the nation’s politicians in recent years. One key reason for relocating is the search of affordable housing.

The Welfare Rights Centre supports financial and other practical assistance to assist job seekers who wish to relocate to pursue employment options.

10. **We oppose any compulsory measures from the next Government which would compel job seekers of any age to relocate to take up employment.**

People with disability

Many people with disabilities want to work, but lack the skills, opportunities and ongoing supports to find and keep a job. The evidence indicating that people with disabilities want to work is found in the unprecedented number of Disability Support Pension (DSP) recipients who have sought employment assistance with the recent uncapping of employment assistance programs.

However, Welfare Rights frequently hears from people with disabilities that they are anxious and apprehensive about testing the labour market because they fear losing the security of their pension if the job does not work out.

11. **The next Government should put in place strategies to address the lack of awareness of current Social Security rules. A major barrier to the community participation of people with disabilities is fear of losing the safety-net of the DSP. The current rules allow some security. If a person on the DSP takes up a job and has to leave the job within two years because of the disability, then that person can be paced back on the payment without going through the usual hurdles and barriers.**

Help for private renters

Housing affordability is an issue in the coming election and is an area of major concern to many Australians. Housing costs are particularly problematic for unemployed people, many of whom pay more than 30% of their income in rent, and are considered to be facing extreme “housing stress”. Some 60% of single Newstart Allowance recipients and 44% of couples are renting privately,

compared with 18% of Age Pensioner singles and 8% of couples.⁵ Low income tenants are increasingly finding it difficult to keep a roof over their head. Median rents in capital cities have increased by 41 per cent between 1995 and 2009, while the level of Rent Assistance has barely moved. A key problem is that Rent Assistance rates have failed to keep pace with increasing rental costs. Over the last three years rents have risen by an average of 10 per cent while the maximum rates of Rent Assistance have increased by only 2.7 per cent.

The method by which Rent Assistance is currently indexed places people at a financial disadvantage. This is because rent comprises 6 per cent of the CPI basket, yet rent represents around 35 per cent of income for Rent Assistance recipients.

A much fairer approach would be to index Rent Assistance by increases in national rents paid by income support recipients.

Some tenants receiving Social Security payments are also disadvantaged by arbitrary and discriminatory regulations that have an impact on the level of Rent Assistance paid to individuals. Unfair rules for age pensioners and unemployed people sharing were introduced in 1997. The rules cut the amount of Rent Assistance by a third if a person is sharing with another person receiving a Social Security payment. These rules are counterproductive and undermine the benefit of any increase in Rent Assistance rates for those who need it most. The maximum rate of Rent Assistance is \$57 a week. The “sharers” rule reduces the amount of Rent Assistance by \$19 a week.

12. **The next Government should increase the maximum rate of Rent Assistance by 30 per cent and remove the rules for renters sharing accommodation. The level of Rent Assistance should be indexed to a national rental index.**

Financial assistance for utility costs

Rising utility charges are also hurting the household budgets of large numbers of Australians. The latest inflation figures from the Australian Bureau of Statistics bears this out, with electricity prices having surged by 18.2 per cent in the past 12 months.

In NSW, for example, average gas and electricity prices will increase by \$3.60 a week. Age, carer and disability support and veteran’s pensioners, along with holders of the Commonwealth Senior’s Health Care Card, receive financial support with utility bills equal to about \$10 a week.

People in receipt of Newstart and Youth Allowance, and Parenting Payment Single – the groups that missed out on any increases in the basic rates of payments in September 2009 – do not receive any financial assistance from the Commonwealth Government to meet utility costs.

The next Government should provide assistance to meet utility costs by introducing a Commonwealth utilities supplement to Newstart and Youth Allowance recipients and Parenting Payment recipients, worth \$10 a week.

A plan for financial security for age pensioners

⁵ ACOSS, *Submission to FACHSIA Pension Review*, September 2008.

The next Federal Government should ensure that age pensioners are provided with the financial security in retirement that they deserve. We proposed a modest plan to help pensioners achieve this goal.

The boost to pensioners incomes in September 2009 was well deserved and made a real difference to older people struggling to make ends meet and put food on the table.

Half of Australia's 2.3 million Age Pensioners have less than \$20 a week in private income. When you have no opportunity to earn any extra income, or have little or no savings, every cent counts. That's why it is crucial that every dollar of \$30 a week pension rise makes its way into the pockets of needy pensioners.

More help for older renters

The 2008 Harmer *Pension Review* found that single age pensioners, especially those in the private rental market, were among the most disadvantaged groups in the community. Homelessness service providers have reported an alarming increase in the numbers of single older women who are homeless, yet there are few services which are targeted to their specific needs. Skyrocketing rents are placing significant numbers of older renters in financial stress, with many older people paying more than half of their income in rent. An increase in the amount of Rent Assistance would go some way to meeting the desperate needs of older renters. Removing the discriminatory "sharers" Rent Assistance rules could result in some age pensioners receiving an extra \$19 a week to meet private rental costs.

13. **The next Government should increase the maximum rate of Rent Assistance rates by 30 per cent and end the "sharers rate" Rent Assistance rules reduce rates of Rent Assistance for some age pensioners by up to \$10 a week.**

Stop NSW taking 25 per cent of the \$30 pension rise

All State and Territory Governments, except the NSW Government, agreed to guarantee that public housing tenants received the full ongoing benefit of the September 2009 pension increase.

The NSW Government decided to exclude the increase from its calculation of public housing rents for only one year. This means that from September 2010 many pensioners living in public Housing in NSW will have to tighten their belts, as they will have \$7.50 less each week to live on. This reduction in their weekly incomes will occur at the same time that some will be receiving their first electricity bills, which are increasing by an average of \$2.80 a week.

Around 9 per cent of public housing tenants are age pensioners, with disability support pensioners comprising around 18 per cent of public tenants. Public housing tenants often have very high costs associated with illness, disability and caring, and can ill afford any rent hike.

Welfare Rights also understands the even greater difficulty for pensioners in the private rental market. The Government needs to exert as much pressure as possible on private landlords.

14. **The next Government must commit to concrete actions to ensure that pensioners get to benefit from the entire \$30 pension increase.**

Fairer income reporting for Age Pensioners

The new fortnightly reporting rules that started in September 2009 cut the payments of Age Pensioners who work on a casual basis or work intermittently, whereas previously they may not have lost any pension at all.

Welfare Rights recognises that age pensioners who are healthy and lucky enough to have regular part-time employment can benefit from the new income test rules that began in September 2009 where a single person is able to earn \$250 a fortnight from employment (up to \$6,500 a year). However, many age pensioners with casual earnings from employment who work intermittently have been unfairly impacted by these changes. Previously the Centrelink rules allowed age pensioners to spread income earned during a few weeks over the entire year. Under the old rules, age pensioners earn income from marking exams or tutoring, or undertaking seasonal occasional work could average out casual earnings over the year.

This provided some older people the opportunity to save a lump sum to cover expenses for home repairs, take an annual holiday, or purchase gifts for grandchildren at Christmas or birthdays. The Social Security rules should be reviewed to allow greater flexibility in the reporting of casual and irregular earnings.

- 15. The next Government should commit to a fairer reporting regime that supports, rather than penalises, pensioners for taking up casual or irregular work. The more generous “work income test for Age Pensioners should be extended to Disability Support Pensioners.**

Fairer treatment of compensation for injured Age Pensioners

Where a person receives compensation they may be subject to the compensation provisions of the *Social Security Act*. They may, for example, be subject to a lump sum compensation preclusion period. The bigger the payout the longer the lump sum compensation preclusion period.

Where a person receives periodic compensation payments, each dollar of compensation received reduces their Social Security payment (except for Family Tax Benefit and other child related payments) on a dollar for dollar basis.

Generally, the compensation payments are made as a result of injuries suffered in a work or car accident. To be subject to the compensation provisions the compensation payment must be made for lost earnings or lost capacity to earn.

The rationale is that a person should not be able to double dip, that is, where a person receives a compensation payment they should not also receive a Social Security payment. This is appropriate where a person is below age pension age and that is why Age Pension was originally not a compensation affected payment. However, that changed and from March 1997 Age Pension became a “compensation affected” payment.

The change means that a person can be aged in their 80s (or older) and be precluded from receiving the Age Pension on the basis of receiving a compensation payment. Given that the compensation provisions of the Act provide that the compensation payment must be for lost earnings or lost capacity to earn there seems to be an inherent contradiction between the Act and reality. The following case study demonstrates this contradiction.

Social Security compensation rules unfair to Age Pensioners

Mr X worked as builder. At the age of 76 he was awarded periodic compensation by the NSW Dust Diseases Board. The payments are to be made until he dies. He is currently 81. It is, in Welfare Rights' view, inconceivable that the payments are made in respect of lost capacity to earn as he is 81. However it appears that the Dust Diseases Board makes the payment on the basis of lost earnings. If he lives to 100 he will still be entitled to the periodic compensation and his Age Pension will still be reduced due to the receipt of compensation even though there can be no logical argument that the compensation is paid due to lost earnings or loss capacity to earn.

It is our experience that it is very difficult to identify whether the compensation payments are made in respect of loss of earnings. Many of the accident victims settle out of court and therefore there is no evidence to determine what portion of the compensation payment was made in respect of lost earnings. In these cases Centrelink applies the 50% rule (i.e. the lump sum is divided by 50% to work out the preclusion period). This is the case even where, for example the person is aged 64 or even older.

- 16. That the next Government ensure that Age Pension should not be a compensation affected payment and that the law should revert to what it was prior to 1997.**

End “welfare quarantining” in the Northern Territory

Both of the major parties support the policy of income management, where half of a person's Centrelink payments are only accessible through the use of Centrelink Basics Card. The funds can only be spent on a prescribed list of goods and services that are authorised by Centrelink. Income management does not seek to target individuals known to have problems managing their money, or to have drug, alcohol or gambling problems, but instead is imposed on the basis of what sort of payment they receive. In future, income management will be applied to people to live in areas that Government decides are “disadvantaged locations”. At a cost of \$410 million over five years, income management represents a massive waste of finite resources. Instead of resourcing programs that have been shown to work in improving the lives of people facing disadvantage, income management will fund a mini-bureaucracy to micro-manage people's daily spending.

People on Newstart Allowance and Parenting Payment will be targeted for income management, along with people under 24 years who have been on Youth Allowance for three months of the past six months. Age and Disability Support Pensioners that Centrelink assesses as ‘vulnerable’ may also be subject having their income managed by Centrelink officers.

A Coalition Government has said it consider extending compulsory income management to every long term unemployed person in Australia. The Coalition has also indicated that they may apply income management to all parents receiving the maximum amount of Centrelink benefits.

Income management is a flawed answer to a very complex issue. Simplistic ‘get tough’ approaches will not help people into jobs. The administrative cost of income management, based on the Northern Territory experience, is about \$45 a week per person.

The ALP extended income management across the Northern Territory from 1 July 2010, affecting 20,000 recipients and costing \$410 million over five years. Despite the high administrative costs, the Coalition is considering extending welfare quarantining to many more people.

No evidence has been presented that quarantining half of a person income support reduces unemployment or long term reliance on Social Security payments. Requiring a person to use a special card to buy food and other items is demeaning and humiliating.

The approach taken by both parties will actually reduce the capacity of people to learn the financial management skills necessary for a person to become independent and self-reliant.

17. **We call on the parties to repeal the legislation which applied income management to categories of income support recipients across the Northern Territory and introduce a voluntary system of income management.**

Welfare Rights Election Platform on Centrelink

Re-balancing Social Security rights and obligations

Six and a half million Australians or one in three people receive some type of assistance from Centrelink. It therefore plays an important role in the lives of ordinary Australians. Centrelink provides payments to millions on behalf over 20 different Government agencies distributing almost \$86 billion each year on behalf of Australian Government Policy Departments. It sends out around 90 million letters a year and processes about 229 million entitlements a year. Centrelink also helps in times of crisis or emergency – both here and overseas.

Given the above facts, it is amazing that in this election campaign hardly a word has been said about improving Centrelink services.

Centrelink has 27,000 staff, 316 Customer Service Centres, 25 Call Centres, 568 Centrelink Agents and 12 Community access points, delivering services across the nation. It is also the most complained about agency in the Government.

The Welfare Rights Centre deals with thousands of Australians each year who depends on Centrelink to get it right. When things go wrong, the impact on families and individuals can be disastrous.

Unfortunately, too many people experience problems with the Social Security rules and they way that Centrelink administers them. In 2008/09 there were over 2,187,000 overpayments, in a system that provides assistance to 6.5 million people – that's one in three people getting the wrong amount. A 2004 government report found that 1.3 million people, or one in twenty Australians were missing out on some type of benefit. Centrelink is forced to overturn more than a third of its decisions when people appeal to an independent tribunal because staff get facts and legal advice wrong.

These figures are truly disturbing and call into question the reliability of Centrelink's administrative and investigatory processes. Centrelink handles most of its data correctly, and in 2008-09 processed 9.87 million entitlements, with a payment correctness rate of 96.6 per cent. But too often it makes the wrong decisions about the facts which have a bearing on a person's entitlement for payment.

In 2008/09 \$33 million was spent on appeals at the Social Security Appeals Tribunal, with appeals up by 56 per cent on the previous two years. The average cost of an appeal against a Centrelink decision at the tribunal is \$1,992.

In this 2010 Election Statement we look at some of the key challenges facing people with Centrelink problems, explore area where unfair laws can lead to unfair treatment for ordinary Australians, and suggest ways that Centrelink's procedures and outcomes can be improved.

Welfare Rights understands that Centrelink does not make the rules – it just does what the politicians tell them to do. However, it is vital that Government provides sufficient resources so that Centrelink can meet the complex and diverse needs of people who rely upon it. Centrelink is always being asked to do more with less, and this can lead to poor service, mistakes, and people missing out on things to which they are legally entitled to.

The case for independent advice and information about Centrelink

The rules governing our Social Security system are becoming increasingly complex. The following summary highlights developments over the recent period.

- In the last two years there has been a substantial increase in the numbers of appeals and complaints about Centrelink's decisions and services. Internal reviews to a Centrelink Authorised Review Officer increased by approximately 200 per cent, from 40,474 to 82,774 between 2006-07 and 2008-09.⁶ Over the same period appeals to the Social Security Appeals Tribunal almost doubled, from 8,589 to 16,319.⁷
- In 2007-08 Complaints about Centrelink to the Commonwealth Ombudsman had increased by 12 per cent, and in 2008-09 the Ombudsman received 7,224 approaches and complaints about Centrelink.
- Social Security law is becoming increasingly complex and working age-payment recipients are required to have more regular contact with both Centrelink and Job Service Australia providers.
- Additionally, as the obligation on individuals to engage has increased, so too have Centrelink reporting requirements have become more onerous and complicated. Changing patterns of employment, with an increase in part-time and casual work, often with multiple employers, creates significant challenges for income support recipients in ensuring that they accurately report changes and events which can impact upon their level of entitlements.
- The difficulties for individuals in understanding how the system works is made even more difficult as a result of endless changes to Social Security and Family Assistance legislation.

For many years, Centrelink has been placed under too much financial pressure because it is required to provide an "efficiency dividend". Under resourcing can lead to inconsistent and poor quality in Centrelink's decision making, and leave staff poorly informed about the complex rules that they are required to administer.

We recognise that there are efficiencies in migrating people to cheaper service channels, but it must be an individual choice. Staff can be poorly trained and are unable to deal adequately with the increasing complexity of Social Security policies.

18. **We call on the major parties to provide sufficient needs resources for Centrelink to provide accessible, high quality services to the public. Income support recipients tell us that they feel pressured to "adopt" online and e-services, when what they prefer is face-to-face contact.**

Ensure all Australians get their legal entitlements

Urgent action is needed to restore balance and improve the fairness of our Social Security system. Many people are missing out on assistance they are legally entitled to receive. A recent report by the Australia Institute found that 168,000 Australians were missing out on, an average of \$3,707 in

⁶ Annual Reports, *Commonwealth Ombudsman, Social Security Appeals Tribunal and Centrelink*, 2007-08.

⁷ Annual Reports, *Commonwealth Ombudsman, Social Security Appeals Tribunal and Centrelink*, 2008-09.

payments. Lack of awareness is particularly a problem in remote Indigenous communities. The *Closing the Gap* report found that almost one third of Indigenous recipients were receiving the incorrect payment for their circumstances.

As well as checking that people are not paid more than they are entitled to receive, Government should also ensure that people are not out of pocket because of a lack of awareness of their legal entitlements. If Centrelink discovers that people are receiving less than they were entitled to, Centrelink generally fails to provide back payments for monies not received.

Centrelink conducts reviews on a regular basis to identify people at risk of overpayment. In 2008-09 Centrelink conducted over 3.8 million payment reviews. This approach could also be deployed to uncover circumstances where people are receiving less than their entitlement.

Poor and inadequate communication from Centrelink can cause confusion or a lack of awareness amongst income support recipients. Sometimes the consequences for the person is that they accrue a debt to Centrelink.

Pensioners, families and carers should be given greater assistance to appeal Centrelink decisions that they believe are wrong. Currently one in three decisions that are appealed are resolved in the client's favour.

19. **The next Government should simplify payments structures and reporting requirements, and use Centrelink's data matching capabilities to identify those who are missing out and contact them to ensure all are receiving the right amounts of benefits.**
20. **The next Government should ensure that Centrelink correspondence more clearly warns people of their legal responsibilities. It should also explore administrative remedies to address overpayments.**

Preventing errors and debts

The Social Security system is so complex that many people find it difficult to understand the rules and make errors which can lead to significant level of overpayment.

In 2008-09 there were 2,187,821 debts raised, including Family Assistance Office debts. During this period the total amount of debts raised was \$1,926 million.

Current arrangements need to be re-balanced with a more appropriate focus on administrative penalties and solutions instead of an inappropriate and inordinate reliance on the criminalisation of income support recipients. Simple errors and misunderstandings can lead to debts for income support recipients. Examples of these errors are: confusing declaration of gross and net amounts; wrongly guessing the amount of earnings because employers do not provide pay slips; having to juggle multiple jobs paid at varying rates of payment with multiple allowances, or having earnings pay periods unaligned with Centrelink payment periods.

The system is so complex that income support recipients face considerable difficulties meeting or knowing how to comply with their reporting requirements. Current Centrelink arrangements are poorly administered and mistakes and errors – by both Centrelink clients and staff – happen far too

frequently. The very rules which Centrelink administers are out of date, unfair, and need to be overhauled.

Centrelink letters and correspondence which attempt to explain individual obligations and requirements to recipients are often difficult to understand, particularly for people with limited literacy, with limited formal education or whose first language is not English.

The level of deliberate and intentional fraud in the system is acknowledged to be extremely small, at around 0.044%.

Alternatives to criminal prosecution should be considered for people who have a debt but have not committed a deliberate and intentional fraud. These alternatives could build on the work currently being undertaken by the Department of Human Services aimed at revolutionising the way that Government services are delivered, for example, through greater reliance on verification systems.

At the moment people who have not committed a deliberate and intentional fraud can and are prosecuted.

Problems with the current system include:

- deficiencies in the letters to clients which tell them very little except that they owe Centrelink money and that the debt must be repaid within two weeks. The letters from the Family Assistance Office fail to provide any details of why the overpayment occurred;
- where the debt was caused by some, or even mainly, Centrelink error the legislation does not allow it to be waived (ie. not repaid) as the law only allows for waiver where Centrelink error was the sole cause of the debt; and
- the recovery action, including legal action by the Australian Government Solicitor, commences even before people have exercised their right of administrative appeal.

Recovering Centrelink debts and financial hardship

Once Centrelink determine that a person owes a debt, they will commence debt recovery action. If a person is in receipt of Social Security payments, Centrelink policy is to deduct 15% of their payment each fortnight. This commences even when a person is appealing against a debt, for example, seeking debt waiver. A person can seek a lower rate of debt recovery if they are experiencing financial difficulty.

However, from 1 January 2011 people repaying Centrelink debts at a rate below the standard rate of 15 per cent will be subject to a review of their circumstances every three months. The Welfare Rights Centre understands that around 70 per cent of those with a Centrelink overpayment currently pay less than the standard rate of 15 per cent. The quicker rate of recovery is expected to result in \$42 million of debts repaid sooner.

The convention has been that the recovery of debts should not place Centrelink recipients in financial hardship – but change will almost certainly result in hardship.

The next Government should stop with the scheduled commencement date for this change of 1 January 2011, as there is not a clear understanding of the nature of indebtedness amongst those on welfare payments. Not enough is known about how households cope with debt repayments when they

owe multiple debts to organisations such as the Australian Taxation Office, child support, state debt recovery officer, utilities and credit card providers, as well as Centrelink. There should be less focus on Centrelink meeting its debt recovery “key performance indicators” and more energy put into exploring how Australian households experience debt and financial hardship.

21. **The next Government should not pursue efforts to achieve a quicker payment of Centrelink debts. The Government should undertake research into household indebtedness to inform future policies for a fairer debt recovery policy.**

Centrelink and the community

Centrelink has recently reviewed its community engagement strategies and reformed its advisory structures. These changes are generally positive and in particular, the formation of Indigenous Advisory Group and a Youth Advisory Group is long overdue and should begin operating without any further delay.

Centrelink has disability, seniors, carers and multi-cultural advisory groups. However, the groups that are required to have the most frequent, and complex and intensive contact with Centrelink are overlooked – unemployed people and parents.

22. **The next Government should address the current gaps in its Community Engagement Strategy to ensure that Centrelink is provided with the capacity to obtain advice and input from the community and stakeholders representing parents and unemployed people. Centrelink should also provide sufficient resources for stakeholders and community organisations to provide input and advice on improving its services.**

Expand access to independent advocacy and advice services

The Government needs to build the capacity of disadvantaged communities and individuals to understand the increasingly complex Social Security obligations and responsibilities and to access their full Social Security entitlements. It also needs to improve the accountability of Centrelink and the capacity for the Government and Centrelink to get informed, expert feedback on Centrelink performance. This is best achieved by expanding the network of specialist Social Security advice and advocacy services throughout Australia and making them more efficient by improving their coordination. Such assistance is particularly relevant to promote a fairer Australia.

Centrelink practices could be significantly improved by an expansion of independent Social Security advice and advocacy services enabling pensioners, parents, carers, people with disabilities, students and unemployed people to receive independent advice and to challenge Centrelink where necessary. Due to current resourcing too few people can get this assistance which means Centrelink is far less accountable than it should be.

There are just over 27,000 Centrelink staff making large numbers of decisions each day and only 24 Commonwealth funded specialist Welfare Rights workers throughout Australia to provide independent assistance. All of these Welfare Rights positions receive less funding than other Community Legal Centre positions and consequently some positions are only part-time.

From a historical perspective in 1993, the Commonwealth Government provided an initial \$1 million for the establishment of a Welfare Rights Funding Program. This funding program has received indexation increases since that time but has never been expanded despite an overall increase in Social Security and Family Tax Benefit recipients, massive changes to Social Security and Family Assistance law and a substantial increase in activity testing and complexity.

An investment of \$3 million would mean that an additional 30,000 Centrelink recipients throughout Australia would be able to gain independent Social Security and Family Assistance advice each year. This would also provide a significantly increased independent casework data on which to base feedback and advice to Centrelink and the policy departments regarding emerging and entrenched problems.

23. **The Welfare Rights program should be expanded by \$3 million per year. The expansion of funding would enable a significant increase in the capacity of Welfare Rights services to both assist greater numbers of clients and to hold Centrelink more accountable for the services it provides and the decisions it makes.**