



**Ensuring Fairness &
Support in Uncertain
Times**

**2011-12 Federal Budget
Priorities**

by the

**National Welfare Rights
Network (NWRN)**

31 January 2011

1. About the National Welfare Rights Network

Our work

The National Welfare Rights Network (NWRN or Welfare Rights) 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 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.

Tax reform and welfare participation – immediate recommendations for action

1. Welfare Rights supports a time-limited, fair, targeted “flood levy”.
2. Consideration should be given to addressing workforce disincentives which create major barriers to employment and participation. The priorities include reducing the “stacking” social security tapers, the high effective marginal tax rates faced by public housing tenants, tapering rates of 70 per cent facing Newstart Allowance, or 100 per cent EMTR’s facing Special Benefit recipients. For our social security system to work, then work must pay.
3. The income free areas for allowees have remained static for over 30 years, resulting in a reduction in the financial returns from employment. Government should give serious consideration to increasing the earnings free areas for Newstart Allowance and Youth Allowance recipients and allowing allowees to average out the income over a 12 month period
4. NWRN looks forward to continued engagement with Government and other stakeholders on the future shape of Australia’s tax and transfer system, including the Tax Summit planned for later in 2011 or the Tax Summit to work, it is vital for Government to listen to community views – and not just the views of the “big end” of town. The priorities should be on looking at loopholes used by wealthy Australians, including trusts, negative gearing and superannuation.

The Government should provide sufficient resources to enable community stakeholders to consult with their members and provide feedback and strategic advice on reform options.

Support for unemployed people, students and parents - recommendations

5. As a starting point, NWRN proposes that the Government increase unemployment and student payments by \$50 per week.
6. Government should also restore the link between the rate of Parenting Payment (single) and Pension. This would assist many families to cope with expected surge in the cost of living from the current floods crisis.

Recommendations regarding the Review into the Tax and Transfer System released in May 2010

7. The following proposals from the Review deserve further consideration:

- increase the Newstart Allowance for a single person to the partnered pension rate (an effective increase of \$50 per week);
- increasing Rent Assistance substantially and improving indexation;
- tightening the means test for Rent Assistance for families (currently available on incomes up to \$80,000);
- replacing the current income and assets tests with one comprehensive means test based on deeming provisions;
- removing the “sudden death” assets test and introducing a gradual withdrawal, similar to the pension taper rate;
- the Productivity Commission undertake a review of concessions and benefits; and
- replacing current family payments, including Family Tax Benefit A and B, by a single family payment.

Recommendation regarding the Liquid Assets Waiting Period threshold

8. NWRN urges the Government to ensure that the Liquid Assets Waiting Period Threshold be permanently restored to 1991 levels (in 2011 dollar terms \$8000 for singles and \$16,000 for couples) and indexed to the CPI to protect its value.

Recommendation regarding Commonwealth Rent Assistance

9. NWRN proposes that the Government should increase the maximum rate of Rent Assistance by 30 per cent and remove the rules for renters sharing accommodation affecting Age Pension, Austudy, Newstart and Youth Allowance recipients. Further, the level of Rent Assistance should be indexed to a national rental index.

Recommendation regarding Crisis Payment

10. NWRN urges the Government to double the rate of Crisis Payment with discretion for it to be equal to four weeks additional payment in appropriate circumstances, such as where the person is able to demonstrate an urgent need for accommodation.

Recommendation regarding debt prevention and fairer debt rules

11. NWRN urges the development and implementation of a comprehensive debt prevention strategy across all relevant government departments and for the Government to resource Welfare Rights to provide ongoing advice on legislative and policy reform.
-

2. Setting the scene

A pressing challenge facing the Government over the next 12 months is how to fairly and efficiently raise sufficient revenue to support people who are unemployed into a job or study and provide them with the dignity of an adequate income and affordable housing.

NWRN welcomes the relatively low rate of unemployment in Australia and congratulates the Government on its quick and timely response in 2008/9 to the onset of what has been called the “Global Financial Crisis”. However, the low official rate is not a cause to ignore the needs of those currently still unemployed. An emphasis on “getting a job”, returning to the workforce or studying is supported by NWRN but that does not preclude the Government providing an adequate Social Security payment while a person is unemployed.

Government priorities for spending and revenue are constrained by a self-imposed commitment to limiting spending, by offsetting expenditures with savings elsewhere, and a commitment to reigning in the Budget deficit by 2012-13. NWRN agrees with the views of one Reserve Bank Board member who indicated recently that the Government has more options with the deficit and that a prudent course of action would be to delay the return to surplus.¹ The advent of the recent floods, which has wrought so much individual pain and suffering to the individuals and communities affected, will also cause pain to the Federal Budget bottom line, with an estimated cost of \$5 billion. As outlined at page 7 below, the NWRN supports the Government’s proposed flood levy.

It is in the context of making choices and placing priorities on areas where additional support is most essential, that the National Welfare Rights Network (NWRN) submits our 2011-12 Federal Budget Priorities Statement to the Treasurer and Government Ministers and other stakeholders for consideration.

3. Priorities for tax reform in the year ahead

The National Welfare Rights Network recognises that the tax system serves an important role in ensuring high quality public programs that benefit individuals and communities. All Australians have a stake in a taxation system that is both fair and effective, and that is designed to meet the challenges facing the nation in the 21st century.

This is why we are engaged in community debates and discussions about our taxation and social security system, and why we recently undertook a survey of the Australian population to see what issues they thought should be explored at the forthcoming Tax Summit.

More than four out of five Australians are looking for the Federal Government to discuss tax loopholes for the wealthy (84%) at the Tax Summit promised by July 2011. The poll was commissioned by Welfare Rights and conducted in November 2010. There were 1,294 survey responses.

¹ ABC Radio, *The World Today*, 27 January, 2011.

Support for cracking down on loopholes used by the wealthy was ranked highest by all voters, regardless of their political preferences.

People aged over 55, who own much of the nation's wealth and who represent an increasingly powerful block of voters, were more strongly in support of looking at closing loopholes (90%) and stopping tax fraud (89%) than younger people aged 18-34 (74% and 64% respectively). Average Australians - those on incomes less than incomes of \$40,000 per annum were much more likely than those on incomes over \$80,000 to support an examination of tax loopholes (90% compared to 76%).

Seventy per cent want to see welfare payments considered at the Tax Summit.

These findings follow the recent unprecedented report by the OECD which questioned the adequacy of income support for unemployed people in Australia. Given the annual expenditure on Social Security, almost \$86 billion, it is critical that the Summit explore these issues.

Three out of four want income tax discussed. However, the poll appears to support the decision to rule out discussing the Goods and Services Tax at the coming Tax Summit, with 46% wanting the GST discussed and 42% opposed.

NWRN believes that the focus of the upcoming tax summit 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 attacking the unfair taxation concessions in the superannuation system which go mainly to higher income earners. Soon, the total cost of these tax concessions will be more than the cost of the age pension, around \$25 billion.

The clear message from the poll is that Australians want their Government to discuss the preferential treatment given to the nation's wealthiest citizens, through negative gearing, unfair superannuation tax concessions and the treatment of trusts. The results show that the Government is too cautious in its ambitions about reforming the tax system.

4. Workforce disincentives and tax reform

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 community care. A major concern is that under the current arrangements Australia's poorest pay the highest 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.

Below we highlight a number of common experiences that reveal how Australia's current tax and welfare arrangements are a massive drain on the nation's productive capacity.

The interaction between our tax and welfare systems is often so inefficient and unfair that many people find that they go backwards by undertaking extra work. In the worst cases an

individual may experience tapering for five separate payments at the same time (FTB-A/FTB-B, Youth Allowance, Child Care Benefit and Public Housing). It's like a house of cards, with the deck stacked against low income families, unemployed people and secondary earners, usually women working casually.

Our social security system is riddled with distortions which lock people out of work and trap them in poverty. Sole parents and unemployed people face punishingly high effective marginal tax rates far greater than wealthier Australians pay.

An example of the worst of our social security system is a little known payment called "Special Benefit", paid at the rate of Newstart, at \$234 a week, where you lose a dollar for each dollar earned. The losses from work are so high that only about 1 per cent of people receiving this payment undertake any paid work.

The most severe poverty traps are those faced by people in public housing and the workforce disincentives embedded in our public housing policies require urgent attention. If you have been on a waiting list for public housing for years you become very fearful about jeopardising your place in the long queue. Policies around ensuring security of tenure and fixing means-testing arrangements which trap people on income support should be part of the discussion about achieving a 21st century tax and welfare system.

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 (\$73 a week as opposed to just \$31 a week for Newstart and Youth Allowance). The capacity to "average out" these earnings over the year will be available to Age Pension recipients from 1 July 2011.

If the Government is serious about addressing flagging productivity, they will make reform of the interaction between the taxation and the welfare system a priority.

Tax reform and welfare participation – immediate recommendations for action

1. Welfare Rights supports a time-limited, fair, targeted "flood levy".
2. Consideration should be given to addressing workforce disincentives which create major barriers to employment and participation. The priorities include reducing the "stacking" social security tapers, the high effective marginal tax rates faced by public housing tenants, tapering rates of 70 per cent facing Newstart Allowance, or 100 per cent EMTR's facing Special Benefit recipients. For our social security system to work, then work must pay.
3. The income free areas for allowees have remained static for over 30 years, resulting in a reduction in the financial returns from employment. Government should give serious consideration to increasing the earnings free areas for Newstart Allowance and Youth

Allowance recipients and allowing allowees to average out the income over a 12 month period

4. NWRN looks forward to continued engagement with Government and other stakeholders on the future shape of Australia's tax and transfer system, including the Tax Summit planned for later in 2011 or the Tax Summit to work, it is vital for Government to listen to community views – and not just the views of the “big end” of town. The priorities should be on looking at loopholes used by wealthy Australians, including trusts, negative gearing and superannuation.

The Government should provide sufficient resources to enable community stakeholders to consult with their members and provide feedback and strategic advice on reform options.

5. Support for unemployed people, young people and students

There is growing evidence that levels of financial assistance for people who are unable to find work are too low, and need adjusting. A recent poll paints a bleak picture for Australians who cannot find work with one-in-two indicating they would forgo seeing a doctor or drop out of training if their income was reduced to just \$234 per week which is the current rate for the unemployment benefit (known as Newstart Allowance).

The NWRN – commissioned survey of 1294 people conducted in November 2010 asked people to nominate items they would have to forgo if they had to live on just \$234 a week. Currently 551,000 Australians who are single and over 21 are reliant on Newstart Allowance.

Three out of five Australians (59 per cent) would stop buying fresh food. Half of those surveyed would not go to a doctor when sick or fill a prescription. The link between unemployment and anxiety and depression is well known, with studies finding thirty-two per cent of unemployed people have a diagnosed or undiagnosed mental health condition. These survey findings may indicate that low rates of unemployment benefits place unemployed people at greater risk of ill health because they cannot meet the costs of treatment.

Three out of four (75 per cent) would stop driving. Two out of three indicated that they would have to stop paying other bills. In total 93 per cent of respondents said that would have to cut back on at least one of the nominated list of essentials.

Half of all of those surveyed would not be able to continue in education. This finding confirms the warning by the OECD (referred to a page 4 above) 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 work or study. The OECD also found in November 2008 that single, unemployed people in Australia were relatively the poorest of 30 nations ranked.

Government Ministers resist calls to increase Newstart Allowance apparently on the basis that any extra dollars would pose serious disincentives to work or encourage laziness. Welfare Rights 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.

Support for unemployed people, students and parents - recommendations

5. As a starting point, NWRN proposes that the Government increase unemployment and student payments by \$50 per week.
 6. Government should also restore the link between the rate of Parenting Payment (single) and Pension. This would assist many families to cope with expected surge in the cost of living from the current floods crisis.
-

6. Unfair taper rates and “income free” areas need work

Whilst the Government argues that the best and most effective way out of poverty and disadvantage is through greater economic participation, there is a fundamental problem with the income free area for Newstart Allowance which has remained virtually unchanged for 30 years at \$31. This constitutes a serious work disincentive. To make work pay the income free threshold needs to be increased and indexed and the current withdrawal rates of 50 cents in the dollar for income between \$62 and \$250 and 60 cents in the dollar for income above \$250 decreased.

The Government must respond to these issues in the 2011-12 Budget with a blueprint for the reform of working age payments which takes into account basic rates of payment, indexation arrangements and taper rates. A failure to address both the inadequacy of payment rates and the punitive income tests will further entrench social exclusion and disadvantage for those reliant on income support whether on a short term or long term basis.

In the past the gap between pensions and unemployment payments has been justified on the grounds that pensioners have to rely on income support for longer. However this argument no longer holds, with almost one in four unemployed people having been out of work for five years or more. Also given the current economic conditions, Newstart Allowance can no longer be viewed as a short term payment with many job seekers facing the real potential for long term unemployment.

Welfare Rights welcomes the recent Independent Tax Review’s recognition that Newstart Allowance (NSA) is well below the minimum wage (almost 50% below) and that the gap between pensions and allowances (almost \$130 per week) needs to be reduced.

The recent report into our tax/transfer system says that the main purpose of Social Security is to provide a “minimum adequate standard of living”. It contends:

“A 21st century tax and transfer system should reflect the commitment to Australian values of fairness and support for those who are disadvantaged, but to do so in a way that is efficient, sustainable, simple and transparent, and internally consistent.”

Recommendations regarding the Review into the Tax and Transfer System released in May 2010

7. The following proposals from the Review deserve further consideration:

- increase the Newstart Allowance for a single person to the partnered pension rate (an effective increase of \$50 per week);
 - increasing Rent Assistance substantially and improving indexation;
 - tightening the means test for Rent Assistance for families (currently available on incomes up to \$80,000);
 - replacing the current income and assets tests with one comprehensive means test based on deeming provisions;
 - removing the “sudden death” assets test and introducing a gradual withdrawal, similar to the pension taper rate;
 - the Productivity Commission undertake a review of concessions and benefits; and
 - replacing current family payments, including Family Tax Benefit A and B, by a single family payment.
-

7. Maintain higher savings threshold for unemployed people

The Liquid Assets Waiting Period was introduced in 1991. Claimants of Newstart Allowance, Youth Allowance, Parenting Payment and Sickness Allowance can be subject to the Liquid Assets Waiting period for up to 13 weeks if their liquid assets are above the threshold amount. The original threshold of \$5,000 for a single person and \$10,000 for a couple or a single person with a dependent child or children had not been indexed prior to the current measure but had actually been halved. In 1997, the previous Government halved the thresholds to \$2,500 for a single person and \$5,000 for a couple or a single person with a dependent child or children. NWRN welcomed the current Government’s restoration of the

threshold to the original threshold amounts however remains concerned that this alteration is time limited to end on 31 March 2011.

NWRN welcomed the measures introduced by the Government in the face of the looming global financial crisis which doubled the amount that a person can have in savings before they are affected by the liquid asset waiting period. It was seen as a positive step in addressing a flawed policy which stripped people of modest savings before being eligible for Social Security payments. Waiting periods fail to take account of the low replacement rates of benefits in Australia, at just \$234 a week. Social Security payments for jobless people 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.

The most sensible approach for these waiting periods is that proposed by Henry Tax Review which suggested abolishing the Liquid Assets Waiting Period. Labor in opposition opposed the 50 per cent reduction in the savings threshold in 1997, calling them an attack on savers. When financial circumstances allow, this is supported by Welfare Rights.

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. Restoring the Liquid Assets Waiting Period thresholds to 1991 levels in 2011 dollar terms and indexing it to the Consumer Price Index would greatly assist individuals manage their financial obligations during transitory shock periods, such as unemployment and illness, enable social participation and inclusion, facilitate opportunities for economic participation and protect the value of the benefit over the longer term.

It is a sensible, productive policy to make the waiting period reforms a permanent feature of the range of policies aimed at getting people into work and supporting those unable to find work.

The damaging consequences and harmful impacts of unemployment do not change just because the date on a calendar ticks over. If the rules were too tough on job seekers in 2009, they are just as tough two years down the track. Retaining a few extra dollars will assist with the costs of looking for work or retraining and will also provide some minimal protection against absolute poverty.

Recommendation regarding the Liquid Assets Waiting Period threshold

8. NWRN urges the Government to ensure that the Liquid Assets Waiting Period Threshold be permanently restored to 1991 levels (in 2011 dollar terms to \$8000 for singles and \$16,000 for couples) and indexed to the CPI to protect its value.

8. Assistance for private renters

Welfare Rights supports improved targeting of Rent Assistance as one way of providing extra financial assistance to vulnerable families and individuals, Housing affordability is, therefore, a significant issue for many income support recipients.

Low income tenants are increasingly finding it difficult to keep a roof over their head. Median rents in capital cities have increased by 41 per cent between 1995 and 2009 and Rent Assistance rates have failed to keep pace with increasing rental costs. Over the last three years rents have risen by an average of 10 per cent while the maximum rates of Rent Assistance have increased by only 2.7 per cent.

There were 1,086,342 “income units” receiving Commonwealth Rent Assistance (CRA) at March 2010. At March 2010 there were 811,000 individuals and families who paid enough rent to receive the maximum rate of Rent Assistance. This comprises three out of every four that are eligible for Rent Assistance. The percentage of all CRA recipients in housing stress, which is defined as paying more than 30 per cent of their income in rent, is 42.7 per cent after receiving CRA, 71.4 per cent without CRA included.

191,000 Age Pensioners who received rent Assistance were paying, on average, \$159 a week. The average amount of CRA paid to age pensioners was \$45 a week. About 35 per cent (67,000 age pensioners were in rental stress, compared to 43 per cent of full CRA population.

Even with Rent Assistance, 43 per cent of recipients are in housing stress, paying more than 30 per cent of their income in rent.²

Housing costs are particularly problematic for unemployed people, many of whom pay more than 30 per cent of their income in rent, and are considered to be facing extreme “housing stress”. Some 60 per cent of single Newstart Allowance recipients and 44 per cent of couples are renting privately, compared with 18 per cent of single Age Pensioner and 8 per cent of couples.

9. Improving the adequacy and design of Rent Assistance

NWRN urges Government to make a number of improvements to the current Rent Assistance arrangements to help those struggling in the private rental market. These measures would complement the significant and welcome program of ongoing assistance to halve the number of Australians experiencing homelessness by 2020.

The method by which Rent Assistance is currently indexed places the recipients at a significant financial disadvantage because it is continually shrinking as a proportion of real increases in rental costs. This is because rent comprises six per cent of the Consumer Price

² The statistics from this section compiled from *Answers to Estimates, Questions on Notice, Families, Housing, Community Services and Indigenous Affairs Portfolio, 2010-11, Budget Estimates Hearings, Questions No: 090, 099, 103 and 104.*

Index basket, yet rent represents around 35 per cent of income for Rent Assistance recipients.

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

10. Abolish discriminatory, unfair “sharers” Rent Assistance rules

Some tenants receiving Social Security payments are also disadvantaged by arbitrary and discriminatory regulations that have an impact on the level of Rent Assistance reducing the rate by a third. Unfair rules for age pensioners and unemployed people sharing were introduced in 1997. The rules cut the amount of Rent Assistance by a third if a single person is sharing accommodation. These rules are counterproductive and undermine the benefit of any increase in Rent Assistance rates for those who need it most. The maximum rate of Rent Assistance is \$57 a week. The “sharers” rule reduces the amount of Rent Assistance by \$19 a week. The rate reduction implies imaginary economies of scale at savings which are both unrealisable and illusory.

At recent Supplementary Senate Estimates hearings the Department of Housing, Families, Community Services and Indigenous Affairs stated that the sharer’s rate for Rent Assistance was introduced to address alleged inequities in the rates of payment between couples and single people sharing accommodation. (Curiously though, the tougher sharers RA rules were not applied to single Disability Support Pensioners or Carer Pensioners). It was argued that the rate acknowledges that single people who share accommodation have the opportunity to benefit from economies that are not available to those who live on their own. This policy is out-dated and reforms are desperately needed to keep in time with changing economic conditions.

We note cost of single accommodation is out of reach for most single people, and RA increasingly constitutes a smaller and smaller amount of overall rents

At June 2010 a total of 161,220 income support recipients were subject to the “sharers” rules. Around 85 per cent of those receive the lowest social security levels of payment, combined with the lower rate of Rent Assistance, with Newstart providing the maximum weekly rate \$270 and Youth Allowance for a 20 year old at just \$224 a week.

The breakdown of recipient types reveals the following distribution of the sharers rules among various groups: Age Pension, 23,203, and other, 3,968.

When the changes were introduced it was estimated that 80,000 people receiving income support payments would be affected. Data on the numbers affected at June 2010 reveal that twice as many people than anticipated have been caught by these rules.

The record of debate from the Australian Parliament reveals that the current Minister for FaHCSIA, Jenny Macklin, spoke vigorously in opposition to the unfair rules.

“These are generally people who are the most disadvantaged in our community. A large proportion of them are young people, many of them between the ages of 15 and 19. The figure is 65 per cent, in fact. These get lower social security benefits than everybody else and they will be very seriously affected by this change.

“The same applies to a considerable number of elderly people who do not own their own homes and are totally dependent on the age pension. These are very disadvantaged people in our community. They are often sharing with other elderly people in similar circumstances. These are very callous moves.”

To get the maximum amount of Rent Assistance a person must be paying more than \$256 a fortnight in rent. Maximum rate of Rent Assistance is \$115.50 a fortnight. The “sharers rules” reduce this amount by a third, or about \$38 a fortnight.

Recommendation regarding Commonwealth Rent Assistance

9. NWRN proposes that the Government should increase the maximum rate of Rent Assistance by 30 per cent and remove the rules for renters sharing accommodation affecting Age Pension, Austudy, Newstart and Youth Allowance recipients. Further, the level of Rent Assistance should be indexed to a national rental index.
-

11. Ensure adequate financial assistance for Australians in crisis

The recent floods across Queensland and parts of Victoria has been the first time since the tragic 2009 Victorian Bushfires that large numbers of Australians have had to seek assistance available under the Australian Government Disaster Recovery payments.

Until this time, the only assistance widely available to people faced by a significant personal crisis (apart from seeking help from charities) was called Crisis Payment. This payment is a one-off payment made to those in severe financial hardship who have experienced an extreme circumstance, such as domestic violence or a natural disaster, or who have recently been released from a prison or a psychiatric facility. Crisis Payment is equivalent to half of the recipient’s normal fortnightly Centrelink benefit or pension (without supplements). The maximum rate payable per week for a single person without children on Newstart Allowance is \$234 and \$254 for a single person with dependent child.

In February 2009, the Australian Government established a special one off Australian Government Disaster Recovery payment of \$1,000 per adult and \$400 per child for those adversely affected by the, a further recognition of the inadequacy of the financial support provided through the Crisis Payment. NWRN and a number of other community organisations have long championed the need for the rate of Crisis Payment to be increased as a key strategy in reducing homelessness and social exclusion.

The reality for most people is that the one off payment must sustain them until their regular Social Security payment is due which can be up to a fortnight later. Given this reality the

Crisis Payment is grossly inadequate to cover the basic needs of individuals in crisis or being released from prison. Those fleeing from family violence situations are often only able to take a minimal amount of personal effects with them (if any) and subsequently need to access basic living requirements such as clothing, food and shelter.

This is also often the case for prisoners who have a minimal amount of personal effects and are often estranged from family and friends forcing them to seek accommodation on release. Fortnightly costs for emergency accommodation alone can exceed the amount of the Crisis Payment. This places those recently released from prison at significant risk of becoming homeless greatly reducing their prospects of a successful re-integration into the broader community. For victims of domestic violence the inadequate level of Crisis Payment available also increases the risk of a decision to return to an unsafe situation because they are unable to achieve financial independence sufficient to meet the essentials of daily living.

An increase to the rate of Crisis Payment along the lines proposed in this submission would ensure that all Australian's facing ongoing personal catastrophe would be provided with the appropriate level of financial support. The Government should consider this option as complementary to the Australian Government Disaster Recovery payment. It is just as critical to respond to personal disasters as it is to disasters caused by the environment.

Recommendation regarding Crisis Payment

10. NWRN urges the Government to double the rate of Crisis Payment with discretion for it to be equal to four weeks additional payment in appropriate circumstances, such as where the person is able to demonstrate an urgent need for accommodation.

12. Reform unfair Centrelink debt rules

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 recent Senate Legal and Constitutional Affairs Committee Inquiry.

Welfare Rights viewed the current debt waiver provisions in social security legislation as 'unbalanced and unfair' and, in some cases, leading to 'perverse and unintended onerous outcomes'. It suggested that there had been a tightening of social security legislative provisions, noting that while in the past 'not all overpayments were actually recoverable debts, now regardless of the cause almost all are recoverable debts'. We highlighted a number of specific waiver of debt provisions which related to situations where Centrelink was the sole or primary cause of a debt or where a person owes a debt 'but they are in that position due to domestic violence or acting under duress, usually from an ex-partner'.

The Welfare Rights Centre proposed a number of legislative amendments to the *Social Security Act 1991 (SSA)* and the *Family Assistance (Administration) Act 1999* to improve the position of welfare recipients in relation to debt waiver. These amendments included

removing the word 'solely' from section 1237A of the SSA, which currently requires a person to prove that their debt was 'solely' caused by administrative error in order to have it waived. Welfare Rights argued that this provision means that Centrelink can be 99 per cent responsible for a debt but it will not be waived because of a one per cent contributory error of the relevant individual. Similarly, Welfare Rights proposed an amendment to section 1237AAD of the SSA to make allowance for situations where women 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.

Welfare Rights believes that such an 'unbalanced' position between Centrelink and its clients could encourage poor public administration. Our evidence to the Committee stated the problem clearly and frankly:

“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. Due to the way the legislative provisions are drafted and have been tightened over the years, 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 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.”

The committee recommended that the Australian Government review 'waiver of debt' provisions contained in social security legislation and consider amendments to that legislation where current provisions could cause unfair and unjust outcomes for welfare recipients.

This recommendation for action was unanimous, and the Minister for Families, Housing, Community Services and Indigenous Affairs has indicated support in fixing the various deficiencies and problems that have been identified.

Recommendation regarding debt prevention and fairer debt rules

12. NWRN urges the development and implementation of a comprehensive debt prevention strategy across all relevant government departments and for the Government to resource Welfare Rights to provide ongoing advice on legislative and policy reform.
-