

13 March 2017

The Committee Secretary
Senate Community Affairs References Committee
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Sir or Madam,

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

I welcome the opportunity to make a submission to this Senate Enquiry.

In making the submission, I recognize it may be made public, but ask that my address not be released.

I am not subject to a debt collection, nor am I a recipient of any Centrelink service. My comments relate to terms of reference a, c, d, e, g, h, i, j(i), j(v) and j(vi).

My starting point is framed by my belief of democracy. To paraphrase *Andrew Jackson*, the people are the government, administering it by their agents, the Parliament. I also hold to the view of *Hubert Humphrey* that the moral test of government is how that government treats those who are in the dawn of life, the children; those who are in the twilight of life, the elderly; and those who are in the shadows of life, the sick, the needy and the handicapped.

In late January 2017, I wrote to the Prime Minister in relation to the Centrelink debt identification exercise. My letter was copied to responsible ministers and to my local member. Not receiving any acknowledgement from any party, I followed up my letter by email on 17 February 2017 to the Prime Minister when there was further government comment on the matter.

At the outset, let me indicate I agree government, through the public service, is obliged to ensure social security recipients receive correct entitlements, correcting both under-payments and over-payments.

My comments follow:

1. The Government and its administrative arm, the public service, have failed to reconcile their policy and administrative actions against the tenants of government:
 - That the government is an agent of the Australian people; and
 - That government action must meet democratic standards that are not only legal but also moral.

The course of action being taken is compromised by a seemingly undue focus on cost containment through full automation of data matching, raising of debt letters

and limitation of avenues of response to the initial debt letter to an automated portal.

This automation was backed by instructions to field office staff to not engage with debt letter recipients, but refer them to an office computer.

This focus on cost containment compromised the design of the exercise at the outset and was made worse by inadequate risk assessment. This is explored further in following points.

2. The exercise was inadequately designed and tested. Concentrating solely on one aspect, the department's initial letter is poorly framed and fails to recognize the demographic groups to whom the letters are addressed.

Minister Porter defended the letter as being a letter of information and request to clarify information, not a debt letter. Let us explore this. Minister Porter has several university degrees and a post-graduate qualification, has had senior level experience and has a more detailed understanding of the law than the common person.

Most social security recipients are not of the Minister's demographic, do not share the same qualifications and do not have his experience.

We have social services recipients from the Aboriginal and Torres Strait Islander communities, recipients for whom English is a second language, recipients who have mental disabilities, recipients who dropped out from education, recipients from countries where governments are to be feared, recipients who are aged or infirm, recipients who are poor and recipients with no computers.

While Minister Porter is partially (note, not absolutely) correct in stating the initial Centrelink letter is a 'polite' letter, his view of the letter is framed by his government position, background and legal expertise.

To many of the recipients, the letter may not be a 'polite' letter. It is likely viewed through the prism of being a government letter stating a debt to the government. It can therefore be a frightening letter from the Government.

The public reaction to the letter indicates poor drafting. It is also indicative of a failure to properly trial the letter by gauging reaction to the letter through proper sampling. It is a design failure.

3. An aggravating feature of the initial letter is use of the Australian Federal Police ("AFP") logo.

The Government advises it is intended to remind recipients that intentionally giving wrong details to Centrelink is a crime.

Let us not be bashful on this aspect. The use of the AFP logo is to intimidate recipients. This is shocking and use of the AFP logo should be immediately stopped.

4. The initial letters either do not contain sufficient information or they set out information without the proper context for recipients.

With letters setting out per annum figures, this fails to account for situations where recipients received benefits for only part periods or were in employment for part periods.

The letter should have set out date periods when social security payments at \$x per social security payment period applied. It also should have set out income reported by the social security recipient for each time period and the total of such income. This would have allowed the social security recipient to compare the total income to the income total held by the Australian Taxation Office. This is a design failure.

5. The on-line module for recipients to respond to Centrelink's initial letter is seemingly deficient. If all a recipient can do is respond 'yes' or 'no' to the information in the letter being correct without the ability to provide required detail, can it be said the on-line module has been perfectly designed, without fault?

The on-line module is not fit for purpose and this is a design fault.

6. Centrelink has, by the current and earlier governments, undergone 'efficiency dividends'. As evidenced by its lack of ability to respond effectively, it is not staffed for the task.

Extra-ordinary long wait times apply to the Department's telephone lines, drop-out/failure-to-answer rates are high and of a level unacceptable to any business. That this appears to be the case is evidence of design failure.

High levels of enquiry should have been anticipated and call centre staffing adjusted.

7. Centrelink field office staff are not permitted to engage in face-to-face discussions with letter recipients. This is a design feature of the exercise.

This is a design fault. The instruction to field office staff reflects poor judgment and a failure to recognize the demographic segments with whom Centrelink is dealing.

What is the situation for a recipient who is aged, for whom English is a second language and does not have a computer?

Let us consider this aspect. We have varied demographic segments, we have multiplicity of situations and we have more than an inkling of expected reaction to the initial letters. A hallmark of well-designed exercises is anticipation of demand upon frontline staff and training of some field office staff to deal with recipients.

Various reasons have been proffered in defense of the design feature, but these amount to no more than a dogged determination to stay with the design feature and, to put it politely, 'stay on script'. Are the government's and the department's action a desire to contain cost to the exclusion of dealing with the Australian public in a proper manner?

8. Recipients are given 21 days from the date of issue to respond to Centrelink's initial letter. This is a design fault.

What if the letter is lost or delayed? What if the social security recipient is absent from their home? What if the social security recipient is, for whatever reason, in hospital injured or infirm? What if the recipient does not have a mobile phone to receive SMS messages?

Additionally, what if the intended social security recipient is no longer receiving social security? The individual may have changed addresses one or more times? Is it incumbent for a person no longer receiving social security to keep Centrelink informed of their address?

These are just additional facets for characterisation of the issue as an inadequately designed exercise. At the minimum, the 21 day response period should commence from the date of signed receipt.

I note the Government has belatedly made some changes to delivery of letters. This serves to confirm the inadequate design process and focus on cost containment.

This is one of the matters raised in my letter and email to the Prime Minister.

9. Minister Porter defended the data matching exercise, remarking that this is the same as applied during past governments. The Minister omitted to note earlier data matching was undertaken with human involvement.

Subsequently, it was stated automated data matching and earlier 'human involvement' data matching had similar error rates. Was this determined by testing prior to the commencement of the exercise or after commencement? If it was only established after commencement it is yet another indicator of design failure.

10. We have Centrelink data maintained on a fortnightly basis and Australian Taxation Office ("ATO") data maintained on a yearly basis. Surely, taking ATO annual data and dividing this by 26, and then claiming there has been an over-payment is too simplistic, illogical and a step too far.

As I understand it, the government and the department state a data matching failure rate of 20% applies. Human intervention before issue of the initial letters could be expected to have resolved some situations, lowering the error rate.

We apparently have a situation where the government and department are satisfied with a high failure rate, one that would not be tolerated in business, and are satisfied the impact and trauma on some letter recipients is worth it to contain costs. This is a moral failure.

11. The data matching system is, apparently, a 'one-size fits all' system. In other words, it does not cater for multiplicity of situations.

We have reported situations of recipients working for only part of a year, yet ATO income is divided by 26 by the data matching system to produce a “debt”. Is this not a design failure?

Was it never contemplated many businesses issue earnings certificates and report to the ATO on a standardised 1 July to 30 June basis, even when the employee was not employed for the full financial year? Was this missed, not known, not anticipated or a case of the problem being known and the risk accepted?

We have also seen discrepancies in recording of a business name being responsible for recipients being adjudged to have earned two incomes. Again, was this missed, not known, not anticipated or a case of the problem being known and the risk accepted?

12. Further, the data matching exercise was designed to extend beyond the record retention period the ATO requires. How many Australians, politicians included, retain every single pay slip, expense receipt and diary record for six years? In the six-year period, how many Australians have changed address and lost or destroyed records extending beyond five years?

There is evidence Centrelink’s web site did not contain an exhortation for recipients to retain documentary evidence for six years. The web site stated a much lower period.

This is a moral failure.

13. The exercise places onus on recipients to disprove a debt. This is contrary to normal legal principles. This is a moral failure.
14. Taking point 13 further, it can be reasonably expected that some businesses that were in operation no longer exist. If a recipient does not have the records, how is that person expected to obtain documentary evidence from a non-existent business?
15. The government has contracted debt collection agencies to collect ‘debts’ where an individual has failed to respond within 21 days to the initial letter. Has the government considered proffering an apology to recipients whose first contact has been the debt collection agency, not Centrelink through failure of the letter delivery mechanism? The letter delivery mechanism has been acknowledged as being deficient and has been changed. If not, why not?

Related to this point, how many recipients were contacted by the debt collection agency because they were unable to collect documentation or properly respond in time?

The Government has failed to respect the Australian public by accepting the risk of known errors, use of intimidation and placing onus on recipients. The Government has also failed to recognise the demographic with whom it is dealing.

The Government has further failed to adequately consider the concerns of Australian citizens. It has, with one exception in relation to how letters are sent, dismissed concerns

and retained a position of 'moral right' to continue the exercise without adjustment. In doing so, the Government demonstrates indifference, disdain and arrogance, but if not this, then a failure to:

- Recognise the moral test of government in how it treats its citizens; and
- Properly balance risk against respect for and potential harm to Australian citizens.

Not being within government or the public service, my submission is based on reading government statements, media reports and viewing minister and departmental press conferences. The submission is not borne of politics. It is also based on democratic beliefs.

Yours sincerely

Victor Olenych