

Submission to the parliamentary inquiry on the “Design, scope, cost-benefit analysis, contracts awarded and implementation associated with the Better Management of the Social Welfare System initiative”

Submitted by : Thorold (Thor) May, *PhD* Adelaide, South Australia
[REDACTED]

Articles & research papers by Thor May: Academia.edu -
<https://independent.academia.edu/thormay>

Public forums conducted by Thor May :

1. Adelaide Question Everything! meetup (Thor is the founder and organizer)
a) [meetup.com](https://www.meetup.com/Adelaide-Question-Everything-Meetup/) website <https://www.meetup.com/Adelaide-Question-Everything-Meetup/> ; b) past & present discussion topics
<http://thormay.net/unwiseideas/DiscussionTopics/DiscussionIndex.htm>
2. Adelaide English as a Second Language meetup (Thor is the organizer)
<http://www.meetup.com/ESL-English-practice-meet-up-group/>

Bio: Thor May is a (reluctant) retiree who maintains active leadership of discussion within parts of the Adelaide community (see the meetup links referenced). His doctoral dissertation (2010) was on an aspect of knowledge worker productivity, namely language teaching productivity within institutions. He has had extensive expatriate experience as well as a long engagement with immigrant communities.

Nature of Submission: This is a private submission. The main documentation to follow takes the form of an article which the submitter has recently published and which bears on elements of the inquiry's terms of reference.

Relevance to the inquiry's terms of reference : The submission is motivated a) by concern about design factors in current welfare implementation which make it impossible to meet the needs of welfare clients, and b) by concern at disincentives built into welfare legislation running contrary to the intentions of the legislation. It is felt that an account by an actual user of the system may help the committee to understand its real effects.

The writer is a specialist in language usage, and therefore has long experience in the way that language is written and decoded by individuals of varying literacy levels. Estimates of functional illiteracy in Australia range up to 47% of the population, with those levels certainly much higher amongst the Centrelink client group. The article to follow raises this in the context concern a) above.

Centrelink has limited, and apparently diminishing human and technical resources at its disposal. Therefore major dysfunction in one sector of the organization will affect its ability to meet its obligations in other sectors. The 'robodebt' debacle has clearly been such a major dysfunction. This

Submission by Thorold May to the inquiry into "Better Management of the Social Welfare System initiative"

relates to concern b) above. The second part of the article to follow is largely in the form of a prior, detailed letter to a Member of Parliament (which never attracted a reply) showing how incoherent provisions in the Work Bonus Scheme make it essentially unusable for the writer, partly because administrative breakdown within Centrelink renders it not worthwhile to undertake part time independent professional work while collecting an age pension.

Some failures and disincentives in a welfare system: the Australian case

https://www.academia.edu/31553099/Some_failures_and_disincentives_in_a_welfare_system_the_Australian_case

Thor May
Adelaide, Australia
2017



1. Work Vs Welfare

The meaning of work varies greatly amongst individuals, across cultures, and across historical epochs. Nothing, except perhaps religion, divides people so much as the failure to understand work as others understand and experience it, and the failure

to grasp the incentives which lead others to organize their lives in a way that makes work acceptable to them personally. Since the late 19th Century in advanced economies there has gradually also arisen a secondary system of survival (mis)named the welfare state. The general intention behind the welfare state is to put a floor under poverty for social stability, and to recognize that when money is circulated most widely in the population, then it circulates most efficiently to everyone's benefit. (That is, the marginal value of a dollar is highest to a poor person, who will usually spend it on essentials and benefit the local economy. The marginal value of a dollar is lowest to a billionaire, who may well warehouse that dollar in an offshore tax haven to nobody's benefit, or spend it on luxury items of dubious real value). However, the economic and social comprehension of the value of welfare redistribution has always been low amongst a significant segment of the population. This segment of the population generally has a

Submission by Thorold May to the inquiry into "Better Management of the Social Welfare System initiative"

negative view of "human nature", which it sees as universally predatory and in need of punitive control. Within this moral framework, welfare is seen as an immoral tax on the deserving to benefit a lazy and corrupted lower class.

2. Centrelink – the Australian arbiter of employment and retirement welfare

The Australian welfare system is a political compromise between views of welfare as humane, economic commonsense, and welfare as money down the drain to the unworthy. This compromise takes the form of heavily policing anyone who benefits from welfare payments. The welfare policing laws are complex and often irrational when applied to real situations. Their administration of welfare through the Australian government office called Centrelink has steadily deteriorated over a number of years. The deterioration has largely been the result of fragmented, ideologically driven political interference in the operation of Centrelink as an organization. The current outcome is that Centrelink is in near permanent meltdown. For ordinary citizens, attempting to deal with this organization is often a nightmare which can put them at risk of false prosecution, fines and even prison. At a minimum, any contact with Centrelink is apt to waste vast amounts of time.

Centrelink is currently involved in a major political controversy involving its attempts to automate the recovery of what it claims to have been overpayments of benefits. I won't delve into that too deeply here since there has been blanket media coverage of the issue (e.g. see some of the links in the extra readings below). However, it has served to expose the dysfunction and injustice which inevitably grows from trying to impose poorly designed, complex legislation via distracted managers and politicians on huge numbers of ordinary people. Actually, in the case of Centrelink the administrative problems are increased by orders of magnitude because a very high proportion of its clients are functionally illiterate, a fact not compensated for at all and creating endless errors in an automated environment. Since this has not attracted public or political attention, I will insert here a relevant comment on literacy which I contributed to the Brisbane Times on the 'robo-debt' debacle:

Hacka - " Couldn't all this be fixed up if each welfare recipient had an electronic account where they could update their details / other income on a regular basis ?" - Hacka knows very well that this is already the case. He must also know that the program was written by 900 blind monkeys. It sucks, even when it can be accessed. However, nobody from either side of this catastrophe has put their finger on the reason that a "digitized" Centrelink is always going to be a failure. The reason is FUNCTIONAL ILLITERACY. Almost half the population of

Submission by Thorold May to the inquiry into "Better Management of the Social Welfare System initiative"

Australia (and of every other supposedly advanced nation) is illiterate to the point that they cannot read a medicine bottle label or a train timetable. Just as many people find maths hard, vast numbers find more than basic literacy hard, and there is no easy fix. Among Centrelink clients the proportion of functional illiterates is huge. They are utterly confused and terrified by a paper form, let alone a computer menu. The only way to efficiently and compassionately handle them is to sit them down face to face with experienced Centrelink staff who do understand the system, and who can tease out the situation with intelligent, spontaneous questions. As things stand, Centrelink is tying itself in knots trying to sort out errors that would never have occurred with properly resourced front desk staffing. As for the supposed data matching program with the ATO, we know that the program is broken, is driven by managerial ignorance, and that the minister has declined to fix it. The Prime Minister is missing in action. All of this righteous "debt recovery" is chicken shit in a country where 35% of large businesses pay no tax at all. [see Towel 2017, Brisbane Times comments]

Note that functional illiteracy affects every level of society in various ways, yet it is rarely a factor in administrative calculation. Although, as expected, a large proportion of welfare recipients and the prison population do have issues with functional literacy, it is not uncommon elsewhere. Many of those affected become extremely skilled at concealing their disability (and this is relevant to the Centrelink dilemma). Part of that deception is putting up a huge front, and maintaining cast iron self-belief in public. You even find these people in management positions refusing to deal with anything more than single page bullet point summaries. The trouble is that complex analytic thinking pretty well demands a high level of literacy, and even the logic of documentation found in welfare forms often requires an awareness of one consequential statement following another. Estimates of "functional illiteracy" vary widely, partly because the requirements of modern society are so diverse. Common estimates are that in countries like Australia (for example) up to 47% of adults struggle with functional literacy. Just as many people find maths difficult to varying degrees, so it is with reading. Whatever percentage you pick to describe a literacy disability, the implications for governance are huge, and difficult to shift (there was no golden age of mass advanced literacy).

3. The incoherence of Australian means tested retirement pensions – a case study

The writer of these notes is a very fit, highly educated 71 year old who welcomes part-time work to fit his skills. However, he also subsists nowadays (2017) on an Australian government "safety net"

Submission by Thorold May to the inquiry into "Better Management of the Social Welfare System initiative"

age pension. The provisions attaching to this pension, which is means tested, and the administration of those provisions through Centrelink, are so arbitrary, incompetent and punitive that he has reluctantly concluded part time work is not a viable use of his time. It does not have to be this way. New Zealand, Australia's near neighbour, has had an unconditional age pension for two generations without destroying the NZ economy (Morgan 2016). As people increasingly live beyond the real limit of when they are likely to be hired (usually about 50) and up to 90 years of age or more, it is unacceptable that the current Australian system should stagger on without reform. In this spirit, some time ago the writer contacted his Member of (Federal) Parliament hoping to influence change. To date there has been no response. The correspondence to follow is a copy of that contact.

Mark.Butler.MP@aph.gov.au

Dear Mr Butler,

This note is about the work bonus provision of the Australian age pension. You are in no immediate position to do anything about this incoherent legislation, but I am providing a concrete example which may be of use in future debate.

I am a reluctantly retired academic & teacher with a PhD in language teaching productivity. Prior to retiring I taught for 7 years in South Korean institutions and 5 years in Chinese institutions before losing a working visa for the misdemeanor of turning 65. I have also written extensively on professional and social topics (109 articles and papers at <https://independent.academia.edu/ThorMay>), so when an opportunity for some occasional editing came my way, it looked like a useful pension supplement. This turned out not to be the case. Following below is a reply that I wrote recently to a person offering me some editing work. It speaks directly to culture of Centrelink and the disincentives built into the work bonus provision of the Australian age pension.

Hello X,

Thanks for contacting me about prospective editing work. The short answer for the moment is no, it is not worth my time. Possibly sometime in the future. That is a ridiculous answer on the face of it, so let me explain.

Submission by Thorold May to the inquiry into "Better Management of the Social Welfare System initiative"

As a nominal retiree on a safety net age pension (crazy: although 71, I run 8km a day) I find myself in an unwilling business relationship with Centrelink. The dimensions of this became clear last year. One of my old linguistics students, now a lecturer himself, offered me some academic theses to edit. He personally finds it more profitable to sell fairy lights on eBay than to do editing.

Whatever business potential exists in the academic editing process, it appears to be a feast & famine game. I thought it might be a useful income supplement, registered a business name (since deregistered), and went to the Norwood Centrelink office to discuss how it might be managed legally. They flatly refused to talk to me at all. I was offered a general Canberra enquiry number. I had called that number before on another matter, the one where 22 million calls went unanswered last year. That time, after 90 minutes listening to bad music, I was connected to a call centre worker who knew nothing and whose whole purpose in life was to blow me off. I had to threaten to lodge an appeal before she would listen to me at all. It would obviously be a lost cause trying to discuss something as sketchy as wannabe editing. Nevertheless, I tried to call a few times before giving up.

Here is the legal situation, as best as I have been able to find out from some scattered internet references. If I put on a Santa Clause suite and work for David Jones at Christmas for a while as a PAYE employee (Centrelink's own example) I am allowed to make the princely sum of \$6500 a year without a pension reduction (the pension for me is about \$400 per week). If I contract independently as a professional or am self-employed in any way this concession is not allowed. In this case I am permitted to make \$125 per week without being penalized. Business costs are an allowed deduction, but with editing there are few credible business costs, especially just living in a rented room. Since editing tends to come in lump sums, with large gaps of nothing, there would be fortnights when I would lose the whole pension and never get the money back (as I understand it), even though my income for the year might well be below the taxable threshold. That is, I would be effectively working chunks of time for free. The practical effect would be worse. Centrelink is a failing organization, possibly by political design (one suspects a long term plan to outsource it along the lines of the, uh, brilliant reform of TAFEs ...). Every attempted communication results in inconsistent information, errors and multiple corrections taking unpaid hours to fix. If I did somehow force myself into recognition as a pensioner with a part-time business I would be harassed mindlessly for constant profit & loss statements, even when income was non-existent. Centrelink only works where you can set and forget with no variation.

The single way around the \$6500 concession restriction as a pensioner seems to be to set up a

Submission by Thorold May to the inquiry into "Better Management of the Social Welfare System initiative"

beneficial trust structure and have income directed to that. For the amount of money involved, together with legal costs, that hardly seems worthwhile, but if I find some cheap, simple way to wangle it next year I might give it a go. The other dim prospect of course is that the Australian parliament could adjust the current incoherent legislation.

Sorry for this long-winded reply to your interesting offer, but I thought it might be useful for you to know why the editing game is not worth the candle at the moment for people like me.

Best regards, Thor May

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██████████

PART 2

ref. Office of Mark Butler MP

Dear Eleanor,

Thank you for trying to contact me yesterday, 22 November 2016. I will call you back shortly to clarify whatever you want to know. In the meantime, here is some information which might be relevant.

1. You suggested that your office might contact Centrelink on my behalf. My original email was more addressed to the legislation, but of course anything assisting my own situation would be welcome. Feel free to pass on the original letter to Centrelink if that will help. Here is some extra information:

a) My initial rejected approach to Centrelink (Norwood) to enquire about a suitable business arrangement occurred in about August 2015.

b) I registered a business name with ASIC on 15 September 2015 but since the possible editing business remained dormant, I deregistered that name on 8 July 2016. I had realized that academic editing was at best likely to be extremely intermittent, with any income being seriously compromised by the pension fortnightly income restriction of \$250, to the point where the disincentives were too great.

c) Here is a hypothetical editing income situation, with outcomes according to my (incomplete) understanding of the legislation:

=> i) Nothing for 3 months. ii) A sudden offer of 2 doctoral theses with shaky English to edit (I

Submission by Thorold May to the inquiry into "Better Management of the Social Welfare System initiative"

specialize in helping those who use English as a second language). These might amount to 30 hours work @ \$60 per hour= \$1800 within 2 weeks. iii) Fortnightly allowed income: \$250. iv) Outcome: loss of pension for the editing period (\$800) even though distributed over an annual period income would be within the average fortnightly allowance and total annual income below the taxable threshold. v) Conclusion: I have done \$800 worth of work for free.

d) Some personal background: From 1998 until my retirement at the beginning of 2011 I taught in tertiary institutions in China (5 years) and South Korea (7 years). In 1998, as a published critic of TAFE educational policies and (at my work colleagues' request) a local shop steward for the Australian Education Union, I was more or less driven out the Victorian TAFE system in the era of the Kennett government, so I turned to East Asia. This means that my last submitted tax return in Australia was 1998.

2. General legislative considerations : This was the main thrust of my original e-mail to Mark Butler. I realize that your office is really oriented to addressing the specific problems of constituents. What emerges in actual legislation is only indirectly related to those personal problems, and is often a product of tactical political calculation more than any long term plan for good governance. Nevertheless at least some constituents do give thought to what kind of good governance parliamentary representatives might be accountable for. That is the spirit in which the law and administration of social security is raised here.

a) Laws may enable or hinder. Effective law makes it easy to be 'good'. Poor law incentivizes evasion, tends to criminalize very ordinary people, and creates high costs of compliance both in administration and for those trying to conform.

b) By the criterion of a), existing age pension law, and Australian social security laws generally, are poorly constructed legislation. For example, the work bonus component of the age pension, which gave rise to my original communication, appears to take no evidence based account of the actual Australian workforce, or the psychology of retirees. (Was it merely designed as a political bribe?). Why have a work bonus scheme for retirees? Raw economics aside, people who have an option to work productively tend to have more purpose in life, are less likely to turn to drugs and alcohol, are less likely to deteriorate physically and mentally, and will generally be happier. The highest burden on health services comes from the elderly, so anything which keeps them active will lead to net economic savings.

Now consider the work bonus scheme, which only operates when income comes as payment from a regular employer. It immediately excludes the largest number of potential beneficiaries since most

Submission by Thorold May to the inquiry into "Better Management of the Social Welfare System initiative"

people of pension age will not be offered regular employment by a company. What they might be able to pick up are ad hoc irregular job opportunities for which few employers are going to commit within a standard employment paradigm. In fact Australian employment overall has moved dramatically towards a "Gig Economy" – short term contract work and casual part time work even for normal working age people. The real outcome is that many age pensioners are incentivized to enter the underground cash economy, which puts them at risk of criminal prosecution for 'pension fraud'. This is a paradigm of bad law. (The kind of academic editing which I might do, by the way, is not really accessible to this kind of cash-in-hand reward).

c) You will know that the deployment of the workforce and the nature of work itself are rapidly evolving. Educated employees train until their mid or late 20's, and a large proportion of them become increasingly unemployable after age 50. Australian age pension entitlement is being extended back to 70. Life expectancy will soon be extending to 90 or more. Thus the existing work-life equation just does not compute rationally from an economic viewpoint. There are claims that technology is already capable of replacing 40% of the workforce, and within a decade technological unemployment will become a social and political vortex for which nobody has designed a credible solution. As a harbinger, we have seen the life savings of the American middle class asset stripped by feckless administrations and a rapacious banking culture, with blowback from the recent US elections. There is a clear and present need for Australians to step back from being clone-bots of American ideology and do some creative social planning. It won't be easy. We have to rethink the nature of work, the nature of money itself, and the nature of 'retirement'. (I have addressed some of these issues in discussion papers, including:

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Submission by Thorold May to the inquiry into "Better Management of the Social Welfare System initiative"

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Regards, Thor May

23 November 2016

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Submission by Thorold May to the inquiry into "Better Management of the Social Welfare System initiative"

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Contact:

Thorold (Thor) May *PhD*

Articles & research papers by Thor May: Academia.edu - <https://independent.academia.edu/thormay>

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Adelaide Question Everything! meetup (Thor is the founder and organizer) -

a) [meetup.com](https://www.meetup.com/Adelaide-Question-Everything-Meetup/) website <https://www.meetup.com/Adelaide-Question-Everything-Meetup/>

b) past & present discussion topics

<http://thormay.net/unwiseideas/DiscussionTopics/DiscussionIndex.htm>

Adelaide English as a Second Language meetup (Thor is the organizer) <http://www.meetup.com/ESL->

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