



Submission to the Tax Forum

by the

National Welfare Rights Network (NWRN)

September 2011

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1. About the National Welfare Rights Network

Our work

The National Welfare Rights Network (NWRN) is a network of community legal centres throughout Australia which specialise in Social Security law and its administration by Centrelink. Based on the experience of clients of NWRN members, the Network also develops policy and advocates for reform based on the principles and rights set out below. NWRN member organisations (see Contact us) provide casework assistance to their clients, generally by phone, at least in the first instance. NWRN members also conduct training and education for community workers and produce publications to help Social Security recipients and community organisations understand the system. The NWRN also engages in policy analysis and lobbying to improve the current Social Security system and its administration.

Our aim

NWRN member organisations, individual Welfare Rights centres and services throughout Australia, aim to reduce poverty, hardship and inequality in Australia by:

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

Our principles

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

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

2. Summary

Tax Reform and Welfare Reform – Priorities from the National Welfare Rights Network (NWRN)

NWRN's interest in taxation issues extends beyond considerations of the sufficiency of revenue raised to provide essential services in health, education, income support and aged and community care. These further considerations include the building of a socially inclusive society, the adequacy of payments in providing sufficient incomes to live decently and participate socially and economically, the impacts on housing affordability, the influence of payment conditions as either an incentive or disincentive to work or study.

The payment 'poverty gap' between pension and allowances – currently \$131 a week – is the cause of entrenched and endemic levels of poverty amongst unemployed people, students and young people and some single parents and people with disabilities on Newstart Allowance.

The payment gap also creates perverse incentives for unemployed people and parents to seek higher, non-activity tested payments especially when they are older and have been unemployed for lengthy periods of time and are close to Age Pension age. Additionally, the corresponding fear of being moved onto a lower payment allowance creates a major workforce participation black spot. For example people on the Disability Support Pension (DSP) are often very fearful that work – even just a few hours – will trigger a review of medical entitlement to the Disability Support Pension.

Consideration should be given to increasing and indexing the "income free" areas, permitting the averaging of income over a 12 month period, or expanding the "working credit".

Consistent and fairer payment indexation arrangements are critical to payment reform, as is the setting of relativities between single rates and couples rates for allowance payments, which are benchmarked at 66% for pensions.

Liquid Assets Waiting Periods which strip modest savings from retrenched workers and the "sudden death" allowance assets test that applied to allowees are inequitable, according to the AFTS. NWRN agrees.

Initial steps to address housing affordability include increasing the maximum rate of Rent Assistance by 30 per cent and the removal of the rules which penalise certain recipients sharing accommodation. The level of Rent Assistance should be indexed to a national rental index.

NWRN has developed a range of other proposals targeted to the most unfair aspects of our social security system, which if addressed, could lead to better outcomes for many marginalised and socially excluded individuals.

Issues addressed include: Centrelink debts which can be a workforce disincentive; concessions policies, which are most generous to those with the least financial needs; difficulties with Special Benefit; carer inequities; early release of super; Crisis Payment and the costs of participation.

Well designed policies are also placed at risk if not delivered by adequate levels of frontline staff who are diverse, skilled, have input into policy development and are properly trained as new policy is being implemented.

3. The Tax Forum – key issues for income support recipients

3.1 Introduction

Amongst the many important roles of the tax system is that it can ensure that high quality public programs that benefit individuals and communities are strengthened or maintained. All Australians have a stake in a tax and transfer system that is fair, transparent, efficient and effective, and is designed to meet the challenges of an ageing population.

NWRN believes that a key focus of the upcoming Tax Forum should be to broaden the tax base with measures focussed on certain unfair tax concessions that only benefit people living on high incomes. These unfair tax concessions apply in the area of superannuation, capital gains, negative gearing, fringe benefits and trusts. A key priority must be implementing the broad thrust of the AFTS recommendations on superannuation tax concessions which needs to be made fairer. NWRN supports unwinding unfair taxation concessions in the superannuation system that, in the main benefit, higher income earners.

NWRN's interest in taxation issues extends beyond considerations of the sufficiency of revenue raised to provide essential services in health, education, income support and aged and community care. These further considerations include the building of a socially inclusive society, the adequacy of payments in providing sufficient incomes to live decently and participate socially and economically, the impacts on housing affordability, the influence of payment conditions as either an incentive or disincentive to work or study, to name just a few.

3.2 What should our Social Security system look like?

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

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

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

Australia's welfare system should not be overly complex, should be simple to understand, and not based on out-dated notions that some people are "deserving" and others "undeserving".

Payment rates should be based upon people's actual living costs and maintained over time.

Activity requirements need to take account of individual needs and circumstances.

Harsh eight week financial penalties and no payment penalties for non-compliance should be used sparingly, and as a last resort.

3.3 Payment "gap" and work disincentives

The payment 'poverty gap' between pension and allowances – currently \$131 a week – is the cause of entrenched and endemic levels of poverty amongst unemployed people, students and young people and some single parents and people with disabilities on Newstart Allowance.

The payment gap also creates perverse incentives for unemployed people and parents to seek higher, non-activity tested payments especially when they are older and have been unemployed for lengthy periods of time and are close to Age Pension age. Additionally, the corresponding fear of being moved onto a lower payment allowance creates a major participation and workforce black hole. For example, people on the Disability Support Pension (DSP) are often very fearful that work – even just a few hours – will trigger a review of medical entitlement to the Disability Support Pension.

As we discuss later, the loss of highly valued pensioner concessions, including subsidised medicines available under the Pharmaceutical Benefits Scheme is also a major problem.

Table 1, below, provides a detailed comparison between pension and allowances.

In addition to different rates of payment, there are a wide range of other variations, including assets test tapers, earnings free areas and waiting periods. Some of these issues are examined later in our submission.

Table 1. Comparison between allowance payments and pensions

Pension & Newstart Allowance : a comparison, September 2011		
Payment Features	Newstart Allowance (single) (\$pw or %)	Age Pension, Carer Payment, DSP (single) (\$pw or %)
Rate	\$243	\$374 (inc. supplement)
Earnings free area	\$31	\$75
First taper rate	50%	50%
2 nd threshold	\$125	N/A
Second taper rate	60%	N/A
Payment stops when earnings reach	\$452	\$823
Payment taxable	Yes	Yes (Not DSP)
Assets cut-out (homeowners)	Nil payment at \$186,750	Payment cuts out at \$686,000
Assets cut-out (non-homeowners)	Nil payment at \$321,750	Payment cuts out at \$821,000
Pensioner Education Supplement	Not eligible	\$31.20 (limited elig.)
Liquid Assets Waiting Period	1 week wait for every \$500 in savings over \$2,500; max. 13 weeks	Not applicable

There is growing evidence that levels of financial assistance for people who are unable to find work are too low, and need adjusting.

In 2010 the OECD warned that Australia’s unemployment benefit is already so low as to “raise issues about its effectiveness” in providing the financial resources needed to assist Australians to find employment or participate in study or training. In November 2008 the OECD found that single unemployed people in Australia were relatively the poorest of the 30 ranked nations analysed.

The NWRN agrees that the best solution is to help unemployed people gain a job, but this should not deny individuals with sufficient financial support to re-enter the workforce and to live with some level of dignity. Employment is increasingly structural, rather than cyclical, and increasingly jobless people are experiencing longer periods of unemployment.

As a starting point, NWRN proposes that the Government increase unemployment and student payments by \$50 per week, as recommended that the 2009 *Australia’s Future Taxation System*.

3.4 Indexation problems

Youth Allowance and Abstudy are indexed once annually in line with the annual CPI increase. An “indexation lag” of up to 18 months can occur. Newstart Allowance is indexed twice annually in line with the six monthly increase in CPI. On the other hand, pensions are indexed twice annually in line with either the MTAWC or the six month CPI increase or the Pensioner and Beneficiary Cost of Living Index (whichever is greater). According to the

Government's own data in the last decade pension rates have increased by 20 per cent in real terms and in that same period.¹

The growing divergence *between* payments paid to Age Pension recipients, Carer Payment and Disability Support Pension recipients and the different rates paid to people on Newstart Allowance, Newstart Allowance (principal carer) and Parenting Payment (Single) recipients arise because of two key issues: lower levels of payment and less generous indexation arrangements. Table 2, below, highlights these different levels of payment.

Table 2. Various social security payments rates, September, 2011				
Payment (single)	Rate (pw) single	Difference between payments and rate of pension (pw)	Yearly income	Payment type as a % of pension
Pension	\$374.40	Nil	\$19,469	100%
Newstart Allowance (NSA)	\$243.40	\$131.00	\$12,657	65%
Parenting Payment (Single)	\$320.75	\$53.65	\$16,679	86%
NSA (Principal Carer)	\$263.30	\$111.10	\$13,692	70%
Youth Allowance at home under 18	\$106.35	\$268.05	\$5,530	28%
Youth Allowance over 18 Independent	\$194.35	\$180.05	\$10,106	\$52

The table above shows a \$53 a week difference between the single rate of pension and that paid to Parenting Payment (Single). In June 2009 these payments were similar. Parents missed out on the September 2009 \$32 a week pension increase and indexation since then has seen the difference increase to \$53 today. The difference between pensions and parents on Newstart Allowance (Principal Carer) is now \$111 per week. This arises from the compounding impacts of the 2006 Welfare to Work changes and the 2009 pension increases.

Table 3, below, further highlights the continuing unfairness of the existing income support arrangements in the broader context of a continuation of existing indexation arrangements. The current payment differentials and indexation arrangements become more unsustainable and difficult to defend each time the gap between these payments increases.

Table 3: Comparison of single Newstart Allowance and Pension rates

Comparison of single Newstart Allowance and Pension rates			
Year	Pension \$ per f/n	Newstart Allowance \$ per f/n	Newstart as share of the Pension %
1980	116	116	100
2011	729	475	65
Projected 2020a	1,036	593	57
Projected 2040a	2,271	972	43

Source: Productivity Commission, 2011.

¹ Harmer, J. *Pension Review - Background Paper*, Department of Families, Housing, Community Services and Indigenous Affairs, 2008, p. 15.

Consistent and fairer payment indexation arrangements are critical in maintaining a fair and sustainable income support system.

3.5 Couples versus singles

The relativities between single rates and couples rates, which were benchmarked by the 2008 *Harmer Pension Review*, and adopted by the Government, should be applied consistently across other income support payments.

3.6 Addressing poverty traps poverty traps and work incentives

A major concern is that under the current arrangements Australia's poorest pay very high effective marginal tax rates, leading to long-term work and participation disincentives for welfare recipients. The complex interaction of Australia's tax and welfare systems result in the simultaneous tapering of multiple benefits when someone receiving benefits re-enters the workforce.

The existing tax and transfer system locks people out of work and traps them in poverty. Sole parents and unemployed people face punishingly high "effective marginal tax rates" far greater than wealthier Australians pay.

An example of one of the worst "poverty traps" in our social security system relates to a little known payment, called "Special Benefit", paid ordinarily at the rate of Newstart, at \$243 a week, but with different means tests. With this Benefit you lose a dollar for each dollar earned. The losses from work are so high that very few people receiving this payment undertake any paid work. The problems with Special Benefit are discussed in more detail later in this submission

Some of the most severe poverty traps are those faced by people in public housing and the workforce disincentives embedded in public housing arrangements, particularly for those on waiting lists, require urgent attention.

The Government has recognised how unfair withdrawal and harsh taper rates can cause negative work incentives on senior Australians, by providing a generous income limit before payments are withdrawn (\$75 a week as opposed to just \$31 a week for Newstart and Youth Allowance). The income "free areas" for allowances (unlike pension free areas) are not indexed and have remained static for over 30 years. The result is a reduction in the financial returns from employment.

Consideration should be given to increasing and indexing the "income free" areas for Newstart Allowance, Youth Allowance and other beneficiaries/recipients, letting allowees to average out the income over a 12 month period or expanding the "working credit".

3.7 A strong employment services system

Access to effective and responsive employment assistance is critical for individual well-being and the overall prosperity of the nation. Sound investments which engage and motivate job seekers to take opportunities for education or training, to build skills and overcome barriers and disadvantage can help improve people's life experiences and opportunities. This can negate the harmful impacts often associated with prolonged unemployment.

Employment services should have a sharp focus on those who are most vulnerable and in need of assistance and support in moving to sustainable employment.

High levels of staff turnover in employment consultants, which is currently about 30 per cent, has a flow-on effect on how job seekers experience the system, resulting in disruption, loss of familiarity with staff and frustration at having to keep re-telling their story again and again.

Job seekers need to be better engaged and able to participate in exercising choices around providers, activities and employment pathway plans.

A greater focus on job seekers' rights, not just responsibilities and obligations, is required. In our experience, increased attention to quality and complaints handling, and improving job seekers' understanding of basic processes (e.g. JCA, JSCI, service guarantees, EPP, EPF, compliance rules, etc.) would be beneficial for individuals and the system.

3.8 Modest savings stripped from jobless

Claimants of Newstart Allowance, Youth Allowance, Parenting Payment and Sickness Allowance can be subject to the Liquid Assets Waiting Period (LAWP) for up to 13 weeks if their liquid assets are above the threshold amount. In the face of the looming global financial crisis in 2008 the Government, with the support of the Australian Greens, doubled the amount that a person can have in savings before they are affected by the Liquid Asset Waiting Period.

This was a positive step to address a flawed policy that was unfairly stripping people of modest savings before being eligible for social security payments. Waiting periods fail to take account of the low replacement rates of benefits. Social Security payments allow very little capacity (if any) to meet unexpected, emergency or infrastructure costs and denied them employment assistance in the early stages of unemployment. Research shows, for example, that most people lose their homes because of unemployment as opposed to rising interest rates.

According to the analysis of the LAWP in the *AFTS Report to the Treasurer*, the liquid assets waiting period "can result in inconsistent and inequitable treatment of some people with relatively small amounts of savings. It can act as a disincentive to save, especially for people

who expect to need income support in the near future. It can also encourage people to run down their savings more quickly in order to qualify for income support”.²

These comments reflect our experience in providing advice to people who have recently lost their jobs. It is also evident that if a person with modest levels of savings is aware of the impact of the LAWP in delaying their access to income support, then they are able to arrange their affairs perhaps by spending limited reserves that they would prefer to keep. This an unfair and inequitable outcome.

The most sensible approach for these waiting periods is that proposed by the AFTS which is to abolish the Liquid Assets Waiting Period.

The thresholds have never been indexed since their introduction. Had they been, the single rate would be \$8,000 and \$16,000 for couples and single people with dependent children.

NWRN’s preference is that these waiting periods be removed. Alternatively, the thresholds should be permanently restored to 1991 levels (in 2011 dollar terms to \$8,000 for singles and \$16,000 for couples) and indexed to the Consumer Price Index to protect its value. This would result in unemployed people with very modest levels of savings getting earlier access to income support if they are retrenched.

The AFTS also comments on the “sudden–death” assets test for Newstart Allowance, Widow Allowance, Partner Allowance, Sickness Allowance, Special Benefit, Parenting Payment, Youth Allowance and Austudy. Under this test, if a person’s assets are just \$1 above the thresholds, they lose 100 per cent of their income support entitlement. Table 1 provides a comparison of the harsher treatment of allowees under the current assets test provisions.

This leads to “inequitable situations” where a person with a small amount just over the thresholds loses entitlement completely.³ Older people who are retrenched with modest savings or assets are often affected by this poorly designed policy.

NWRN supports consideration of a more comprehensive means test, but in the meantime we urge Government to reduce the harsh application of the sudden death assets test.

3.9 Help for private renters

Housing affordability is a significant issue with around 40% of income support recipients paying in excess of 30% of their income in rent. These people are considered to be facing extreme “housing stress”. Some 60% of single Newstart Allowance recipients and 44% of couples are renting privately, compared with 18% of Age Pensioner singles and 8% of couples.

Levels of housing stress are much higher amongst Newstart recipients (62%) and students (75%), a reflection on the lower rates of social security payments that are paid to age

² Report to the Treasurer, *Australia’s future taxation system*, 2009, p. 551.

³ *Ibid*, p. 551.

pension recipients (29%). Unemployed people are more than twice as likely to be facing housing stress as Age, Carer and Disability Support Pensioners.

A fairer approach would be to index Rent Assistance by increases in national rents paid by income support recipients instead of the existing arrangements where RA is adjusted only to the Consumer Price Index.

Some tenants receiving social security payments are also disadvantaged by arbitrary and discriminatory regulations that have an impact on the level of Rent Assistance paid to individuals. Unfair rules for age pensioners and unemployed people sharing were introduced in 1997. The rules cut the amount of Rent Assistance by a third each week, around \$20.

NWRN proposes an increase to the maximum rate of Rent Assistance by 30 per cent and the removal of the rules which penalise certain recipients sharing accommodation. The level of Rent Assistance should be indexed to a national rental index.

3.10 Centrelink overpayments, fairness and disincentives

Apart from the low rates of social security payments, Centrelink debts are the biggest problem facing people receiving income support, with 2.2 million debts raised in 2009-10, worth \$1.747 billion. This problem was the subject of a 2010 Senate Legal and Constitutional Affairs Committee inquiry.

The Welfare Rights Centre located in Sydney proposed a number of legislative amendments to the *Social Security Act 1991*. The laws are particularly unfair to women who have been pressured by an abusive partner to claim a social security payment as a single person or not to declare the correct amounts of their earnings.

Currently, Centrelink can be 99% responsible for a debt but the debt cannot be waived on the grounds of administrative error because of the 1% contributory error of the person. The situation is worse where a person incurs a Family Tax Benefit (FTB) debt. FTB debt legislation provides that even where Centrelink was 100% responsible for the debt, and the person received the payments in good faith, to have the debt waived the person must prove that they would suffer "severe financial hardship" if the debt was not waived. Centrelink can make a multitude of errors in assessing a person's entitlement to social security yet accepts no responsibility for its errors.

Welfare Rights argued: "It seems to us that the risks in receiving payments are borne totally by social security recipients and there is very little risk to Centrelink... there is essentially little incentive for Centrelink officers or Centrelink in general to get a decision right and to prevent debts, because ultimately, if someone owes Centrelink money, most of the time they are going to have to pay it back..."

The legislation must be changed so that Centrelink is responsible for its actions and hopefully this will lead to correct rates of payment being made. The Senate Committee concluded that "the recovery of debts from persons who receive welfare payments where

Commonwealth agencies are predominantly at fault, or where debts have been caused by the duress of another person, can clearly create unfair and unjust outcomes.”⁴

This recommendation for action was unanimous, and on 10 December 2010 the Minister for Families, Housing, Community Services and Indigenous Affairs has indicated that her Department would investigate the problem and the Senate’s findings.

NWRN urges the Government to provide a timely response to the Senate report and to develop and implement a comprehensive debt prevention strategy across all relevant government departments.

3.11 Hidden Centrelink debt recovery workforce disincentives

The clients of NWRN Members are often shocked to be told about the “effective marginal debt rates” that can apply to a person who has a Centrelink overpayment. As noted earlier, Centrelink overpayments are not uncommon with 2.2 million debts in 2009-10.

The rate at which deductions are made is at the discretion of Centrelink. Table 4 shows the rates at which withholdings will usually be made according to Centrelink policy. These rates are called the “standard rates”. While around 40 per cent of debts are for small amounts under \$100 there are hundreds of thousands of much larger debts which, as the table below shows, are subject to very high benefit and earnings “clawback” rates. These hidden workforce disincentives add greater complexity but, more importantly, they remove the financial motivation to take up or start paid employment.

The Government should develop policies to minimise Centrelink debt workforce participation disincentives that are caused by the existing overpayment recovery arrangements.

Table 4. Rates of withholdings from social security and family payments

Rates of withholdings from social security and family payments
The standard rate of withholdings (deduction) from a social security payment is the total of:
15% of a social security pension or benefit (after income testing and excluding additional amounts such as Rent Assistance); plus
55% of any other income within the “free area”, plus
27.5% of income over the “free area”. or
95% of a person’s total Family Tax Benefit entitlement, where the person receives Family Tax Benefit (A) at the minimum rate; or
25% of a person’s total Family Tax Benefit entitlement, where the person receives Family Tax Benefit (A) at more than the minimum rate; or
95% of Family Tax Benefit (B), where Family Tax Benefit (B) is the person’s only payment; or
95% of a person’s Carer Allowance, Mobility Allowance or Double Orphan Pension where a

⁴ Senate Legal and Constitutional Affairs Committee inquiry, *Government Compensation Payments*, 9 December, 2010.

person does not receive another payment.

3.12 Concession policies: winners & losers

The suite of concessions that are provided at all levels of government are an area of significant cost, complexity and unfairness. There is probably no better example of income support policy that could highlight just how “upside down” a welfare support program can be. For example, eligibility for both a Health Care Card and a Pension Concession Card continues while a person is under a participation penalty. However at state level half fare jobseeker concessions are only available in some states (such as NSW) to unemployed persons in receipt of YA, NSA, PP(P), WA, SA, SpB at maximum rate. This means that while a person is on a participation penalty, they have no right to reduction on travel, even if the reason for their using public transport is to attend a Centrelink office to provide evidence of their reasonable excuse for non-attendance at an appointment.

In addition to being unfair, concession arrangements pose major workforce disincentive for people on “working age” payments due to the risk of losing concessional medicine entitlements or state-based benefits linked to eligibility for the Pensioner Concessions Card.

Considerable benefits accrue to seniors on comparatively high incomes (taxable incomes of \$50,000 for singles and \$80,000 for couples). However, a bare minimum of benefits are provided for unemployed people, young people, apprentices and students, whose needs for financial assistance with utilities, transport and communication are high, especially as they are required to undertake studies and job regular search activities.

The Commonwealth Seniors Health Card (CHSC) is used as a means by which the Commonwealth and state governments provide assistance. The main benefits are: concessions on prescription medicines listed on the Pharmaceutical Benefits Scheme; Hearing Aids; bulk-billing at the discretion of the doctor; a reduction in the cost of out-of-pocket medical expenses, and discounted fares on Great Southern Railway Services.

Various state governments provide other assistance to holders of state “Seniors Cards”, which generally includes, but is not limited to, concessional fares on public transport services and council and water rates discounts. Some state governments provide a greater range of assistance to PCC and Seniors Card holders, including car registration discounts; licences, discount glasses, etc.

Retirees with annual incomes in excess of four times the rate of the Newstart Allowance (currently \$12,000 per annum) are now eligible for a significant number of concessions. Around 293,000 CHSC holders are also eligible for a generous *Utilities Allowance*, worth \$557.60, paid quarterly or annually, and indexed.

Greater financial benefits provided by the Pensioner Concession Card are generally available to older people who are in better health, while a frail, full rate age pensioner in a nursing home may receive little, if any, benefit.

Experience has shown that as concessions eligibility is extended to more and more people, the benefits and real value of these concessions declines over time. For instance, in some states, co-payments have been introduced on some concessions, or concessions may be limited to recipients in receipt of the maximum rate of income support. Full rate pensioners – those groups most in need of extra assistance – end up being the losers as concessions are progressively rolled out on the basis of age, as opposed to need.

NWRN recognises that state governments are struggling with the concessions policies in terms of costs, targeting, reciprocal agreements and equity issues, particularly in an environment of a rapidly ageing (and voting) population.

With an estimated value of \$60 per fortnight, on average, an examination is needed to explore whether the existing can be made fairer and more sustainable and equitable for all social security recipients.

The proposal from the 2009 *AFTS* for a Productivity Commission inquiry into concessions programs and entitlements is warranted and supported by NWRN.

3.13 Disincentive effects of concessions

Recently, the 30 June 2011 Review of Impairment Tables for the DSP was released by the Minister for Families, Housing, Community Services and Indigenous Affairs and it noted the concerns and disincentive effects from the loss of the Pensioner Concession Card as a major workforce disincentive faced by people on the DSP. Welfare Rights also notes the concerns with the loss of access to the DSP and critically, concessional medicines, due to a partner's income resulting in loss of pension entitlement

The Government should, as a matter of urgency, introduce provisions for those with chronic and serious illness by amending the income test for eligibility for the Low Income Health Care Card to only include the person's income rather than that of their partner.

Some state government policies are counterproductive and can undermine participation efforts. For example, in NSW a job seeker loses eligibility for half-fare transport concessions if they earn more than \$31 a week and become eligible for part-rate Newstart or Youth Allowance. Additionally, Centrelink penalties may not be recognised by state housing authorities or penalties can lead to Health Care Cards (as vital public transport concessions) being cancelled.

The Commonwealth should work with both state and local governments to identify and employment and participation address barriers for people with disabilities, job seekers and students.

4. Key policy directions targeting Australians at the margins

NWRN welcomes the Government's keen interest and support for social inclusion as a goal. Below, we highlight a number of policy and legislative changes to existing social security law that would assist in addressing some of the most extreme examples of unfairness in the existing social security system.

Every day the caseworkers in our services talk to people about their experiences with Centrelink and the social security rules. In this way we confront the confusing, complicated and complex features in the social security system. The next section of our submission shines a light on some of the lesser known but important areas of the transfer system that if addressed could lead to positive outcomes for many marginalised and socially excluded individuals.

While some of the policies or rules described may impact on smaller numbers of people, they can have serious consequences for people's health and well-being.

4.1 Increase Crisis Payment

Crisis Payment is available to people on Social Security payments who are in "extreme circumstances" and suffering financial hardship.

Crisis Payment is the equivalent of one week's payment of the recipient's primary pension or allowance. It does not include any additional payments such as rent assistance. For example a single person who is unemployed and receiving a Newstart Allowance would be eligible for approximately \$247. By contrast a Disaster Relief Payment is \$1000 per adult and \$400 per child.

NWRN and other community organisations have long championed the need for the rate of crisis payment to be increased. For example, a person fleeing domestic violence may have to return to an unsafe situation or become homeless. People just released from prison are also particularly vulnerable to homelessness and social exclusion.

NWRN proposes for the rate of Crisis Payment to be paid to people in times of crisis be increased to twice the existing rate. There should also be discretion for Centrelink Officers to make the payment equal to four weeks in appropriate circumstances including risk of homelessness.

4.2 Homeless young people

The requirement that a child under 16 attending school must be "homeless" to receive Special Benefit should be removed.

4.3 Debts unfairly accrued

Debts incurred as a result of the apportioning of the parental income test where a young person was not aware of the activities of their sibling during the relevant period

should be specified by the Minister as a class of debts where waiver is appropriate under the appropriate section in the *Social Security Act*.

4.4 Transport concession entitlements

Rules with respect to eligibility for transport concessions is inconsistent across Australia, For example, eligibility for a NSW travel concession should continue while a person is in a non-payment period. To fix this problem, there is the need for a new Ministerial declaration (by NSW Minister for Transport) to allow a person to still be entitled to a transport concession in NSW while on a participation penalty period.

4.5 Lump Sum Preclusion Periods and concession card

A person on a lump sum preclusion period should have access to a pensioner concession card or health care card if they would otherwise be eligible for one. This is particularly the case given these people usually have disabilities and high medical costs.

Currently the only circumstance in which a person can hold a concession card while under a lump sum preclusion period are extremely limited circumstances where they qualify for a Health Care Card or Commonwealth Seniors Health Card. Twelve months after receiving a lump sum payment, a person may be able to receive the low income HCC. Otherwise the ordinary income test means that they cannot receive the HCC, and their non-qualification for payment means they cannot receive the PCC.

4.6 Waive debts caused by Centrelink error

Power should exist to waive debts which are attributable substantially to an administrative error.

Section s1237A of the *Social Security Act* allows debt waiver for debts which are attributable solely to administrative error where the payments were received in good faith. The requirement that the debt be attributable solely to administrative error prevents many debts from being considered under this section owing to the requirement that any minor error on the part of the social security recipient will then prevent the person from obtaining access to this ground for waiver. Bearing in mind the particular vulnerabilities associated with those in receipt of social security payments, including intellectual disabilities, mental health problems, youth and old age, it is reasonable to allow some scope for error in navigating the social security system to allow at least consideration of waiver under this ground.

4.7 Unfair FTB debt waiver restrictions

The administrative error ground for debt waiver for family assistance debts should not be limited to those in severe financial hardship.

Section 97(2)(b) of the *Family Assistance (Administration) Act* prevents debt waiver where administrative error has solely caused the debt and where the payments were received in good faith unless the person would also suffer severe financial hardship if the debt were not waived.

4.8 Enable ability for back payment of Centrelink payments in “exceptional circumstances”

A legislative “safety net”, or discretionary power should exist at law to facilitate a departure from the standard rule limiting back payment beyond 13 weeks, and the standard rule preventing payment prior to lodgement of a claim, in keeping with the recommendations of the Commonwealth Ombudsman’s Issues Paper “*Mistakes and unintended consequences – a safety net approach*”, November 2009.

Various sections of the *Administration Act* prevent back payment in the event of a successful application for review where review was not sought within 13 weeks, and prevent backdating of payment prior to lodgement of a claim. Section 126 of the *Administration Act* allows the Secretary to review a decision and can be used to correct a mistake, but with limited effect in that it cannot override these statutory limitations.

4.9 The diabolical Special Benefit means tests

Issue 1: dollar for dollar reduction

Where a person’s circumstances are such that they do qualify for a Special Benefit, their rate of Special Benefit is reduced by one dollar for every dollar of income they receive from another source, including employment and any “in kind” support. Unlike other payments, there is no income free area and no taper rate to both encourage and reward employment. The “dollar for dollar” deduction treatment of “in kind” support such as free rent, is especially unfair where any other income support payment rate would not be affected. Even limited charitable and non-monetary assistance may drastically reduce the rate of Special Benefit. In effect, a person’s Special Benefit is penalised in equal measure to the charitable assistance they receive from others.

Issue 2: long and short term available funds tests

The “short term available funds test” applies where a person is likely to need income support for less than 13 weeks. This test requires that a person’s savings be less than the equivalent of two weeks of the maximum rates of Special Benefit and Family Tax Benefit in order for Special Benefit to be payable. If the preclusion period is to be greater than four weeks, the person’s claim is rejected.

The “long term available funds test”, generally applied where a person is likely to need income support for more than 13 weeks, requires that a person has less than \$5,000 in available funds.

The means tests for Special Benefit are therefore far harsher than those of any other allowance or pension, despite the fact that, in the experience of NWRN, Special Benefit recipients are generally more vulnerable as a group than other allowees or pensioners.

The fact that there are separate tests for the one payment is unnecessarily complicated and unfair. A person must effectively pass well beyond the Poverty Line before they can even have a claim processed. Assistance to a person already assessed as being without a sufficient livelihood should not be denied on the grounds that they have not yet spent the last of their usually meagre savings. This is especially so when those savings may be the difference between being able to establish essentials such as housing, utilities and food.

Issue 3: treatment of “in kind” support.

Where a person’s circumstances are such that they do qualify for a Special Benefit, their rate of Special Benefit is reduced by one third if they receive free lodging and by two thirds if they are receiving free board and lodging. Often the reason the person is not paying board/lodging is because they do not have the funds to do so. Often the accommodation is temporary or unsustainable.

Issue 4: treatment of Family Tax Benefit

In situations where a parent qualifies for both Family Tax Benefit and Special Benefit, we have occasionally come across cases where Centrelink has treated the Family Tax Benefit received as “a sufficient livelihood” (thereby precluding payment of Special Benefit), or in some cases the dollar for dollar income test is applied to reduce the Special Benefit by the value of the Family Tax Benefit being received. Family tax benefit is not an income support payment and is not intended to be a “livelihood”. Rather it is intended to assist in the extra costs of raising children. Centrelink guidelines and government policy should be amended to make it very clear that Family Tax Benefit should not preclude or reduce the payment of Special Benefit. Special Benefit recipients are no different from other income support recipients in terms of the costs of rearing children, except perhaps that in many cases they may be even more vulnerable.

4.10 Increase and index supplements

The Language, Literacy and Numeracy Supplement and Work for the Dole Supplement of \$20.80 a fortnight are paid to some job seekers. The purchasing power of these payments has fallen in real terms because they are not indexed for inflation. The government should introduce a general “participation supplement” of \$25 a fortnight and simplify the current range of supplementary payments.

4.11 Income Maintenance Periods

Other social security waiting periods, such as the Income Maintenance Period (IMP) can have negative and harmful effects on unemployed Australians who receive modest termination payments.

Government should undertake a review into the fairness of the current application of Income Maintenance Periods.

4.12 Assistance with utility costs

Rising utility charges are hurting the household budgets of large numbers of Australians. The latest inflation figures from the Australian Bureau of Statistics bears this out. Age, carer and disability support and veteran's pensioners, along with holders of the Commonwealth Senior's Health Care Card, receive financial support with utility bills equal to about \$10 a week.

People in receipt of Newstart and Youth Allowance, and Parenting Payment Single – the groups that missed out on any increases in the basic rates of payments in September 2009 – do not receive any financial assistance from the Commonwealth Government to meet utility costs. Government should provide assistance to meet utility costs by introducing an indexed Commonwealth utilities supplement for Newstart and Youth Allowance recipients and Parenting Payment recipients, worth \$10 a week.

4.13 Social Security and carers

Many carers are of workforce age but unable to work due to their caring commitments. Not only do they forgo a weekly salary, they also have no employer to make contributions to a superannuation scheme. This has a severe impact on the carer's financial situation when they retire from the workforce.

The rules regarding how long a carer's former home can be an exempt asset after they leave that home in order to provide care for someone provides no flexibility. The carer cannot maintain their former home as a source of independence or a private space to spend time in during respite periods.

The inconsistencies in treatment of the former home by Centrelink for Carer Payment and by Centrelink for the Department of Health and Aging's assessment for the issue of an accommodation charge are very confusing to carers, particularly as they both arrive on Centrelink letterhead. In some situations, these inconsistencies place the Carer in an uncomfortable position of deciding whether to continue to receive Carer Payment themselves or deciding whether to eliminate the need for the person being cared for to pay an accommodation charge when they enter a nursing home, depending on where they are living while providing care.

Social security legislation also needs to be more flexible where the carer stops caring for the caree. Payment rates, concessions and additional supplements and allowances can be reduced almost immediately. The person may experience reduced rates of Rent Assistance and be required to undertake job search activities for which they are totally unprepared. According to the AFTS, in 2008 around 5%, or 6,300 carers each year experience such treatment under existing social security rules.

Carers often face difficulties acclimatising directly after they cease caring responsibilities and even where the caree is placed in a care institution the carer often visits daily to provide

support. In such situations it would be appropriate if the carer was allowed to remain on Carer Payment for 13 weeks after the caree was placed in care, giving the carer time to acclimatise to a new situation which includes receiving a Social Security payment (ie. NSA) that is paid at a significantly lesser rate than Carer Payment.

4.14 Improving care options

Flexibility should exist for situations where the care is not provided in the home of the person being cared for. Consideration should be given to removing restrictions about where the care must be provided.

4.15 Caring for more than two adults with disability

Flexibility should exist for situations where a person is caring for more than two disabled adults.

Currently where a person is caring for their children and the youngest child turns 16, their payments are cut because a person can receive Carer Allowance for more than two disabled children, but can only receive Carer Allowance for two disabled adults. NWRN proposes that the law be amended to provide that a person cannot qualify for more than two carer allowances unless they are providing care for family members, in which case no restriction as to number of carer allowances applies.

4.16 Engaging and participating – at what cost?

Fifty per cent of Centrelink clients now engage online and each week 800 people sign up to telephone self-services.

For many, 'self-service' is convenient and the preferable way to receive and give information. For the Government, 'self-service' is efficient and considerably cheaper. Indeed, the Government's commitment to providing individual, case-managed support and services for the most vulnerable people will only eventuate if it can generate savings by changing the way business has traditionally been done. This means less contact over the counter.

However, some people will continue to want face-to-face services. Newer ways of doing business with various agencies should compliment, not replace, face-to-face services.

One growing problem is that the move to greater "self-service" is leaving many at risk of reduced access and facing higher costs because they must deal with Centrelink and other agencies by mobile phones via 13 or 1800 numbers.

Research by the Australian Communications and Media Authority (ACMA), the telecommunications regulator, found that 14 per cent of the population are mobile-only users. More people are living without a landline and payphones are quickly disappearing. Only one in two households has regular internet access.

Governments overseas have recognised the danger that vulnerable and marginalised individuals and communities will end up with extra costs, second rate services and reduced access because they are relying on pre-paid mobile phones. The UK Work and Pensions Department has come to an agreement with telecommunications providers to offer free calls for mobile phone users.

NWRN believes that Australian Government should use its powerful market position to get a better deal for people needing to do government business over the telephone. Government contracts with telcos should include free access to 1800 and 1300 for mobile phone users. While governments and agencies continue to ignore the problem, more and more people will be isolated and excluded from services.

An additional concern with the move to self-service and telephone service provision relates to the Basics card hotline, which a person under income management must use in order to check the balance on their account. Many of our clients report an average wait time on hold in order to do this of around one hour, which is unreasonable when considering that many of these people have obligations in caring for children or complying with their activity testing obligations.

4.17 Family violence - law reform and lessons

Social security law and service delivery need to be sensitive to responding to family violence. The Australian Law Reform Commission (ALRC) has released a discussion paper on *Family Violence - Commonwealth Laws* which makes a number of significant proposals for changes to social security and family assistance law and policy in the area of family violence.

The inquiry extends into a number of areas of Commonwealth law which are of importance to social security and family assistance recipients experiencing family violence including child support arrangements, pre-employment assistance and superannuation.

The discussion paper makes a number of proposals which are worthy of support.

Below, NWRN highlights an example of how poor administration of a policy can reduce its effectiveness. It also raises issues around the broader availability of information about agencies implementation of policies.

While appropriate legislation was recently passed in July 2010 to allow for exemption from inappropriate activity requirements for women experiencing family violence Centrelink's internal procedures (called e-references) were recently found to be in contradiction to the law, which mandated 16 week exemptions. Despite the high prevalence of violence and abuse against women, just 53 activity exemptions were granted at March 2011. Fortunately, this issue was responded to and quickly resolved.

However, this example highlights the case for greater transparency in Centrelink. These internal guidelines (called e-references) are a well-kept secret. NWRN believes that there

are clear public interest benefits in wider community access to Centrelink's suite of e-reference documents.

4.18 New Zealanders

New Zealand citizens who arrive after 26 February 2001 are prevented from receiving social security payments due to the operation of s29(1) of the *Social Security Administration Act 1999* which requires a person to be an Australian resident. New Zealanders, unlike other migrants, however, have indefinite work rights, and the right to remain here indefinitely. They contribute to compulsory superannuation in Australia and pay tax in Australia while working.

For these reasons, we say that it is appropriate that they be distinguished from other migrants and ought to have access to the same form of social security as Australian residents. As such we recommend amending the definition of Australian resident to include Special Category Visa holders.

In the alternative, we recommend access to Special Benefit where a New Zealand citizen is in financial hardship and unable to earn a sufficient livelihood for themselves and their dependents due to reasons beyond their control.

4.19 Early release of super

The Superannuation Industry (Supervision) Regulations 1994 provide that a Commonwealth income support payment means those payments as defined in section 23(1) of the *Social Security Act*, and other social security benefits other than some payments including Austudy, and Youth Allowance for full time students. Abstudy is not included under either pieces of legislation.

This is based on a concern that unrestricted access to superannuation benefits while undertaking study would have the potential to compromise the policy intent that superannuation savings should generally be preserved until retirement.

An early release of superannuation is not treated as income for social security purposes. However, it is treated as income for family assistance purposes. This means that when the superannuation is released on compassionate grounds, it will often be eroded first by tax and then by family assistance rules (in some cases family tax benefit may be reduced and in other cases may be cut-off and a debt raised). Thus a large portion of the funds will be taken by the Government when it is desperately needed on compassionate grounds. Changes should be made to the definition of income for family assistance purposes to prevent this from occurring.

However, we believe that in certain limited circumstances early release should be an option. Additionally, there are a number of other aspects of the current system that have been identified as being unduly harsh:

- provisions requiring continuous receipt of income support payments;
- restrictive Provisions for New Zealand Citizens; and
- the interaction between the provisions and Centrelink penalties and no payment periods.

5. Governance issues and the Tax and Transfer System

The Tax Forum Discussion Paper, *Tax Reform Next Steps For Australia* poses a number of questions with respect to the governance of the tax system, and a clear focus of the *Session 6: Tax system governance* will be on matters of simplicity and the potential benefits of employing newer technology and processes to improve people's interactions with, and understanding of, the system.

From NWRN's perspective it is critical that people's experiences with the transfer system also be given due consideration at Tax Summit. This is important for a number of reasons.

- Over 7 million Australian's receive either an income support payment or family payment from Centrelink, (one of the Department of Human Services five separately branded "master" agencies as of 1 July 2011.)
- DHS is the largest Government agency, with over 42,000 staff. With responsibility for delivery of a wide range of Government services and programs it plays a pivotal role in the lives of large numbers Australians.
- In times of a personal or family crisis – unanticipated retrenchment, loss of a partner, death of a loved-one, a sudden onset of illness – Centrelink is often the first port of call.
- Groups that are particularly vulnerable, including many living on low incomes, who may be vulnerable and socially isolated, experiencing domestic violence or homeless, have poor communication and literacy skills or have an illness or a substance use problem, expect to be supported and helped by Centrelink, should the need arise.
- The critical links between service delivery, policy design, implementation and evaluation.

In addition to the policy priorities that have been highlighted by the NWRN, we wish to draw attention to equally important considerations of ensuring that the policy settings are appropriate, that unintended consequences are minimised or at least prepared for, and that as far as possible stakeholders and community representatives are engaged at all stages of policy design and implementation. Policies also need to be effectively communicated.

Good policies can be undermined if they are not clearly understood or poorly communicated to the public. Poorly understood policies can lead to negative outcomes for

disadvantaged consumers if feedback and complaint mechanisms are not sufficient to capture feedback and allow for quick intervention to respond to any identified deficiencies.

Well designed policies are also placed at risk if not delivered by adequate levels of frontline staff who are diverse, skilled, have input into policy development and are properly trained as new policy is being implemented.

Accordingly, we urge Government and stakeholders to consider the following issues at the Tax Forum:

5.1 Obtaining current, accurate and regular and agreed data from government departments

Along with other community welfare organisations, the National Welfare Rights Network and its members are committed to evidenced-based advocacy. Governments and their administrative departments expect no less of us and are quick to criticise if they believe we have made a factual error.

For this to occur, it is essential that all government departments provide readily accessible, high quality, consistent, regular, and affordable data and information on an agreed set of economic and social policy topics and issues.

There are questions as to whether Centrelink has the resources to collate the data, and whether policy departments see data collection and its dissemination as a priority and provide the appropriate level of resources to carry out the tasks.

The lack of available data raises questions about whether the departments or the Government can report accurately on performance and outcomes in many areas, as there is no data available. This raises the issue of where is the broader accountability of Government/or of the various Departments for programs and outcomes.

The NWRN seeks a commitment that the departments and agencies will work cooperatively and will adequately resource the collection and dissemination of client data that is consistent and comparable with previous data sets, in a standardised format and in a timely manner.

Better access to quality data allows NWRN and other community organisations to have a more sophisticated discussion and dialogue with the departments, policy advisers, service delivery agencies and with Government, on policy changes and the reform agendas.

The level of complexity that bedevils our transfer system is not just a major irritant, but a serious problem that has major, often negative, consequences for many social security recipients. Low level of functional numeracy and literacy, combined with low average levels of education, English as a second language, or lack of availability of awareness of interpreters, can mean that income support recipients experience problems in meeting their obligations and understand their reporting requirements.

Many of our clients are reliant on third parties to comply with their obligations to Centrelink, and many of those third parties themselves are unable to understand the obligations which exist. Centrelink is only bound to notify a person in writing and in English of their obligations. We believe there are many clients who need this information explained to them face-to-face and in their own language. We recognise that this would be a huge task to administer, but depending on the context (for example, at the point of claim) taking this step would result, we believe in a huge reduction in the level of overpayments which arise through misunderstandings about a person's obligations, particularly the obligation to notify about changes in circumstances.

5.2 Improving communication and understanding

In our experience many complaints and appeals are the result of poor communication and inadequate explanations of why a decision has been made. Similar views have also been made by the Social Security Appeals Tribunal and the Commonwealth Ombudsman.

It is relevant to draw attention to recent comments by the Commonwealth Ombudsman who was reported as believing that "a more relentless focus on plain speaking across all levels of government could save tens of millions of dollars."⁵

Welfare Rights agrees with this claim. Poor communication, unclear correspondence, excessive or too little correspondence, is costly to individuals and taxpayers alike. In addition to significant savings that would result from better communications, there would be extensive "human" savings, in terms of reduced anxiety and stress.

NWRN responded to the Ombudsman's comments in a letter to the editor that was published on 23 September.⁶ A copy of unedited text appears in full below, as it highlights the dangers and consequences of failing to ensure that rules or requirements are clearly understood.

Letter to the editor, Australian Financial Review (published 23 September, 2011)

The Commonwealth Ombudsman (Ombudsman targets government gobbledegook, AFR, 20 September) is not alone in his frustration about government agencies being unable to effectively communicate or explain their policies.

As a national peak body of specialist legal centres that deal with complaints regarding social security law, policy and Centrelink's administration we know all too well about the consequences of poor and ineffective communication. Centrelink consistently tops the list of being the agency most complained and our clients often pay the price.

The use of jargon, acronyms or unclear language can have serious negative consequences for all people, but particularly for disadvantaged people who might be missing out on their legal entitlements, or are unfairly saddled with a debt to Centrelink because of overpayment.

Of course the issue of how to make letters from Centrelink understandable isn't new. Back in the 1990s under the former Department of Social Security our staff recall taking part in consultations with the then Minister for

⁵ Australian Financial Review, *Ombudsman targets government gobbledegook*, 20 September, 2011, p. 3.

⁶ Australian Financial Review, *Centrelink tops in gobbledegook*, Letters to the Editor, 23 September, 2011.

Social Security Peter Baldwin on what was euphemistically called a 'dirty letters' working party. Under the former Coalition Government we took part in the Colbeck Letters Review. Little has changed.

Issues around correspondence and letters is always on the agenda when Welfare Rights meets with Centrelink, whose staff members are genuinely interested in seeing improvements. Community organisations, particularly those who regularly explain the system to clients in plain English through their casework, are natural partners to work with the Ombudsman and government agencies on efforts to fix this challenging problem.

When all the stakeholders and interest groups are busy putting their policy reforms on the table for the upcoming Tax Summit, NWRN would caution that the best tax and transfer system in the world will be seriously compromised if those who interact with the rules can't understand them.

Tax and welfare reform is a complex process which can often be informed by practical knowledge and experience.

*Maree O'Halloran,
President,
National Welfare Rights Network*

5.3 Complaints and appeals

Centrelink regularly tops the list of most complained about organisations according to the Commonwealth Ombudsman. Given the important nature of the services and supports delivered by Centrelink government has a duty of care to ensure that feedback, complaint and appeal mechanisms about Centrelink and social security rules and policies are accessible and fair.

For the complaints and appeals processes to work properly, they need to analyse and interrogate the data and feed it into quality assurance systems. Complaints and review processes also needs to be adequately funded. Proposals by Centrelink in 2004 and 2007 for additional resources were unsuccessful.

5.4 Engaging with the community about tax and welfare reform

The Department of Human Services and Centrelink place a great deal of emphasis on the importance of community and stakeholder engagement, which occurs at a national, state and local level.

NWRN regularly meets with Centrelink and participates in various advisory forums. Additionally, our members are involved in delivering a significant amount of community legal education and information seminars and hold workshops and meetings on social security and Centrelink changes. Without a doubt, there is a great thirst for information about "what's new" in Centrelink/DHS.

Some community groups experience difficulties finding out about new initiatives and proposals and their status, and for some the available information is too general, with not enough information.

One idea worth considering is the development of a community engagement clearinghouse or portal /website which holds presentations, talks, fact sheets, feedback, reports and minutes, etc. from all of the stakeholder meetings held across Australia. This type of facility would be an invaluable resource and would assist with the quick dissemination of relevant, up-to-date information on new service government initiatives throughout the extensive network of local community organisations throughout Australia.

6. Tax reform and revenue options

NWRN believes that a key focus of the upcoming Tax Forum should be to broaden the tax base with measures focussed on superannuation, capital gains, negative gearing, fringe benefits and trusts. A key priority must be implementing the broad thrust of the AFTS recommendations on superannuation tax concessions which needs to be fairer.

If the removal of workforce disincentives and efforts to increase the participation rate are successful, this will result in savings in terms of reduced calls for income support, and lead to more income tax receipts from taxpayers.

7. The next steps

For genuine reform of the tax and transfer system to be successful it is essential to build community awareness of the options and their implications. The community welfare sector (including NWRN) has a significant role to play in the development and delivery of reforms in this area.

The Government should build on the deliberations of the Tax Summit by establishing a *Payments Reform Commission*, comprised of community organisations, relevant stakeholders and policy and service delivery agencies. The first task of the Commission should be the development of a series of options papers that would form the basis of community consultation on improvements to the system.