

# rights review

NEWS & COMMENT ON SOCIAL SECURITY ISSUES

## budget redefines “targeting”

**N**ow that the dust has settled on the 2004-2005 Budget, it is clear that its main purpose was to both buy favour with the electorate on the one hand and to trap the Labor Party on the other. On this basis, it appears to have failed in the former but succeeded in the latter.

This is despite the fact that this pre-election budget initiated net new measures worth \$52 billion over four years - about double the spending spree before the last election. The bulk of this new spending is in the form of big tax cuts for those earning more than \$52,000 and an expensive family package that's equivalent to special tax cuts for those with dependent children. In this Budget, the Government effectively redefined the concept of “targeting” to mean “aimed at those whose votes are most needed rather than those who are most in need”.

This approach flies in the face of a recent Morgan Research Poll, published by the National Welfare Rights Network, in which 88% of respondents said they would prefer the Federal Government to spend money to fix problems in health, education, aged care, homelessness and for poverty relief, rather than provide a tax cut. Over recent months, a number of other polls produced similar results, which perhaps explains why the electorate does not appear to have responded positively to the Budget.

### budget defies polls

The Morgan Research Poll also asked people, if there was to be a tax cut, how they would prefer it to be structured. In response, six out of 10 said they would prefer a “larger tax cut for people on low incomes and smaller tax cut for people on high incomes,” (see [www.welfarights.org.au](http://www.welfarights.org.au).) Once again, the Budget ignored this by providing high income earners on more than \$1000 a week with tax cuts of over \$21 a week at a cost of \$1.9 billion, while those on the lowest incomes but highest tax levels (unemployed people) gained nothing and still face effective marginal tax rates of 70c in the dollar on casual earnings. Even families targeted to gain increased Family Tax Benefit (FTB) will still face effective marginal tax

rates of up to 100% due to the Budget's failure to remove the stacking of Youth Allowance, FTB and Child Care Allowance income tests.

Clearly, there is little equity in this electorally targeted and economically irresponsible Budget.



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Available at [www.welfarights.org.au](http://www.welfarights.org.au) guide to social security payments!

## Contact details for Welfare Rights

The contact details of the Welfare Rights Centres involved in the publication of the "rights review" are contained below. For contact details of all member organisations of the National Welfare Rights Network please refer to the website [www.welfarerights.org.au](http://www.welfarerights.org.au)

### Adelaide

Welfare Rights Centre  
Street address: Torrens Building, 220 Victoria Square, Adelaide, SA 5000  
Postal address: As above  
Telephone contact number: (08) 8226 4123, 1800 246 287  
Fax: (08) 8226 4124  
TTY: None  
Email: [wrcsa@wrcsa.org.au](mailto:wrcsa@wrcsa.org.au)

### Brisbane

Welfare Rights Centre  
Street address: Suite 3, 28 Old Cleveland Rd, Stones Corner, QLD 4120  
Postal address: As above  
Telephone contact number: (07) 3847 5532, 1800 358 511  
Fax: (07) 3421 2500  
TTY: (07) 3847 5533  
Email: [wrcqld@uq.net.au](mailto:wrcqld@uq.net.au)

### Sydney

Welfare Rights Centre  
Street address: Level 5B, 414 Elizabeth St, Surry Hills, NSW 2010  
Postal address: As above  
Telephone: (02) 9211 5300 and 1800 226 028 for people calling from outside the Sydney metropolitan area  
Fax: (02) 9211 5268  
TTY: (02) 9211 0238  
Email: [welfarerights@welfarerights.org.au](mailto:welfarerights@welfarerights.org.au)

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## budget redefines "targeting"

Once again the Government has passed over the opportunity to use a significant surplus to reduce the highest marginal tax rates faced by people on Social Security whilst dispensing tax cuts to those with well over average weekly earnings. At the same time, families with older or no children and single people miss out all together.

Even the measures to reward carers are flawed. The long overdue extension to Carer Allowance is welcome but as deserving as carers of people with significant disabilities are, it is difficult to see one-off payments of \$1000 and \$600 just prior to an election as anything more than an attempted election bribe. If carers are so deserving, in the Treasurer's own words, this payment should be ongoing, rather than just one-off.

### labor party reply puzzle

In reply, the Labor Party has swiftly

passed the tax cuts for the top 25% of income earners, and the FTB package, including an immediate \$600 lump sum payment. However, it has also promised to add tax cuts for the three-quarters of individuals who missed out – at the same time as reducing both tax revenue and spending as proportions of the GDP! These promised tax cuts for those under \$52,000 would be very expensive which is probably why the Government did not attempt to do this as well. It is difficult to see how all this could be done without substantial expenditure cuts. Given that Social Security constitutes the largest area of Commonwealth Government expenditure, what lies ahead for Social Security recipients under a Labor Government that is determined to outdo the Government on tax cuts? ▲

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## \$\$\$\$\$\$ = election year

These are all common "change of circumstance" situations that invariably produce an overpayment and debt through no fault of the FTB recipient. They should be treated in the same way as the Government has announced for FTB (B).

### targeting Maternity Payment

The new Maternity Payment will certainly assist families but given that the Social Security system is

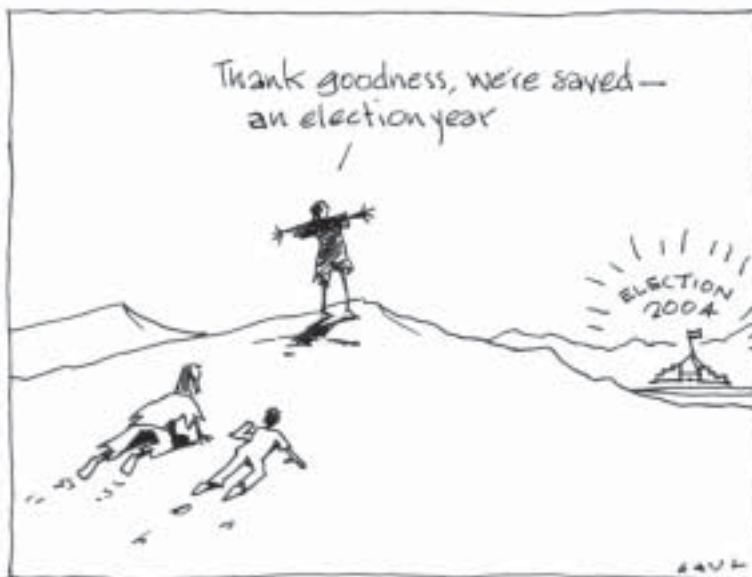
designed to assist those in financial need, it should be means tested. This new payment could have been better targeted by being payable to people entitled to FTB, which cuts out when a family's income reaches \$82,052 per year (plus \$3,285 for each extra child). It is difficult to see how the payment of \$3,000 to a millionaire's family is justified when the Budget failed to assist unemployed people by increasing the rate of Newstart Allowance.▲

# \$\$\$\$\$\$\$ = election year

**W**ith its eyes firmly fixed on the upcoming election, the Federal Government announced a number of major changes in the 2004-2005 Budget to Family Tax Benefit (FTB) as well as introducing a new Maternity Payment.

At a cost of \$19.2 billion over five years, the Government announced the following changes which were then passed by the Parliament in the same week:

- ✦ An increase of \$600 per year in the rate of FTB for each child. The \$600 increase will be made available as a lump sum following the end of each financial year at the time that reconciliation of entitlement to FTB for the previous year occurs. For example, the increase in 2003-2004 will be paid to families after July 2004. The \$600 payment will be used to offset any FTB overpayment that a family may have incurred in the previous year;
- ✦ An immediate lump sum payment of \$600 per child to all families receiving, or who are eligible for, FTB (A) in 2003-2004;
- ✦ A new Maternity Payment of \$3,000, to be introduced from July 2004, which will increase to \$4,000 on 1 July 2006 and to \$5,000 on 1 July 2008. This payment is not means tested;
- ✦ Changes to the income test for FTB (A) and FTB (B). From 1 July 2004 affecting income will reduce FTB (A) by 20c in the dollar - not 30c in the dollar as is currently the case. The income test for FTB (B) has also been relaxed in the same manner. In addition, the FTB (B), income test threshold, which is the rate that income starts to affect the rate of payment, has been increased from \$1,825 a year to \$4,000 a year. This means that a second earner in a family with a child under five will be entitled to FTB (B) at a reduced rate, until their income reaches \$18,600 per year (the current cut-off figure is \$11,559 per year). If the family's youngest



child is over five, the income cut-out figure increases from \$8,614 per year to \$14,184 per year;

- ✦ From July 2005, when a secondary earner returns to work, income received from employment will not be counted against eligibility for FTB (B) already received, meaning that people are entitled to keep the FTB (B) received prior to entering the workforce and will not have an overpayment and debt as at present.

The relaxation of the FTB (A) and (B) income tests is a positive move toward reducing the effective rates of tax that people face when working and receiving Social Security. The \$600 bonus will be of assistance to families, especially those who incur a debt which would normally have to be repaid in a lump sum out of any tax refund.

## further changes required

These changes are welcome, however, further changes are required if the number of people with FTB debts is to be significantly reduced. First and foremost, the

excellent measure that enables secondary earners who enter the workforce to keep FTB (B) already received in that financial year, rather than get a debt and have to repay it, ought to be extended to other "change of circumstance" situations. In particular:

- ✦ Where a single person repartners during the financial year and the partner's income is then included in the annual family income thus causing an overpayment;
- ✦ Where a person's child, who has been earning a little each week throughout the year, suddenly goes over the child annual income limit (perhaps as late as May or June) thus removing all entitlement to FTB for that year resulting in a large overpayment;
- ✦ Where a person gets a lump sum of maintenance in arrears, perhaps for two or three years, thus resulting in a significant overpayment of FTB in the current year.

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# new compliance measures

**I**n the 2004-2005 Budget, the Federal Government has introduced a range of compliance measures with the aim of ensuring that Social Security payments are only paid to people who remain eligible for them. While these new measures are sensible, in that they primarily target debt prevention, as opposed to concentrating on the raising of debts after they have been incurred, there is the potential for the new Parenting Payment measures to be little more than harassment.

The new compliance changes include:

- ♦ funding for a national multi media campaign aimed to encourage income support recipients to notify Centrelink of changes to their circumstances;
- ♦ increased Rent Assistance data-matching reviews to ensure that Rent Assistance is paid at the correct rate;
- ♦ data-matching between Centrelink and the Department of Employment and Workplace Relations to identify people who have obtained work through Job Network members;
- ♦ an additional 147,000 random service profiling reviews conducted on Social Security recipients in receipt of Newstart Allowance, Youth Allowance; AUSTUDY Disability Support Pension, and Parenting Payment;
- ♦ additional funding of \$53.5m over four years to Centrelink to allow it to make more timely assessments of the income and assets held by people in trusts and private companies; and
- ♦ an additional 20,000 face to face interviews conducted by Centrelink each year on people in receipt of Parenting Payment who change address.

It is the last measure that raises concern from the National Welfare Rights Network (NWRN). This measure means that sole parents who simply move house may be targeted for a review and possibly have their payment suspended or cancelled. This measure unnecessarily singles out sole parents for special review treatment.

It is worth noting that a compliance measure introduced in the 2001-2002 Budget which related to the exchange of specific information between the Australian Taxation Office (ATO) and Centrelink has been discontinued due to a "lower than expected number of tip-offs

received by the ATO" (quoted from "Budget 2004-2005 What's New What's Different"). Possibly this is an indicator that Social Security fraud is blown out of proportion by both the Federal Government and the media.▲

## carer votes counted in budget

**I**n the 2004-2005 Budget, a number of changes were announced for carers including changes to eligibility criteria for Carer Allowance as well as a one-off payment to people in receipt of Carer Allowance and Carer Payment.

### new residence provision

The legislative change in relation to Carer Allowance, to be introduced from 1 April 2005, means that carers will no longer be required to reside with the person they care for in order to receive Carer Allowance. This change is long overdue, with the National Welfare Rights Network (NWRN), as well as various carers groups lobbying the Federal Government for a number of years to introduce this change. At present, Carer Allowance, which is a supplementary allowance of \$87.80 per fortnight, can only be paid to a carer who resides in the same residence as the person they care for. Carer Payment, on the other hand, which is paid at the pension rate, does not have such restrictive eligibility criteria.

It is expected that this measure will cost \$106.9m over four years - a very small percentage increase in the overall Social Security budget. The NWRN welcomes this measure,

as it recognises the substantial work that carers perform in the community. However, the minimal impact that it has on the Social Security budget, plus the fact that the current law is so unfair, simply highlights the view that this measure should have been introduced years ago to alleviate hardship amongst carers and to reward them for their invaluable service.

### one-off payments in june

In a further victory for carers, the Government announced in the Budget that in June 2004, people in receipt of Carer Payment will receive a one-off payment of \$1,000 and that people in receipt of Carer Allowance will receive a one off payment of \$600. While this measure was generally well received, it is difficult to view it as little more than a cynical political exercise just months prior to the federal election.▲

# initiatives for newly arrived residents and refugees

In the recent Commonwealth Budget, the Government announced the expansion of existing Reconnect and Job Placement, Employment and Training (JPET) programs, and increased funding for family relationship services. These initiatives are presented as “whole of government” strategies to address issues highlighted in the recently released Report of the Review of Settlement Services for Migrants and Humanitarian Entrants.

- ♦ **Reconnect** - targets children and young people from 12 to 18 who are homeless or at risk of homelessness, to assist them to reconnect with family, training, education and employment.
- ♦ **JPET** - assists young people from 15 to 21 who are homeless; at risk of homelessness; refugees; in care or leaving care; or geographically isolated.

This service expansion to target young migrants is commendable but a fundamental point has somehow been missed - **young**

**people in such programs need money for food, accommodation and transport!** Whilst refugees are eligible for either Youth Allowance or Special Benefit, young migrants and their families are generally denied Social Security during the two-year Newly Arrived Resident's Waiting Period.

Adequate income support is crucial to a young migrant's capacity to study or search for work while dealing with the pressure placed on their whole family while trying to settle into the Australian community. The fact is that many of the young people to whom these expanded youth programs are targeted will not

be able to participate while they and their family have no, or inadequate, means of support.

We applaud the initiatives, however, fundamental to effective settlement amongst migrant families and the prevention of long-term disadvantage amongst young migrants, is income security. Such programs will only be effective if the two-year waiting period for Youth Allowance and Special Benefit is abolished which will provide access to Social Security for newly arrived residents. ▲

## warning - new portability rules starting

**N**ew portability rules are to be introduced from 1 July 2004. These rules will severely restrict the period a Social Security payment can be made while a person is overseas.

The new rules do not affect people receiving Age Pension, Wife Pension or Widow B Pension. People in receipt of these payments may still receive payment while overseas for an unlimited period.

The unlimited portability period, previously available to people in receipt of Disability Support Pension who are severely disabled, is to be reduced to 13 weeks. An exemption will be provided where the person is terminally ill, or where the person's

absence from Australia is or will be permanent and the purpose of the absence is to be with or near a family member, or to return to a person's country of origin.

People overseas on 1 July 2004 will not be affected by these changes and current portability rules will apply to them until they return to Australia. It is important for people to find out how their payment is to be affected while they are overseas; especially people who are planning to go overseas from 1 July 2004.

Any person receiving Social Security

must notify Centrelink of any impending absence overseas, even if only leaving for a few days. It is important for people to clarify their entitlements before leaving Australia.

Centrelink has an international operations unit, based in Hobart, where staff are experienced and knowledgeable about the rules for paying Social Security where a person is overseas. The unit's toll free telephone number is 131 673.▲

# ALP youth guarantee – more than what it seems?

**D**uring the Budget reply speech, the Opposition Leader Mark Latham announced the Labor Party's "Youth Guarantee" policy under which he stressed that Labor would guarantee all young Australians the backing to either "learn" or "earn" but that there would be no third alternative.

Next day, the ALP published a document entitled "Labor's Youth Guarantee: Learn or Earn" which set out the details of all the initiatives that make up the positive side of the guarantee. However, the document also states that "Australians 18 years and younger will be either at school, TAFE, university, undertaking an apprenticeship or in a job."

Obviously, this would be ideal, given the extreme importance of ensuring that all young Australians make a successful transition from school to work. But at present, according to a report prepared for the Dusseldorp Skills Forum, some 45,000 young Australians leave school early and don't go on to either a full-time job or study. So what is to happen to these young people? Are we to read between the lines that if you are not studying or in a job – learning or earning – then there is no longer any Youth Allowance? If there is to be no third alternative, is this document in fact laying the ground work for an end to income support for young, genuinely unemployed Australians? Could the policy in fact be "learn, earn or burn" as Adele Horin recently questioned in the Sydney Morning Herald?

## many positive measures

Retention rates in Australia (to year 12), at about 75%, are well below the OECD average of about 90%, with Japan having 96%. There is no "magic bullet" solution to address this major economic and social problem. It will take a huge investment over many years. In this context, the \$692m four year commitment from the ALP (\$370m of which is new money) could



make significant inroads if implemented from 2006, should Labor win the next election.

**If there is to be no third alternative, is this document in fact laying the ground work for an end to income support for young, genuinely unemployed Australians?**

Over four years, the program is designed to assist some 133,000 young Australians by keeping them in school, or enabling them to move into training or a job. Removing TAFE fees for school students, adding 7,500 extra TAFE places and 7,500 extra apprenticeships and providing a wage subsidy and training program ("Jobs Gateway") for early school leavers who are not

suited to TAFE, apprenticeships or traineeships, are all measures that will address existing gaps and needs.

## positive measures

All of these positive measures are well highlighted and emphasised in the Youth Guarantee document. But what remains unclear is what will happen to those who still fall through the learn or earn gap? The JPET and Reconnect programs are to remain for young homeless and disadvantaged Australians and Jobs Gateway may cover many others. But given the Opposition Leader chose to stress there will be no third alternative and to present Labor as tough on those who do not either learn or earn, a question mark remains over whether Youth Allowance will be available for young unemployed Australians who are not able to benefit from this otherwise positive Youth Guarantee policy. ▲

# 5<sup>th</sup> edition Independent Social Security Handbook now available

**T**he 5<sup>th</sup> edition of the Independent Social Security Handbook, produced by the Welfare Rights Centre, Sydney has recently been published and is now available. The Handbook is available in both hardcopy and ONLINE versions.

This rewritten 5<sup>th</sup> edition not only covers all the significant Social Security law and policy changes of the last two years, but also has a number of new chapters and sections.

The major changes and additions include:

- ◆ the massive changes brought about by "Welfare Reform" legislation and introduced in September 2003
- ◆ the new breaches regime which extends to Parenting Payment and Special Benefit
- ◆ the new activity testing arrangements for Parenting Payment
- ◆ "Working Credit" and how it operates
- ◆ a new chapter on the Job Network under the latest Government contract
- ◆ a completely revised chapter on Centrelink debts

This expanded Handbook continues to cover all the Social Security payments paid by Centrelink –including ABSTUDY, income and assets tests, the Social Security appeals system, Special Benefit, Family Tax Benefit, debts and compensation issues with a number of chapters rearranged for easier access.

The 5<sup>th</sup> edition also retains the detailed and highly acclaimed cross-referencing system with an expanded index.

Drawn from the ongoing casework

experience of the Welfare Rights Centre in Sydney, the 5<sup>th</sup> edition of the Handbook provides straightforward information combined with practical, helpful advice about how to handle each Social Security and Centrelink problem.

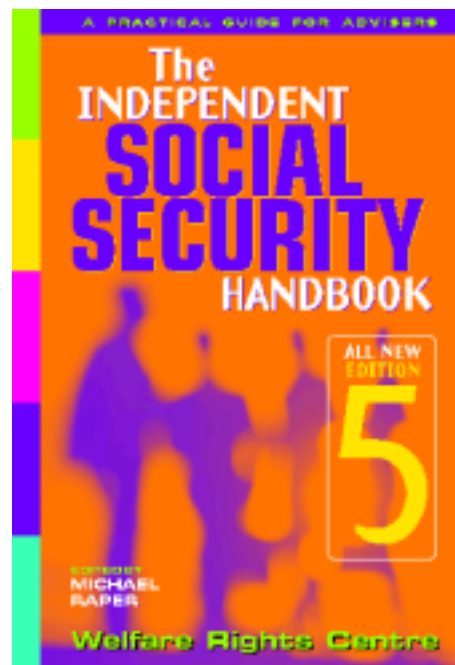
## what people are saying

"This essential handbook untangles the complex web of Social Security law. It provides clear understanding of rights, entitlements and obligations. It covers all areas of Social Security law and policy and is an invaluable resource for anyone working in the area of Social Security law."

### Bill Gerogiannis, Solicitor, Legal Aid Commission of NSW

"Every local community organisation needs to be able to provide information to their clients or members on the Social Security System. This Handbook provides valuable information in an accessible form which allows Social Security recipients and their advocates to understand their rights and entitlements. The South Australian Government believes that this resource is vital to people on low incomes and therefore has provided a free subscription to every funded community organisation in the State."

### Hon. Stephanie Key MP Minister for Social Justice, Minister for Housing, Minister for Youth, Minister for the Status of Women, South Australia



## how to purchase the Handbook

To purchase the Handbook complete the details below and return the form on the back of "rights review" with a cheque payable to the Welfare Rights Centre, 5 B, 414 Elizabeth St, Surry Hills, NSW 2010.

The 5<sup>th</sup> edition of the Independent Social Security Handbook: \$90 plus GST and postage and handling. Total \$105.

The ONLINE EDITION of the Handbook, updated every three months: \$90 plus GST. Total \$99 annual subscription.

Purchase the Independent Social Security Handbook hardcopy and get the ONLINE EDITION for HALF PRICE.

The ONLINE EDITION plus the 5<sup>th</sup> edition hardcopy: \$149 plus GST and postage and handling. Total \$169.▲

# 2004/2005 budget changes at a glance

The following list outlines the major Social Security announcements in the recent Budget and the proposed dates of effect.

## 1. FAMILIES

### One-off Family Tax Benefit A bonus payment

An immediate one-off payment of \$600 to be made to eligible families in June 2004.

Proposed date of commencement: Immediate, with most payments made before 30 June 2004

Cost: \$2,200m in 2003-04

### Increase in Family Tax Benefit A

Increase of \$600 a year in the maximum and base rates of FTB (A) for each dependent child. The payment will be available as a lump sum following the end of each financial year at the time that the reconciliation of entitlement for the previous year occurs.

Proposed date of commencement: 1 July 2004

### Change to income test for Family Tax Benefit A

The current rate of reduction in the maximum rate of FTB (A) as a result of income over the income free area (until rate of payment reaches the minimum rate) is 30 cents in the dollar for every dollar earned above the income free area. This will be reduced to 20 cents in the dollar.

Proposed date of commencement: 1 July 2004

Cost: (of increase in FTB A and change to income test combined) \$12,200m over five years

### Changes to income test for Family Tax Benefit B

Income free area for the secondary earner to be increased to \$4,000 a year from its existing level of \$1,825. The rate of reduction as a result of income

over the income free area to be reduced from 30 cents to 20 cents for each dollar over the free area.

Proposed date of commencement: 1 July 2004

Cost: \$1,800m over four years

Where a secondary earner returns to work, income from employment will not be counted against eligibility for FTB (B) already received. In these circumstances, a person will be able to keep FTB (B) already received in the financial year and will not have a debt as in the past.

Proposed date of commencement: July 2005

Cost: \$592m over three years

### New Maternity Payment

A new Maternity Payment of \$3000 for each newborn child to be introduced. This will increase to \$4000 in July 2006 and \$5000 in July 2008. This payment will not be means tested. It incorporates the existing Maternity Allowance and Baby Bonus. Existing recipients of the Baby Bonus maintain their entitlement under that programme.

Proposed date of commencement: July 2004, with increased payments in July 2006 and July 2008

Cost: \$3,500m over four years

## 2. CARERS

### Removal of residential requirement for Carers Allowance

Non-resident carers providing 20 hours a week of daily care can qualify for Carer Allowance.

Proposed date of commencement: 1 April 2005

Cost: \$106.9m over 4 years

### One-off Carer bonus payment

An immediate one-off \$1000

payment to be made to Carer Payment recipients and an immediate \$600 payment to be made to Carer Allowance recipients – both in June 2004.

Proposed date of commencement: June 2004

Cost: \$255m in 2003-04

### Respite for older carers

Parents aged 70 and over who provide primary care for a child with a disability will be entitled to up to four weeks respite a year, and parents between 65 and 69 who need to be hospitalised will be entitled to up to two weeks respite a year.

Proposed date of commencement: 1 January 2005

Cost: \$72.6m over 4 years

### Respite for young carers under 25 years

Young carers under 25 can access up to five hours in home respite care per week during the school term to help them complete secondary or vocational equivalent education. Unused hours of respite may be stored for later use (up to a maximum of 20 hours). They can also access one fortnight of respite care each year to undertake activities such as study for exams, training or recreation. The respite care blocks can be used flexibly in a single two week block or in single 24 hour periods.

Proposed date of commencement: 1 January 2005

Cost: \$26.7m over 4 years

## 3. COMPLIANCE MEASURES

### Parenting Payment (single) interviews

Centrelink to undertake 20,000

# budget 2004-2005

face to face interviews each year with PPS recipients who report a change in address, to verify their relationship status.

**Proposed date of commencement:**  
1 July 2005

**Savings: \$4.1m over 4 years**

## Media campaign to encourage voluntary compliance

The Government to conduct another media campaign, similar to the 2003 campaign, to encourage increased reporting and compliance.

**Proposed date of commencement:**  
1 July 2004

**Saving: \$214.9m over 4 years**

## Data Matching measures

Increased Rent Assistance data matching reviews to be conducted. Data matching program between Centrelink and the Department of Employment and Workplace Relations' Job Placement Records to identify income through placement in part-time and casual positions by Job Network members.

**Proposed date of commencement:**  
1 July 2004

**Savings: \$50.8m over 4 years**

## More profiling reviews

An additional 147,000 random reviews to be conducted for people receiving Newstart Allowance, Youth Allowance, Austudy Payment, Age Pension, Disability Support Payment and Parenting Payment to check their ongoing entitlement to payment.

**Proposed date of commencement:**  
20 March 2005

**Savings: \$96.5m over 4 years**

## Data matching with DEWR

Data matching with employment records held by DEWR to be extended to generate an additional 25,000 reviews per year. Data

matching with DEWR identifies people who have not declared earnings after being placed in employment from a referral by a Job Network member.

**Proposed date of commencement:**  
1 July 2004

**Savings: \$59.2m over 4 years**

## Assessment of income and assets held in trusts and private companies

Additional funding to make timely assessments of income and assets held by people in trusts and private companies.

**Proposed date of commencement:**  
1 July 2004

**Cost: \$45.8m over 4 years**

# 4. STUDENTS

## Fee-waiver and fee-pay scholarships

All scholarships that pay tuition fees on a student's behalf or waive all or part of a student's tuition fee will no longer be income under the Social Security income test. This measure applies to scholarships offered in the secondary, vocational education and higher education sectors.

**Commenced:** 11 May 2004

**Cost: \$5m over five years**

## Commonwealth Learning Scholarships

Commonwealth Learning Scholarships exempt from Social Security income tests.

**Commenced:** 1 January 2004

**Cost: \$24.6m over five years**

# 5. YOUTH ALLOWANCE

## Waiver of Youth Allowance debts

Certain Youth Allowance debts to

be waived where the overpayment was the result of manual reviews undertaken as part of the Parental Income Test linking initiative. Debts will be waived from the date that the parent notified Centrelink of a change to their financial circumstances, in cases where:

- ✦ the person was receiving Youth Allowance at any time between 1 July 2002 and 26 April 2003, and was identified as incorrectly receiving a Parental Income Test exemption; and
- ✦ the parent(s) of the Youth Allowance recipient actively notified Centrelink of a change in their own financial circumstances; and
- ✦ the debt arose because the Youth Allowance recipient continued to receive a Parental Income Test exemption when, on the basis of the parent's notified change in circumstances, the exemption should not have applied; and
- ✦ the debt was raised in respect to any period between 1 July 1998 and 26 April 2003.

**Proposed date of commencement:**  
immediate

**Cost: \$9.2m over two years**

# OTHER MEASURES

## Centrelink Call Centres

Increase of funding to Centrelink to enable Centrelink Call Centres to meet the anticipated increase in the number of telephone calls plus more complex and longer calls, up to an extra 1.95m calls a year.

**Proposed date of commencement:**  
1 July 2004

**Cost: \$52m over four years**

## Reconnect and JPET

Expansion of existing Reconnect and JPET programmes specifically

# budget 2004-2005

to assist young newly arrived residents.

**Proposed date of commencement:**  
July 2004

**Cost: \$8m over four years**

## Revised Social Security Agreement with Ireland

A revised Social Security Agreement with Ireland which will limit coverage of Disability Support Pension to people who are severely disabled, extend Parenting Payment to widowers as well as other measures.

**Proposed date of commencement:**  
to be announced

**Cost: negligible**

## Voluntary Work Initiative

Voluntary Work Initiative to be funded for a further four years. It provides referral and placement services for working age people to volunteer as part of their participation activities.

**Proposed date of commencement:**  
July 2004

**Cost: \$7.2m over four years**

## Welfare Reform Consultative Forum

Funding for the Welfare Consultative Forum will continue for a further two years. The forum monitors the implementation of the Australians Working Together

package and provides advice to government from key stakeholders on longer term reform of the system. The final report is due June 2006.

**Proposed date of commencement:**  
July 2004

**Cost: \$1m over two years**

## Concession travel on Great Southern Rail service

Holders of the Commonwealth Seniors Health Care Card will have access to travel on the new Great Southern Rail service from Alice Springs to Darwin at reduced rates.

**Commenced: February 2004**

**Cost: \$2m over four years ▲**

# debt decision overturned

**M**any Social Security clients experience financial difficulty where they have worked and their employers delay paying them their salary. Social Security law provides that a person must declare the income in the fortnight it is earned, even if they have not received their salary in that fortnight. So as a result of picking up some casual work, a person may receive no income from Centrelink for the fortnight, and if their employer is not prompt in paying them, they may have no income at all in the fortnight that they worked.

The application of the law in this way is entrenched throughout Centrelink.

It was surprising then, when the Sydney Welfare Rights Centre (WRC) recently dealt with a case where Centrelink ignored the law and took into account income that a person earned *prior to being in receipt of Social Security*.

Billy had a Newstart Allowance debt of \$2802.33 raised against him as he received arrears of salary from his previous employer. When Billy was working for the company he was being paid less than the award wage. Nor did the company pay him his entitlements to annual

leave or sick leave. His Union assisted him with the matter after he had stopped working for the company and Billy was finally awarded \$10,000 in back pay from his employer.

Billy correctly notified Centrelink of the receipt of this income and Centrelink assessed this income over the year in which it was *received*, not *earned*.

Centrelink recovered the entire debt before Billy contacted the WRC. An appeal was lodged to the Authorised Review Officer, clearly pointing out that

it is common practice for Centrelink to take into account income in the fortnight it is *earned*, not *received*. Even though this

may cause financial hardship for people, we pointed out that this is the policy which is indiscriminately applied by Centrelink. Given this, it was unfair to raise a debt against Billy and to assess the income when he received it, not when he earned it.

The Centrelink ARO agreed with our submission and overturned the original decision. Billy was therefore repaid the money Centrelink had recovered from him.▲

# social security changes

## what's happening when in 2004

### new deeming rates

New deeming rates came into effect for pensions and allowances. The new deeming rates are 3% and 5%, and apply as follows:

- ✦ 3% for the first \$35,600 of total financial investments held by a single pensioner;
- ✦ 3% for the first \$59,400 of total financial investments held by a pensioner couple;
- ✦ 3% for the first \$29,700 of total financial investments held by each member of a non-pensioner couple; and
- ✦ 5% for any balances above these amounts.

Before this change the deeming rates were 2.5% and 4%.

**This change came into effect on 20 March 2004**

### family tax benefit top-ups

- ✦ The time allowed for making claims for the payment of Family Tax Benefit and Child Care Benefit for past periods has been extended from one year to two years. The time frame for making claims for payment of top-ups of FTB as a result of FTB reconciliation has also been extended from one year to two years.

**This change came into effect on 20 April 2004**

### changes to the portability rules

- ✦ Payments which were previously payable for up to 26 weeks of a temporary or indefinite absence from Australia, are only payable for 13 weeks, with the exception of Age Pension, Wife Pension and Widow B Pension. Disability Support Pension can also be paid indefinitely where the person is terminally ill.
- ✦ Where a person was overseas

on 1 July 2004, their portability up to that date continues, unless they return to Australia and resume residence in Australia.

**This change comes into effect on 1 July 2004**

### proposed changes to working life residence

- ✦ The formula for calculating the rate at which a fully portable pension is payable after a pensioner has been absent from Australia for more than six months will change. The new formula will affect people whose Australian "working life residence" is less than 30 years (the formula currently affects people who have less than 25 years "working life residence").
- ✦ The change will only apply to pensioners who leave Australia after the date of commencement of the new rule. Pensioners receiving a portable pension under the current rules who are overseas on the commencement day will only be subject to the new rule if they return to Australia for a continuous period of 26 weeks or more and then depart Australia again.

**This change requires the passage of legislation which non-Government parties are blocking in the Senate.**

### proposed disability support pension changes

- ✦ Disability Support Pension eligibility criteria may be tightened. People who are assessed as being able to work at least 15 hours a week at award wages would no longer be eligible (the current test is 30 hours per week). The change would apply to new Disability Support Pension

claimants.

- ✦ Assessment of Disability Support Pension eligibility for people over 55 would no longer take into account local labour market conditions.
- ✦ Centrelink staff would assess work capacity of Disability Support Pension claimants. (Health Services Australia currently makes this assessment.)

**This change requires the passage of legislation which non-Government parties are blocking in the Senate.**

### supplementary payments now compensation affected

- ✦ Supplementary payments will be compensation affected where a person must receive an existing compensation affected payment to qualify for the supplementary payment. The relevant supplementary payments are: Advance Pharmaceutical Allowance, Telephone Allowance (other than Telephone Allowance payable to the holder of a Seniors Health Card), Education Entry Payment, Pensioner Education Supplement, Fares Allowance, and CDEP Scheme Participation Supplement. These supplementary payments will be recoverable from people who also receive an economic loss compensation payment.

**This change comes into effect on 1 July 2004**

### state seniors card

- ✦ Holders of State Seniors Cards to be eligible for concessional public transport fares while travelling interstate.

**The date of commencement is subject to negotiations between Federal and State/Territory Governments. ▲**

# client perspectives on centrelink

**A** senior official from the Department of Family and Community Services (DFaCS) in Canberra recently informed an Adelaide Welfare Rights Centre worker that he had been to a meeting to discuss policy in relation to Youth Allowance (independent rate). Around the table were thirteen people. The youngest was 39. All had been public servants since they left university. The “poorest” was on an income of \$54,000 a year. They were deciding policies which affect thousands of struggling students and their families and yet had probably never experienced poverty or hardship themselves and were a long way from being a youth or a student!

This is not to say you can't be a good public servant without experiencing poverty, but it would obviously help if the policy-makers had some understanding of what it was like to live as a recipient of Centrelink payments.

The Adelaide Welfare Rights Centre recently compiled some common complaints communicated by Centrelink “customers”.

One person in receipt of Newstart Allowance said that they were always treated as if they were guilty, unless they could prove they were innocent. “I constantly have to prove I am worthy of the payment I get,” he said, “and they (Centrelink staff) look at me as if I'm trying to cheat the system. I feel worthless all the time.”

## harsh policies contribute

This experience is reflected in many of the policies of the current Government, which focus on compliance and punishment, not encouragement and rewards. Centrelink has wide-reaching powers to investigate people through the Data-Matching Act, via private investigators, through contact with universities, schools, landlords and employers. And the simplest action may trigger a review. Recently announced measures, for example, allow Centrelink to investigate tens of thousands of single parents because they have a change of address. What other



Government agency would be allowed to investigate private and personal details of an individual simply because they move house?

Another client said “There’s what happens in the real world and then there is the way Centrelink sees it.” Many clients remarked on how DFACS policies cause hardship because they are not in tune with community standards. For example, modern relationships are complex and varied. There is no simple model of a marriage-like relationship. People might break up but remain amicable; some keep in touch because of children; others live together as boyfriend and girlfriend, but do not consider themselves to have a permanent relationship. Centrelink, however, views these issues in a very black and white manner.

## real world

Young people also complain about Social Security legislation. Most people accept that a person becomes an independent adult at the age of 18. However, under Social Security legislation, Youth Allowance recipients are financially

dependent on their parents until at least 21 or, if they are a student, 25. No other area of the law treats a person over the age of 18 as dependent on their parents.

Of course, these policies aren't meant to reflect the real world, but to save the Federal Government money – sadly individuals and families suffer hardship as a result. And, if comments from our clients are anything to go by, the experience of being a Centrelink “customer” is one of being constantly treated with suspicion; of being continually policed; of having your privacy invaded and not receiving Social Security as a result of hard-lined policies which are out of touch with the community.

The last word goes to an unemployed person who was denied Social Security for seven weeks because he could not produce a birth certificate: “People should be required to live on benefits for just one month before they are allowed to write these laws. Things might be different then” he said.▲

# bad law requires change

**A** recent case at the Administrative Appeals Tribunal (AAT) has highlighted the fact that Social Security legislation requires changing to ensure that children not in the care of their parents, but who have not been placed in state care, are not financially disadvantaged after turning 16.

Maria was unable to live at home from the age of eight. Due to parental separation and her mother's difficulty in coping with a sibling's disabilities, as well as her father's intellectual impairment, Maria was at risk of homelessness.

Her grandparents offered to take her in. Maria's mother remained the decision-maker for her pursuant to a court order and her father sometimes became involved in parenting. However, from the age of eight to 16, Maria was predominantly in the care of her grandparents.

At age 16, Maria applied for Youth Allowance at the independent rate. Centrelink rejected her claim and an appeal to the AAT was unsuccessful

on the basis that Maria was receiving continuous support from a person acting in the role of "guardian" (her grandparents).

This is despite the fact that her grandparents had no legal authority and the natural parents lived nearby and were active in her life on the bigger decisions. Social Security legislation therefore provides that Maria is entitled to the same rate of Youth Allowance as a child being supported by their natural parents.

Contrast this with the situation had Maria's grandparents not been "good grandparents", as the AAT noted they were. If Maria had been put in state care and fostered out she would be entitled to the independent rate of Youth

Allowance when she reached 16. However, under current law, Maria will be considered to be dependent on her grandparents until she reaches 25, should she continue studying to that age (unless she qualifies for the independent rate based on other criteria).

Social Security legislation needs to be changed to take into account people in Maria's situation. The current law is unfair and deters people such as Maria's grandparents from helping out. It is a shame that Maria and her grandparents would be better off financially had Maria's grandparents been "bad grandparents". ▲



## Blood from Stone

with its subtitle, 'an advocate's guide to assisting people who Centrelink overpays, and those accused of social security fraud', it is an indispensable nation-wide guide for legal practitioners and community workers dealing with Centrelink debts and social security offences. It contains loads of practical information and strategic advice, both for the new and the experienced advocate.

Readers will learn:

- the details of social security offences and how to defend them
- how to calculate or verify the amount of a Centrelink debt
- the debt recovery methods open to Centrelink, and how to negotiate reasonable recovery action... and many other things.

**Blood from Stone** is available from the Welfare Rights Unit for the full cost of \$75, or at the concessional rate of \$55 for community organisations (GST and postage inclusive). Please send a cheque or money order payable to Welfare Rights Unit with your order. A tax invoice will be supplied with the book.

WRU, 155 Easey Street, Collingwood, Vic, 3066 Fax: (03) 9419 3552 Email: wruvic@vicnet.net.au

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## crisis payment needs fixing

**F**ederal politicians have responded positively to calls from the National Welfare Rights Network (NWRN) to correct an anomaly within Social Security legislation that prevents Indigenous Australians in receipt of ABSTUDY from being eligible for Crisis Payment.

Under Social Security legislation, ABSTUDY recipients are not eligible for Crisis Payment. To be eligible for Crisis Payment, a person must be eligible for another Social Security pension or benefit, and ABSTUDY is not considered under the legislation as a pension or benefit.

Crisis Payment is a payment for people faced with "extreme financial circumstances" who have, for example, left home due to domestic violence or been in goal for at least 14 days.

In a letter to a number of Federal parliamentarians, the NWRN wrote:

"Given the high rates of both

domestic violence and incarceration that affect many Indigenous communities, the NWRN believes that it is important that entitlements designed to address these very situations that are available to non-Indigenous Australians should also be available to Indigenous Australians where they would be of particular assistance."

To fix this problem the NWRN suggested that the Social Security Act be amended so that eligibility for Crisis Payment be extended to ABSTUDY recipients.

Senator Aden Ridgeway told Federal Parliament in May that "Indigenous students already face considerable challenges in

accessing higher education". He called on the Minister for Family and Community Services, Senator Patterson, to concede that "Indigenous students are far more likely to need access to Crisis Payment than their non-Indigenous counterparts," and sought details of the rationale for the difference in treatment.

The Minister for Family and Community Services, Senator Kay Patterson, told Parliament that Centrelink is undertaking community consultations on the operation of the Crisis Payment, and the issue of ABSTUDY recipients being eligible for Crisis Payment has been raised.▲

## indigenous students caught in debt trap

**A** loans scheme that aimed to assist Indigenous students has saddled them with millions of dollars of debt, amid calls to write off the debts.

The ABSTUDY Supplementary Support Scheme, was known as an ABSTUDY loan, whereby students were encouraged to trade-in their ABSTUDY grants for a loan. For every dollar of their payment they traded in, students could borrow up to \$2.

The most recent figures available show that Indigenous students were \$320 million in debt at the end of the financial year to 2002, and the amount of debt continues to increase significantly.

The National Tertiary Education Union (NTEU) has called on the Education Minister Brendan Nelson to write off the debt. The NTEU's Indigenous Officer, Joel Wright told "rights review" that

essentially the scheme was first introduced in an attempt to reduce the financial impact of the removal of the ABSTUDY living away from home allowance.

The loans scheme was abolished last year, with the Government claiming that the scheme was a "debt trap" for students.

"The Minister has acknowledged that the scheme is inappropriate in terms of the amount of debt that it raised amongst the most disadvantaged students, but his conscience wasn't pricked sufficiently enough to find that there was an obligation to write the debt off", Mr Wright said.

The loans scheme, introduced in 1993, was abolished in 2003.

The scrapping of this loans scheme follows on from the axing of the Student Financial Supplement Loans Scheme (SFSL) which was available to students in receipt of Youth Allowance (YA). The SFSL was riddled with the same problems as the ABSTUDY loans scheme – many students ended up in debt and had difficulty repaying the "loans" to the Federal Government.

While the scrapping of these Loans Schemes is welcome, the inadequacy of ABSTUDY and YA rates still need to be addressed to ensure that students are able to make ends meet while studying.▲

# very reasonable AROs

**A**uthorised Review Officers (AROs) change approximately 35% of decisions which they review. Given that they are reviewing decisions made by fellow Centrelink staff, this is a fairly high success rate for people appealing to an ARO. The following two case studies demonstrate that an open-minded approach by an ARO is often necessary when dealing with people's Social Security problems to ensure that a just decision is made.

When Danni contacted the Sydney Welfare Rights Centre she had already received a decision by an ARO to uphold the original Centrelink decision to reject her claim for Youth Allowance at the homeless rate. Exercising her right of appeal against the ARO decision, an appeal was lodged to the Social Security Appeals Tribunal (SSAT). To assist Danni at the SSAT, the Centre interviewed her along with two people who supported her claim that she was not allowed to live at her family home.

Danni told us the entire story which was basically that her parents refused to allow her to live at her parental home. She had been staying at a friend's home and the mother of her friend supported Danni's story. We obtained further evidence from independent sources that the ARO had not previously considered, and we were of the view that we had a watertight case for the SSAT hearing. Instead of waiting for a SSAT appointment, and then a further two weeks for its written decision, and then a further four weeks before Centrelink would decide whether or not to appeal the SSAT decision to the Administrative Appeals Tribunal (AAT), we decided to contact the ARO to ask whether he would reconsider his original decision in light of the new evidence. The ARO was happy to do so and after a submission was provided detailing the new evidence, the ARO promptly changed the decision and Centrelink granted Danni Youth Allowance from date of claim, allowing her to finish her secondary studies.

## open mind on marriage-like

In another case Fraser applied for

Newstart Allowance but the claim was rejected as it was alleged that he was a "member of a couple" and his "partner's" income excluded him from receiving payment. The basis of this decision by Centrelink was that Fraser had purchased a house with his flatmate (a 20% share only). The ARO, in a very fair decision, initially concluded that based on the financial and social factors of the relationship between Fraser and his flatmate, plus the nature of the household and the nature of their commitment to each other, that the original decision that they were a member of a couple was correct.

The ARO stated in the decision that they found Fraser's explanation that he and his flatmate had bought the house together as property prices in Sydney forced them to do so and that they were merely friends was "entirely plausible". The ARO further stated that he would leave

his decision open for reconsideration if Fraser could provide further evidence to support his claims. Fraser did just that, providing documentary evidence from a university lecturer who had known Fraser and his flatmate for 15 years and who supported Fraser's claims that he was not a member of a couple with his flatmate. This information was provided to the ARO who, as a result, changed the decision and granted Fraser Newstart Allowance.

In both of these cases, the open-minded and fair approach of both ARO's to the cases resulted in a favourable outcome for the two people concerned and saved unnecessary appeals to the SSAT. Their approach to these cases should be applauded and should be a model for the way in which Centrelink ARO's handle cases generally. ▲

## compensation preclusion period reduced

**A**fter being retrenched from his job, Bobby attended his local Centrelink office and claimed Newstart Allowance (NSA). However, his claim was rejected as Bobby had a compensation preclusion period which was to expire in May 2004. Social Security legislation provides that where a person receives a compensation lump-sum, they may be subject to a compensation preclusion period which prevents them from receiving most Social Security payments during this period. The purpose of this rule is to prevent people from "double dipping".

Social Security legislation also allows for the reduction of a compensation preclusion period where a person has "special circumstances".

In Bobby's case, Centrelink found that his circumstances were "special" enough to warrant a reduction in his preclusion period. The main circumstance that was considered to be "special" was the fact that he had been retrenched.

Other factors that were taken into consideration were his straitened financial position, the fact that his solicitor's bills accounted for a large percentage of his lump sum compensation monies and that the preclusion period had only six weeks to run before it expired. As a result of Centrelink's decision, Bobby was granted NSA from the date of his claim. ▲

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