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**Submission to the Senate
Community Affairs References
Committee on Centrelink's
compliance program**

20 September 2019

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About Anglicare Australia

Anglicare Australia is a network of 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. With a combined expenditure of \$1.59 billion, a workforce close to 20,000 staff and 9,000 volunteers, the Anglicare Australia Network contributes to more than 50 service areas in the Australian community. In all, 1 in every 20 Australians access Anglicare services throughout the year. Our services are delivered in partnership with people, the communities in which they live, and other like-minded organisations in those areas.

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”.

Contact Person

Maiy Azize
Director of Media and Communications

Anglicare Australia
PO Box 4093
Ainslie ACT 2602
T: 02 62301775
Maiy.Azize@anglicare.asn.au

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Introduction

Anglicare Australia appreciates the opportunity to submit to this important and urgent inquiry. However, it is deeply disappointing to Anglicare Australia, our sector, and the people we serve that the recommendations of previous inquiries have been ignored. 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.

We note that the recent *Inquiry into the Design, Scope, Cost-Benefit Analysis, Contracts Awarded and Implementation Associated with the Better Management of the Social Welfare System Initiative* was presented with ample evidence that the goal of Centrelink's automated debt recovery system harms those who use its services. That Inquiry found that the system is fundamentally flawed, and recommended that the program be suspended. The Government's response did not acknowledge the impact of this system and the distress it has caused.

Anglicare Australia notes that the terms of reference for this Inquiry refer to 'errors' in the automated debt recovery system (also known as Robodebt). We contend that the issues confronting this system can no longer be described as errors. The countless public cases of false debts, the millions of dollars in wrongly issued notices, and the fact that the Department of Human Services no longer defends the legality of these debts when challenged in court all show that the failures of this system are well known to those who administer it.

Anglicare Australia's submission addresses Terms of Reference A, B, I, J, and other issues relating to the Federal Government's automated debt collection processes. We recommend that the automated debt recovery system be suspended immediately, and that it be replaced with a compliance regime that has been assessed for errors, tested, and includes human oversight to mitigate the risk of error. Such a system would be more likely to achieve Centrelink's stated mission of delivering "easy and convenient access to high quality government and community services that improve the lives of Australians, their families and communities."

The ongoing impact of the Federal Government's automated debt collection processes

In attempting to address Term of Reference A, Anglicare Australia notes that the impact of the Federal Government's automated debt collection processes cannot be fully known. Debts are routinely issued to people after records cease to be available, making it much harder to disprove their accuracy. In other cases, debts are levied to people so vulnerable that they are unable to participate in a viable challenge. The clearest example of this was the recent issuing of debt notices on flood affected communities in Townsville. Put simply, there is no way of knowing how many people are paying wrongly issued debts instead of challenging them.

Anglicare Australia is particularly concerned that this system is carelessly levying debts on some of our society's most vulnerable people, knowing that a large portion of those debts are inflated or non-existent. As a Network that works for and with people at the margins of society, Anglicare Australia's members have come into contact with many people who have been impacted by this system. Appended at **Attachment A** are case studies collected from frontline staff and clients across Australia. Many of these cases 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 number of false debts stemming from 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.

Some of these case studies were submitted to the 2017 Senate Inquiry into the automated debt recovery system. Others were collected as part of Anglicare Australia's recent *Paying the Price of Welfare Reform* report,¹ which examined the impact of Centrelink automation on Anglicare Australia's clients and staff.

The Government has typically responded to issues with the debt recovery system by advising people to contact Centrelink, assuring them that the system is fair and that staff are there to help. But our case studies show the effort people make to be honest about their circumstances. The system design denies them good faith and human oversight in return. They include examples of people being expected to prove they don't have a debt before funds are deducted from payments that are already marginal. In another case, the allegation of debt is many years older than the requirements to keep tax records advised by the Australian Tax Office. Combined with the flawed data matching process and barriers put in place to prevent people from disputing or resolving a claim, the system treats people who may have a debt unfairly. Many have been denied a fair opportunity to challenge it.

Anglicare Australia Network members and their staff 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. These are illustrated by our case studies, and in our *Paying the Price of Welfare Reform* report. 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 is pushing some people to breaking point.²

¹ Hinton, T. (2018) *Paying the Price of Welfare Reform*. Available online: <https://www.anglicare.asn.au/docs/default-source/default-document-library/full-report.pdf>

² See for example [the case of Rhys Cauzzo](#) and [the case of Jarrad Madgwick](#).

Date data-matching techniques used by Centrelink

According to Government spokespeople, design of the system is underpinned by the principle that it has a responsibility to the taxpayer to pursue any possible over payment. Anglicare Australia argues that the Government has a duty to taxpayers ensure that it is levying debts accurately, that it is conducting due diligence, and that it provides its citizens the opportunity for human oversight and respectful treatment – especially those who are least able to defend themselves.

It further has an obligation to assist people in claiming benefits that are due to them. We remind the Committee too that many people do not receive the full range of allowances and payments they are entitled to. A research paper drawn from the Anglicare Australia Network, *Missing out: Unclaimed government assistance and concession benefits*, found people living on the lowest incomes simply weren't aware of their entitlements.³

We believe the high number of wrongly issued debts can be traced to three factors. The first is the reliance on averages calculated from annual tax records instead of actual fortnightly earnings. This technique is at odds with how Centrelink itself calculates payments. It is also at odds with the work patterns of people relying on Centrelink, who tend to be casually employed or working irregular hours that cannot be accurately averaged.

The second factor is the removal of the requirement that Centrelink manually check this information with employers. This step is critical because employers are not required to provide period of employment information to the Australian Tax Office for their staff. They are only required to provide an annual figure.

Finally, the system places the onus on individuals to instigate a challenge and prove that they do not owe a debt. The barriers that they need to overcome in order to mount a challenge and communicate with Centrelink can be immense. Anglicare Australia's research on Centrelink automation shows that people spend hours and even days attempting to connect with Centrelink staff on the phone or navigate lengthy periods where online systems are down, only to be denied human oversight as a matter of policy.

The data-matching techniques that underpin this system are acknowledged known to be inaccurate.⁴ Coupled with the absence of human oversight and the shift of the onus of proof, we are left in no doubt that the system is designed to tell a story about people on welfare rather than accurately monitor compliance. These flaws were comprehensively explored by the 2017 Inquiry, which recommended a suspension of the program, and by a 2017 Commonwealth Ombudsman report.

³ Baker, D. (2010) *Missing out: Unclaimed government assistance and concession benefits*. TAI Policy Brief No. 14.

⁴ Senate Committee on Community Affairs (2017) *Design, scope, cost-benefit analysis, contracts awarded and implementation associated with the Better Management of the Social Welfare System initiative*. Available online: https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Community_Affairs/SocialWelfareSystem/Report

Recommendation 1: Suspension of the automated debt recovery system

Anglicare Australia recommends that the automated debt recovery system be suspended immediately.

The system must be redesigned. The only way to accurately monitor compliance is with a properly resourced engagement, governance and design process that includes stakeholders so to ensure potential issues are addressed before any redesigned program is launched. Any new system would need to be tested, and a risk assessment of the program must be conducted before launching. The results of these processes should be made public.

Finally, the Government and the Department must ensure there is human oversight of the administration of social security payments to mitigate the risk of error. The complexity of the social security system, as recognised by the Department, necessitates the involvement of qualified Centrelink staff to ensure it is complying with social security law.

Recommendation 2: Designing an accurate compliance system

Anglicare Australia recommends that the automated debt recovery system be replaced with a regime that has been assessed for errors, tested, and includes human oversight.

The review process and appeals process for debt notices

Anglicare Australia notes two recent analyses of the automated debt recovery system by Professor Terry Carney, a long-serving member of the Administrative Appeals Tribunal, on the institutional failings that have allowed the system to continue.

Professor Carney's first paper showed that the system relies on the enforcement of debts that in some cases were inflated or non-existent. When challenged on the legality of these debts, Centrelink routinely elects not to defend them at all. The paper also argues that Centrelink's conduct using averages in internal reviews may breach the Commonwealth's model litigant policy, which requires fair play and for litigation not to oppress citizens. This paper is appended at **Attachment B**.

In his second paper, Professor Carney argues that Centrelink lacks legal authority for raising debts based on a 'reverse onus' methodology, rather than using its own information gathering powers. The paper argues that it is currently doing so knowing that Administrative Appeals Tribunal rulings make the system invalid. The system continues, in part, because advocacy bodies and pro bono legal services have been starved of resources and undermined, making them less likely to challenge the illegality of the system. It also continues because the Department of Human Services itself rarely defends these cases, preventing more powerful precedents from being established that could see the system struck down. This paper is appended at **Attachment C**.

Recommendation 3: Independent review of the model litigant policy

Anglicare Australia recommends an independent body, such as the Human Rights Commission or the Australian Law Reform Commission, reviews the Government's compliance with the model litigant policy. This public review should provide advice on how to ensure enforceability of the policy.

The cost of the compliance program to date

Anglicare Australia rejects the notion of savings associated with the compliance program. The savings to the Government are relatively minor – an estimates hearing recently heard evidence that the Government has spent at least \$400 million to recover around \$500 million through the automated debt recovery system.⁵ The actual costs greatly exceed this figure, as they have been shifted from Government to affected individuals and the community service organisations that support them. They are paying the price in resources, time, and distress.

In responding to Term of Reference I., we are drawing on research conducted for our *Paying the Price of Welfare Reform* report, appended in full at **Attachment D**. The research was conducted across three different jurisdictions by Anglicare Southern Queensland, Anglicare Tasmania, and Anglicare Western Australia.

Our research was based on surveys and face to face interviews with a total of 218 staff, and the collection of client case studies. Over a period of a fortnight, community support staff in our survey were spending the equivalent of 6.6 full time equivalent positions dealing with Centrelink issues. Surveyed staff estimated how much they spent over a week due to clients' Centrelink issues. In one week this totalled \$7,849. This is an annual subsidy to Centrelink of at least \$408,148 from the Anglicare Australia Network.

The issues identified by our research are not unique to Anglicare Australia Network members, and are likely to be typical of agencies working across the social service sector. Many of the difficulties vulnerable customers have in accessing Centrelink are passed on to community service agencies. Two thirds of workers (66 percent) surveyed for our research said it increased the amount of support clients needed. There was a clear sense from staff that the amount of support clients need in relation to Centrelink has increased dramatically as automation has increased.

⁵ Refer to the Community Affairs Legislation Committee [transcript for Thursday 21 February 2019](#).

Increased spending on emergency relief services

When a client's income support payments are deducted, or when debts are recovered from people on very low incomes, community service providers are forced to step in. This means supporting clients with food assistance, rent arrears or bills to avoid eviction and meet other essential items like paying for documentation to process claims, transport and medication.

The survey did not cover all staff dealing with Centrelink issues. The impact on Anglicare services and resources is therefore likely to be a considerable underestimate. There is also no reason to believe that this would not also be the case for other community service organisations. This highlights the unintentional cost shifting to state and federally funded welfare agencies caused by the current approach to digital service delivery, which in turn detracts from the delivery of funded program outcomes.

Recommendation 4: Factoring in costs to the social service sector

As part of this Inquiry, Anglicare Australia recommends the Committee collect estimates from the social service sector on the cost impact to them from the Centrelink automated debt recovery system. These costs should be factored into any considerations regarding the cost of the compliance regime.

Redirecting the work of community services

Although the Centrelink reforms and client self-service aim to reduce government spending, these measures are having a harmful impact both on customers and support services by exacerbating the conditions they seek to address.

A third of workers (33 percent) surveyed for our research said Centrelink affected the ability of clients to engage with services. It is difficult to support people if they are worrying about how they are going to feed their children. Similar to Maslow's hierarchy of needs whereby physiological, security and safety needs have to be satisfied before an individual can engage with other needs, clients had difficulty in engaging with the goals of different services while their lives were dominated by Centrelink issues and securing a stable income.

Furthermore, the time spent with one client and the workload involved could ripple out to others. Nearly a third of workers (30 percent) said that dealing with Centrelink affected the service they were able to provide to other clients. Financial counsellors described previously being able to resolve Centrelink issues during an appointment because they could talk to Centrelink on the telephone while the client was there. With difficulties in accessing Centrelink escalating and long wait times on the telephone this was no longer possible and meant increased waiting times for other clients or increasing the number of appointments an individual needed to deal with their financial situation. This puts enormous pressure on staff to achieve with fewer resources the client outcomes they are contracted to provide.

Recommendation 5: Human oversight and assistance pathways for Centrelink clients

Centrelink must be properly resourced to improve its processes, eradicate error and ensure efficiency in delivering services within reasonable timeframes for all its clients. Anglicare Australia calls on the Committee to explore how Centrelink's systems could include assistance pathways for vulnerable people who have barriers such as low literacy, physical and psycho-social disabilities, have complex needs, or are in crisis. This should include investigating the provision of specialist advocacy services to assist Centrelink clients who are struggling to navigate the system.

Other issues

Anglicare Australia believes that it is not a sufficient goal merely to retrieve possible overpayments, or correct inaccuracies in the payment and reporting system. The real objective must be to use the data provided to inform the design of a better, more responsive income support system.

The purpose of income support 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 to make the finding and keeping of work easier, not harder.

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 Allowance payments. The Department of Human Services, and the Government more broadly, 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 information being gathered through the Department's data-matching is being to redesign and improve its services.

Recommendation 6: Building a better, more responsive safety net

Anglicare Australia recommends that Centrelink strengthen and extend its mechanisms to better identify, track and support vulnerable clients. It must also commit to collecting and using detailed feedback from vulnerable clients and those with complex needs during the period of Centrelink system reform, to improve policy, service design and implementation.

Conclusion

Australians expect the Government to act on the best and most accurate information – or at least, to take all necessary steps to ensure the accuracy of its data. The Government takes this responsibility seriously in most aspects of its work, but has targeted Centrelink users for unusual, unfair, and arbitrary treatment. For example, the evidence of widespread Medicare fraud by private health insurers,⁶ and fraud across Jobactive and Community Development Program providers,⁷ has not sparked the same draconian response. These areas are ripe for recouping far greater savings. It is difficult not to conclude that the most vulnerable Australians are being targeted because they are the least able to challenge a debt notice.

Many people are falling foul of reporting requirements. For others, the system simply assumes the worst of them, and pursues them for debts they do not owe. 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.

Anglicare Australia notes that many parts of the public service are familiar with, and are champions of, co-design. In stepping back from the failed automated debt collection project, the Government should take the opportunity to co-design an income support system which interfaces fairly with the complex realities of the work, education, and care.

We would welcome the opportunity to further discuss these recommendations with the Committee, to elaborate on the case studies we've provided, or to give evidence at a hearing.

⁶ Smith, R.G. (2018) *Electronic Medicare fraud: current and future risks*. Australian Institute of Criminology. Available online: <https://aic.gov.au/publications/tandi/tandi114>

⁷ Australian National Audit Office (2017) *The Design and Implementation of the Community Development Programme*. Available online: <https://www.anao.gov.au/work/performance-audit/design-and-implementation-community-development-programme>