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**Submission to the Senate Inquiry into
the design, scope, cost-benefit
analysis, contracts awarded and
implementation associated with the
*Better Management of the Social
Welfare System* initiative.**

22 March 2017

www.anglicare.asn.au

About Anglicare Australia

Anglicare Australia is a network of 36 independent local, state, national and international organisations that are linked to the Anglican Church and are joined by values of service, innovation, leadership and the Christian faith that every individual has intrinsic value. Our services are delivered to one in 26 Australians, in partnership with them, the communities in which they live, and other like-minded organisations in those areas. In all, over 13,000 staff and 9,000 volunteers work with over 940,000 vulnerable Australians every year delivering diverse services, in every region of Australia.

Anglicare Australia has as its Mission “to engage with all Australians to create communities of resilience, hope and justice”. Our first strategic goal charges us with reaching this by “influencing social and economic policy across Australia...informed by research and the practical experience of the Anglicare Australia network”.

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Contents

About Anglicare Australia	2
Contact Person	2
Introduction	4
The human impact of the automated debt collection system	4
Cost-shifting to the community sector, states and individuals	5
Conclusion - consideration of costs vs benefits	6
Appendix 1 - Individual Case Studies involving the Centrelink automated debt collection notification	8

Introduction

Anglicare Australia welcomes the opportunity to submit to this important and urgent inquiry. It is evident that the *Better Management of the Social Welfare System Initiative* (also known as: the Centrelink automated debt recovery system) is causing widespread negative impacts on people; and has major structural implications for the wider automation of Centrelink systems.

While the instigation of this inquiry has not been supported by the Australian Government, we hope that the Government nonetheless will take heed of the evidence presented. This is particularly important because we believe the situation has arisen, in part, because of the pressure placed on the Department of Human Services to deliver specific budget savings through the reclamation of over-payments and outstanding debts. We contend that that this pressure is distorting the function and culture of the Department, and the cycle of implementation, evaluation and improvement that accompanies any proper introduction of major new policy and systems.

As a member of ACOSS we strongly endorse their recommendations to this inquiry, and urge the Committee to do all in its power to have them implemented.

The human impact of the automated debt collection system

This section responds largely to terms of reference a, b and e.

Unsurprisingly given the number of debt notices distributed by Centrelink and the fact that the Anglicare network works predominantly with people on low incomes, our members have come into contact with people who have been impacted by the scheme.

Attached are a number of de-identified case studies that typify the negative impacts resulting from flaws in its design, implementation and technical support. These include:

- The confusion, stress and financial hardship caused by debt notices and forced repayments;
- The high rate of error indicating significant flaws in the data matching;
- The sense of powerlessness it is generating in people who are already disadvantaged; and
- The high barriers to people being able to contact Centrelink and resolve their debt issue.

Anglicare Australia is particularly concerned that the design and implementation of the automated debt recovery system is punitive in its effect on some of our society's most vulnerable people. Previous research has shown that the vast majority of Australians who receive some form of Centrelink payment in their life act in good faith to meet their obligations¹, and our case studies illustrate the effort people make to be honest about their circumstances; yet the system design denies them good faith in return.

The expectation that people prove they don't have a debt before funds are deducted from payments that are already marginal; and the allegations of debt many years older than the requirements to keep tax records advised by the Australian Tax Office are just two examples. Combined with the high error rate and barriers put in place to people being able to dispute or resolve a claim, the result is a system that treats people who may have a debt unfairly and inequitably.

¹ See for example <http://www.abc.net.au/radionational/programs/nationalinterest/deliberate-fraud-or-inadvertent-error3f/3722594>

We also wish to express our apprehension regarding the negative culture the debt collection process and Departmental response to the reporting of flaws has fostered. Put simply, Centrelink is creating a climate of fear and helplessness amongst our most vulnerable citizens, yet it is the agency most responsible for financially assisting those in our community most in need. Anglicare staff members are deeply troubled by the sense of resignation and disempowerment expressed by people levied with a debt claim, and their expectation that they have little or no recourse in the face of such allegations. Not only does this mean that people may well be paying back false debts and incurring further hardship to do so, it is adding new and unjust stress that undermines their mental and physical wellbeing.

Cost-shifting to the community sector, states and individuals

This section responds largely to terms of reference c, d and h.

As detailed by the Department in estimates, the automation of the debt recovery system made the process far more cost-efficient than before, and made the full extension of the program financially viable.² However while the Department benefits from these savings, the affected individuals and community service organisations that support them are paying in time, resources and distress.

As well as discussing the impact the debt-recovery process has had on the people directly affected, Anglicare Australia network members have highlighted to us the spill-over costs to their services. People who have been affected by the debt-recovery process are seeking support from community sector services such as emergency relief, financial counselling, legal aid, and mental health or disability support.

There are several immediate unintended negative consequences from this related to cost-shifting. Firstly, in addition to seeking support to contest their debt, people are coming into our agencies to seek help with the material and psychological impacts of the process. It can add further complexity, and costs, to cases which are already very complex and require intensive support. Secondly, the services people are accessing in the community sector to help them deal with the impact of a Centrelink debt notice are often state funded, so the process is also a cost-shifting from federal to state governments. Thirdly, we are also concerned about cost-shifting onto individuals, especially in the case of people having to spend portions of their NDIS packages to access the support they need.

Anglicare Australia asks the Committee to further investigate the issue of cost shifting, and its implications for government service delivery more broadly. We question whether the serious run-on effects of this debt-recovery process are being taken into consideration and responded to; and if not, why not.

The priorities that have driven the modernisation of Centrelink's systems include simplifying services and communication; enhancing service delivery; supporting greater self-sufficiency of customers and further preventing fraud and non-compliance.³ It is beginning to feel naïve, however, to think that the flaws evident in the implementation of the debt recovery system are simply a misstep in this process for which technical issues are to blame.

Ultimately, the decision to extend the debt recovery process and reduce human oversight is a policy decision which suggests a different set of aims: to extend the reach and intensity of Centrelink's powers of enforcement at the lowest possible cost, without proper consideration and response to consequences such as cost-shifting caused by its blanket application.

² Answer to question on notice, Budget Estimates 3 June 2015

http://www.aph.gov.au/~media/Committees/clac_ctte/estimates/bud_1516/DHS/Answers/015.pdf

³ Centrelink corporate plan <https://www.humanservices.gov.au/sites/default/files/12637-1607en.pdf>

Conclusion - consideration of costs vs benefits

The title of this inquiry includes reference to assessing the costs and benefits of the *Better Management of the Social Welfare System Initiative*, and while there are not explicit terms of reference regarding this point, we believe it is a central question.

Australians expect Centrelink to provide a customer-focused service. If people, or Centrelink itself, are making a significant number of mistakes then the Department of Human Services should want to understand why, and how it can make things work better.

The evidence we have for people caught up in this automated debt process is that correcting the record can be time consuming, frustrating and at times impossible. In this particular matter, where someone has insecure work with erratic hours, as is increasingly the case, or their fortnightly calculations are different to Centrelink's, or if the business they work for uses one name with the ATO and another with employees, it has been that person alone – in the first instance – who has been held to account.

Centrelink's customers often aren't inclined to try to sort things out because, as the Committee will have heard, too often the system provided makes things worse rather than better. In part that could be remedied through adequate staffing and the establishment of a high quality customer-focused culture, as discussed above.

However, the problem at a deeper level is that the design and administration of the basic safety net which unpins Australian citizens' obligations to each other, has not kept pace with the changing nature of our society and of work.

Many people are falling foul of reporting requirements. For others, as submissions to this inquiry have demonstrated, the system simply assumes the worst of them, and pursues them for debts they do not owe.

We remind the Committee too that many people do not receive the full range of allowances and payments they are entitled to. In a research paper several years ago, *Missing Out*, The Australia Institute found people living on the lowest incomes simply weren't aware of their entitlements⁴. In effect there are hundreds of millions of dollars of payments unclaimed every year, and the Department is not expending resources to address these underpayments. The inaccuracy of the system therefore cuts both ways.

These issues have been raised by the Government itself in different ways, such as through the welfare reform review of 2014 and with the proposed actuarial approach to welfare payments' design and delivery. This demonstrates government understanding that Australia's social service legislation doesn't allow for the modern complexities of people's lives.

Anglicare Australia's key point here is that we would expect government, through the department to operate as a learning system that can inform a fairer and more suitable policy and approach.

⁴ David Baker *Missing out Unclaimed government assistance and concession benefits* Policy Brief No. 14 The Australia Institute, May 2010

It is not a sufficient goal merely to retrieve possible overpayments, or (slightly better perhaps) treat people more respectfully when correcting any inaccuracies in the payment and reporting system.

The real objective ought to be to take the opportunity to use the data provided to inform the design of a better, more responsive, more appropriate income support system.

The purpose of income support in our society is to ensure people have enough to live on, whatever their employment status or life circumstances. In part that is to allow people to contribute to and be an active part of their communities, whether they are employed or not, and whether they are wealthy or not. It is also, specifically to make the finding and keeping of work, where that is appropriate, easier rather than more difficult.

Most fundamentally, it demonstrates the value we accord all citizens.

There can be no doubt that income support in Australia is inadequate, most starkly for those who find themselves reliant on the Newstart and Youth allowances. The Department of Human Services, and all of government, has a wealth of information about the struggles people have in trying to get by relying on a safety net that is poorly designed and underfunded.

Anglicare Australia asks the Committee to use its resources to find out how government is using the information it is gathering through this data-matching project to redesign and improve its services.

Finally we make the point that there are many parts of the Australian Public Service who are familiar with, and indeed champions of, co-design. In stepping back from the failed automated debt collection project, government should take the opportunity to co-design an income support system which interfaces fairly and efficiently with the complex realities of the contemporary world of work, education and care.

Anglicare Australia would welcome the opportunity to present to this inquiry to further discuss these matters.

Appendix 1 - Individual Case Studies

involving the Centrelink automated debt collection notification

Case Study 1

"I have been sent a Centrelink debt recovery. Before beginning my childcare Traineeship in April 2016, I was on Centrelink for almost four years while I worked short shifts in a fish market. I particularly needed help when I fractured my finger. Centrelink paid me an "arrears" of around \$1200. I assumed the money was not mine so I resisted touching it so I could send it straight back to Centrelink. After numerous phone calls and office visits, each time I told them I probably shouldn't have it, they always said "It's definitely yours. I can't see anything in the system that wouldn't make it yours. On our end, you have been paid the correct amount." No matter what I said or asked, I was always left with this answer. After so much time off, my partner and I were struggling to make ends meet, often resorting to selling our possessions. So after much convincing from the staff at Centrelink, we used the money to get by, and it helped us a great deal. I'm not sure how we would have made it through had it not been for that payment.

I found it too difficult to re-enter a workplace where I was bullied by managers, underpaid and provided with no safe working conditions. I quit the fish market to pursue my dream job in childcare which I luckily found in less than a month, meanwhile my old employer was investigated by fair trading.

About two months had passed since using the last of the money when I received a call from the Centrelink Debt Recovery Office stating that the \$1200 wasn't mine at all and I was "stupid to use it if [I] had a gut feeling... it's too bad but oh well." Even after my asking, how everyone else managed to get it wrong all the man could say was, very unprofessionally "not my problem mate." Since then I have had three other charges adding up to a grand total of \$2200 that I owed Centrelink, yet the others I had no explanation for.

So now I'm down to owing \$1500, and even at \$50 per fortnight I'm struggling to make repayments on a trainee wage. To hear that this has happened to others upsets me dearly and I hope that no-one has to feel the pressure I'm under."

(Via Samaritans Foundation, NSW)

Case Study 2

A client in Whyalla received a Centrelink letter claiming he owed \$1600. Although unhappy, he had been resigned to paying it; during his financial counselling appointment with Anglicare, the debt was discussed and we suggested he ask for it to be reviewed. He gathered his data and disputed it, reminding Centrelink that he had working credits and the debt was reviewed. He was reassessed as owing nothing and even received a back payment of \$85.

(Via AnglicareSA)

Case Study 3

A female client in Southern Adelaide received a debt notice totalling \$19,000; at the same time as her Family Tax Benefit payments ceased. Centrelink started holding back part of her pension to repay the debt, however, she has since been advised it was an error and is due for a refund which she has received. She had to reapply for the FTB, which has been approved and backdated. This was a good outcome, but was a very stressful time for her before Christmas.

(Via AnglicareSA)

Case Study 4

A 50 year old man on the Disability Pension came in, he had no money for food as Centrelink have taken \$50 extra from his income stating he owes it in child support. He was already paying \$48 so now \$98 has been taken from his income fortnightly. They also advised him he has a debt of \$1700 from 15 years ago. This is from a time when he also had access and spent time with the child in his care. He is going to find his paperwork and appeal this decision as he said he has already paid a debt to Centrelink previously. This client lives in a caravan on a country property owned by another person. He actually is camping. Through winter I actually bought for him warm bedding and woollen underlay to make him more comfortable with his back injury.

(Via Anglicare NSW South, NSW West & ACT)

Case Study 5

A woman aged 67, was advised by Centrelink to repay a debt of \$1,190 from when she was a casual cleaner at a tennis club in 2012. She said she had reported all her hours by inputting them from her pay slip each week, she can't imagine what she had done wrong, but they are taking \$50 per pay from her income fortnightly.

This lady has moved down from Wollongong to be with her daughter who has four boys ages 4 – 14 years to help with child minding while her daughter works. She is living in a situation of severe overcrowding and sleeps with a grandchild at night, she is paying rent/ board of \$300 per fortnight and \$200 per week for food. She is finding it very hard to pay her debts and assist with feeding the family.

(Via Anglicare NSW South, NSW West & ACT)