

STEPPING INTO THE BREACH: A REPORT ON CENTRELINK BREACHING AND EMERGENCY RELIEF THE SALVATION ARMY AUSTRALIA SOUTHERN TERRITORY AUGUST 2001



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To receive unemployment benefits in Australia – **Newstart Allowance** and **Youth Allowance** – a person must satisfy two types of requirements: Activity Test and Administrative requirements. Activity test requirements are designed to ensure that the unemployed person is making reasonable efforts to find suitable work, undertake activities to improve their employment prospects or assist in development of work habits, or is making a contribution to the community in exchange for their benefit. Administrative test requirements relate to such things as replying to correspondence, notifying Centrelink of changes in personal circumstances, attending a Centrelink office when required, etc. Failure to meet these requirements results in a person being “breached”, that is, having their unemployment benefit significantly reduced for up to six months or cut off completely for eight weeks.

It is now well established, with the release of independent research reports examining Commonwealth data under FOI, that the rate and severity of breaching by Centrelink of people on unemployment benefits has rapidly increased over the past three years.¹ More and more breaches are being applied every month, and increases in the requirements placed on unemployed people have brought about a substantial shift from administrative to activity test type breaches, resulting in a larger proportion of people having their entire income payment withdrawn for eight weeks at a time.²

As a major provider of Commonwealth **Emergency Relief (ER)**, The Salvation Army, along with other community service agencies, has been seeing the effects of this increase in the growing demand being placed on its **ER** services. **ER** services have had to increasingly “step into the breach” created by periods of reduced or cancelled unemployment benefits either to provide additional support or to attempt to undo the rapidly escalating damage that can be precipitated by these penalties.

As a major provider, also, of job network services, The Salvation Army has observed breaching from ‘the other side’, and is therefore well placed, indeed, has a moral responsibility, to comment on the operation of the social security penalty system.

It is becoming more widely recognised within government and the community that the penalty system is disproportionately affecting the most vulnerable, that is, people experiencing severe or multiple workforce barriers, including: the homeless; indigenous people; people who have a literacy, mental health or substance use issue; people with acquired brain injury; or those experiencing domestic violence. Hanover Welfare Services, for example, undertook research in December 2000 to examine the prevalence of breaching amongst people who

were unemployed and homeless or at imminent risk of becoming so, and found that 32 per cent had their benefit reduced.³ It put the case clearly for the ways in which homelessness makes compliance very difficult and breaching in turn compounds homelessness. The new welfare regime, *Australians Working Together*, implicitly recognises the failures of the system in relation to these groups in seeking to improve the effectiveness of assessments.⁴

The focus of concern about breaching has tended to be confined to these special categories of people experiencing extreme disadvantage whose circumstances make it difficult for them to be able to comply with Activity Test and Administrative requirements. It is perhaps not so easily or widely understood, however, that there may be many more socially dislocated and vulnerable people who do not fit these specific categories of severe or multiple disadvantage who are nevertheless being placed at serious risk of further marginalisation as a consequence of breaching. People who typically lack the financial and emotional support afforded by family and friends are least able to absorb the severe financial impact of breach penalties. With this hypothesis in mind, The Salvation Army deliberately decided to examine the extent and impacts of breaching amongst the broader population of people presenting to its **ER** services, rather than, for example, specifically confining itself to its known homeless service users.

As The Salvation Army was not able to substantiate this through its routine ER data collection, it decided to run a brief one-week 'snapshot' survey through its key ER services across the Southern Territory.⁵

The aim of the survey was to measure:

- The prevalence and nature of breaching amongst those people on unemployment benefits presenting at The Salvation Army's ER centres;
- The extent to which breaching is impacting on ER applicants, in particular in relation to key financial and housing indicators; and
- The level of demand on ER services as a consequence of breaching.



¹ See National Welfare Rights Network & ACOSS. (2000). Doling out punishment: The rise and rise of social security penalties. Joint Research paper ACOSS INFO 220, 9 November 2000; and Welfare Rights Centre (Sydney) and ACOSS (2001). Breaching the safety net: the harsh impact of social security penalties. ACOSS INFO 305. Since the structure and operation of the social security penalties regime have been set out in these and other reports, they are not reproduced here.

² Welfare Rights Centre (Sydney) and ACOSS (2001). Breaching the safety net: the harsh impact of social security penalties. ACOSS INFO 305, page 1.

³ Hanover Welfare Services. (2000). Homelessness, income security and Centrelink breaching. Stats & Facts report, December. Hanover, Melbourne.

⁴ Commonwealth of Australia. (2001). Budget 2001-2002. Australians Working Together.

⁵ The Salvation Army organises its activities in Australia into two geographic areas: the Eastern Territory, covering New South Wales and Queensland, and the ACT; and the Southern Territory, taking in Victoria, South Australia, Western Australia, Northern Territory and Tasmania.

EMERGENCY RELIEF: WHAT IS IT AND WHO USES IT?

Emergency Relief is: *the provision of financial assistance to those persons who find themselves in financial crisis. ER can be for a "one off" episode, or an ongoing financial problem. Assistance is given in the following forms: cash/cheque assistance for food, housing costs, utility bills, medical and educational expenses, or vouchers for food and energy. It can also be provided as in-kind material assistance, such as clothing, food and other household items.*⁶



The ER program is administered by the Commonwealth Department of Family and Community Services and delivered under contract by approved welfare, religious-based and community agencies. Currently there are about 900 agencies distributing ER, with approximately 1,294 outlets in total. Applicants for ER are assessed by agencies via an interview.⁷

The third national survey of ER centres conducted by ACOSS⁸, while based on 1997 and 1998 data, provides the only available profile Australia-wide of people seeking crisis assistance, along with some information about the circumstances that lead people into financial crisis. The following findings are worth reproducing here as context for this report:

- Single unemployed people are the largest category of ER applicants, followed by sole parents;
- People living in rental accommodation, both public and private, are over represented among ER applicants compared to their numbers in the general population;
- The cost of accommodation for ER applicants is relatively high, with 30% paying over \$215 per fortnight;
- For most ER applicants, their fortnightly income was in the range of \$190-\$615 per fortnight;
- Most ER applicants say that the reason they are seeking assistance is due to a temporary rise in expenses, typically a quarterly utility bill.

ER may offer a short-term benefit to people experiencing financial problems, but it does not contribute to the resolution of their underlying issues. In fact, many people who seek emergency relief do so on a regular basis, and experience crisis after crisis with no real change in their lives. ER becomes for them a supplement to an

inadequate state benefit, rather than a means to one-off crisis remediation.

Further, ER clients can be characterised by their lack of informal familial or other social supports. Research indicates that they come to ER services, by definition, because they have no one else to turn to:

*Excluded or constrained in their access to [employment-based] income and marginalised in the formal economy, it might be expected that these people would turn to kin. The resources they need[...] and the forms of assistance they require[...] would appear to be the kind that might be transferred within the kinship sphere. They approach[...] the emergency relief centres for small amounts of money to pay an urgent bill or to meet grocery requirements when money [has] to be used to pay for a child's school excursion, to buy a birthday or Christmas gift. They need[...] household items to set up house; no-interest or low-interest loans (with flexible terms of repayment) for white goods or car repairs or replacement and sometimes, emergency accommodation – a place to stay for a while. Furthermore, they need[...] assistance that [is] not based on exchange but upon flexible, informally regulated conditions of transfer, distributed at discretion when needed. However, one of the most striking aspects of the experience of the emergency relief clients [is] their estrangement from kin. Not only [are] they excluded from the core area of employment... unable to engage in informal reciprocal exchanges, but their kin relations [are] overwhelmingly characterised by conflict, estrangement or mutual impoverishment.*⁹

In other words, people approaching ER centres are particularly vulnerable to any adverse change in their financial circumstances. It is for this reason that The Salvation Army believes it is observing such severe hardship amongst those ER applicants who have been breached.

THE SALVATION ARMY AND EMERGENCY RELIEF

The Salvation Army is a major provider of emergency relief. Across the Southern Territory of Australia, The Salvation Army distributes in excess of \$13.5 million worth of ER annually from over 160 locations, of which the Commonwealth Department of Family and Community Services provides some 18 per cent, or \$2.4 million, and public donations to the Red Shield Appeal provide the balance.

THE SALVATION ARMY AND JOB NETWORK SERVICE PROVISION

The Salvation Army is also a major provider of job network services. The Salvation Army Employment Plus was established in May 1998 and grew out of well established training and case management programmes for unemployed people.

With a market share of 13%, Employment Plus is the largest provider of Intensive Assistance services in Australia. It has placed over 80,000 people in jobs through 88 locations across the country.

Employment Plus has a practice of notifying Centrelink of potential breaches as a last resort only. Of the total notifications recommended to Centrelink within the Job Network system, Employment Plus is responsible for 2 per cent.¹⁰ Employment Plus manages to keep the level of notifications down to this low rate by ensuring that its staff make repeated approaches to clients likely to be vulnerable to breaching, in an effort to advise them on how to stay within Mutual Obligation guidelines.

The Salvation Army acknowledges that there is a tension between the “markets” of emergency relief and job network service provision that have been created by the Commonwealth Government. The Salvation Army has had a long-standing commitment to enabling disadvantaged people to gain employment and has entered the contracted-out job network system in full knowledge of this tension, believing in the need for community providers whose motive is not profit-driven but rather provision of genuine outcomes. Furthermore, this tension should not disempower The Salvation Army or any other non-government community service from providing well-founded critiques of the appropriateness and operation of this system.

DANIEL'S STORY

Daniel is a 31 year old individual on Newstart Allowance. He had been a heroin user for many years but succeeded a year ago in getting on to methadone to keep himself safe. The prescription for methadone cost him about \$30 per week. He was sharing private rental with his girlfriend and one other person. He had been breached twice before for being late for interviews and not declaring income when he undertook some casual work. Daniel acknowledges that the second breach was his mistake. He was breached a third time for failure to show Centrelink he had contacted a sufficient number of employers. With his benefit cut for two months Daniel was unable to afford either his rent or his methadone prescription. His relationship ended at this time also and by the time he presented to The Salvation Army's St Kilda Crisis Centre for ER he had lost his accommodation, had gone back on heroin, and was engaging in petty theft to support his habit. Daniel was referred to The Salvation Army's St Kilda Crisis Accommodation Centre for two weeks of emergency housing and assistance with stabilising his life.

6 Australian Council of Social Services. (1999). People in financial crisis. National emergency relief data collection project. Third annual report. ACOSS. Strawberry Hills, page 7.
7 As above.
8 As above.
9 Short, P. (1996). No one to turn to: estrangement and need in kinship economies. Paper presented at the Australian Family Research Conference, Brisbane, page 12-13.
10 This notification rate applies to the first year of Contract II.

ABOUT THE CENSUS

A census approach was adopted for the survey. This was more realistic than a complex sampling strategy given that the questionnaire was to be administered by ER staff. Potentially it could also provide more representative results. Key metropolitan and regional ER centres within the Southern Territory that met at least two of the following three criteria were selected: an operating budget of at least \$30,000, open at least 15 hours a week, and run by paid staff. This meant that many smaller church-based ER centres did not participate in the census.

A simple tick box two-sided A4 questionnaire was designed in consultation with staff of both ER services and Employment Plus. Two pilots were then run through The Salvation Army's ER centres in Doveton and St Kilda, and refinements were made to the questionnaire following worker feedback.

ER centre managers in each of the 40 key ER centres were briefed by telephone on the purpose of the census and the process for questionnaire administration. An information pack on the census was posted to each centre to prepare all staff for the survey period. The questionnaire was run in the week of 14-18 May 2001. All people presenting to the centres in this week for a face-to-face ER interview were invited by ER staff conducting the interviews to participate in the survey. A prescribed plain language statement about the research was read to service users in order to seek informed consent. This included an explanation about their rights to receive a service irrespective of their decision about participation, and the assurance of anonymity and confidentiality.

Of the 40 participating centres, 35 provided useable data. The table opposite provides a breakdown of the centres according to state/territory and the number of questionnaire returns. The total number of ER service users who were invited to participate in the census was 1616. Of these, 1502, or 92.9 per cent, gave their consent to be surveyed – an extraordinarily high rate of participation for community-based research which enables considerable confidence in the representativeness of the findings.

ER CENTRES PARTICIPATING IN CENSUS

- A ER CENTRE
- B NO. OF ER APPLICANTS CONSENTING TO BE SURVEYED
- C PERCENTAGE OF ER APPLICANTS PARTICIPATING IN SURVEY AS A PROPORTION OF TOTAL CENSUS POPULATION

A	B	C
Brunswick	33	2.2
Glenroy	57	3.8
Melbourne	147	9.8
Richmond	12	0.8
Preston	36	2.4
Epping	46	3.1
Werribee	17	1.1
St Kilda	41	2.7
Oakleigh	30	2.0
Doveton	44	2.9
Cranbourne	43	2.9
Ringwood Court	13	0.9
Bendigo	43	2.9
Swan Hill	10	0.7
Mildura	26	1.7
Ballarat	97	6.5
Colac	15	1.0
Geelong	134	8.9
Warrnambool	28	1.9
Victorian total	872	58.1
Adelaide	80	5.3
Ingle Farm	42	2.8
Elizabeth	24	1.6
Mt Gambier	20	1.3
Port Augusta	4	0.3
Noarlunga	28	1.9
Whyalla	29	1.9
South Australian total	258	17.2
Perth	81	5.4
Morley	30	2.0
Balga	50	3.3
Bunbury	18	1.2
Western Australian total	179	11.9
Hobart	76	5.1
Launceston	24	1.6
Burnie	19	1.3
Rosny	43	2.9
Tasmanian total	162	10.8
Alice Springs	31	2.1
Northern Territory total	31	2.1
TOTAL	1502	100

KEY FINDINGS

PREVALENCE OF BREACHING

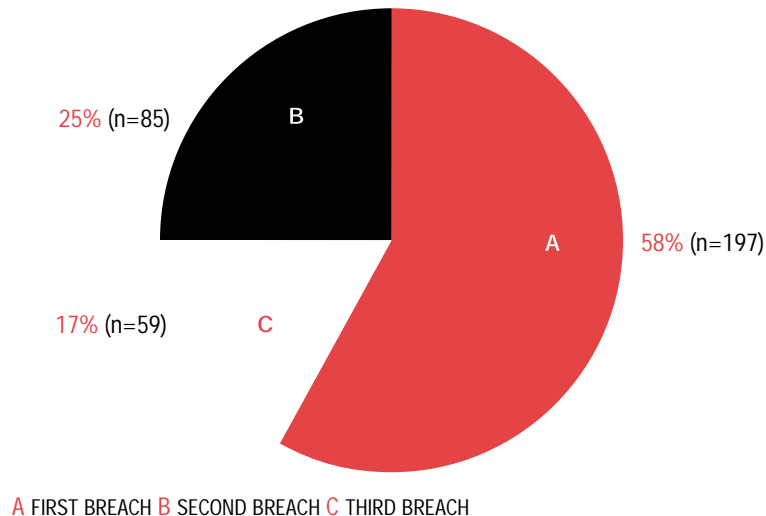
The questionnaire asked the following question: *When Centrelink reduces or cuts off your unemployment benefit for infringement of its rules this is known as "breaching". Have you been breached by Centrelink in the past year?* Of the total number of ER applicants who had received a social security benefit in the past year (1417), 25.2 per cent (n=357) stated that they had been breached. That is, about one in four people presenting to key Salvation Army ER centres across the Southern Territory in the week of the census had been breached in the last year.¹¹

FREQUENCY OF BREACHING

All breach types

ER applicants were asked the following question: *How many times has Centrelink breached you in the past year?* Figure 1 shows the breakdown of first, second and third/subsequent breaches amongst the total sample of breached recipients. This does not distinguish type of breach, i.e. whether they are Activity Test penalties, Administrative penalties or some combination. One in five people experienced three or more breaches.

FIGURE 1 Number of breaches experienced in last year amongst emergency relief recipients as a proportion of all breaches



Activity Test breaches

The questionnaire also asked participants if they had experienced a third or subsequent activity test breach, resulting in no payment for eight weeks. Of the 357 breached ER applicants, 56, or 15.7%, indicated that they had experienced a third or subsequent activity test breach.¹² That is, approximately one in six people had their unemployment benefit cancelled by Centrelink for two months. This amounts to \$178.90 per week or a total of \$1,431 for a person on Newstart Allowance (over 21), and \$145.05 per week, or a total of \$1,160, for a person on Youth Allowance (20 years, independent, single).

This finding is in stark contrast to the words of the then Minister for Family and Community Services, Senator Newman, in November 2000, that *"...the substantial majority of people who are breached are only breached once. They do not reoffend. They are not breached a second time. Quite a small number of people ever reach the stage of being cut off altogether"*.¹³



¹¹ This figure is conservative as the base population upon which this percentage is calculated includes all social security recipients, not just those on unemployment benefits. As above, page 8. ACOSS and the Welfare Rights Unit have reported that 14.1% of all activity test breaches are third breaches. They note that from the data currently available it is not known how many of these third breach penalties have been applied to the same person, since the penalty regime is such that a breach may stay on a person's social security record for up to two years. Following the eight-week non-payment period, if an unemployment recipient returns to receiving a benefit and is breached again, they immediately receive another third breach penalty. As above, page 8.

REASONS FOR BREACHING

Breached ER applicants were asked to indicate from a prescribed list the reason(s) for which they had been breached. Figure 2 opposite provides a breakdown of those reasons. The most commonly experienced reason was failure to reply to a letter (35.9%). The next most common reason was failure to attend an interview with the job network provider (24.1%), followed by failure to correctly declare earnings (19.3%), failure to attend an information seminar (14.0%), and failure to attend a Centrelink interview (12.3%). Some 9 per cent of respondents indicated that they did not know why they had been breached, suggesting that the compliance system is not as easily understood as it could be.

IMPACTS OF BREACHING

The questionnaire asked breached ER applicants to indicate whether or not breaching had affected them adversely, in particular in relation to key financial and housing indicators. Respondents were asked to choose one or more impacts from a prescribed list. Figure 3 opposite shows the breakdown of these.

FOOD, MEDICATION

The most commonly identified impact was an inability to afford food and/or medication: 84 per cent of breached ER applicants indicated that as a consequence of breaching, they could not afford to buy these basic necessities of life.

UTILITIES

The next highest impact was an inability to pay gas, electricity, water and/or phone bills. Some 63 per cent of ER applicants stated that they could not meet these payments as a consequence of being breached.

HOUSING

Significant proportions of ER applicants indicated that breaching impacted adversely on their housing situation in some way. Sixty two per cent said that they could not afford to pay one or other of their rent/board/bond costs; nearly one in

seven – or 13.7 per cent - also indicated that breaching resulted in them being evicted from rental or other accommodation for non-payment of rent/board; and one in six – or 16.5 per cent – identified that breaching had rendered them homeless. The difference between the proportion evicted versus those rendered homeless may relate to the issue of tenure: fewer people presumably are technically evicted than lose their housing.

CRIME

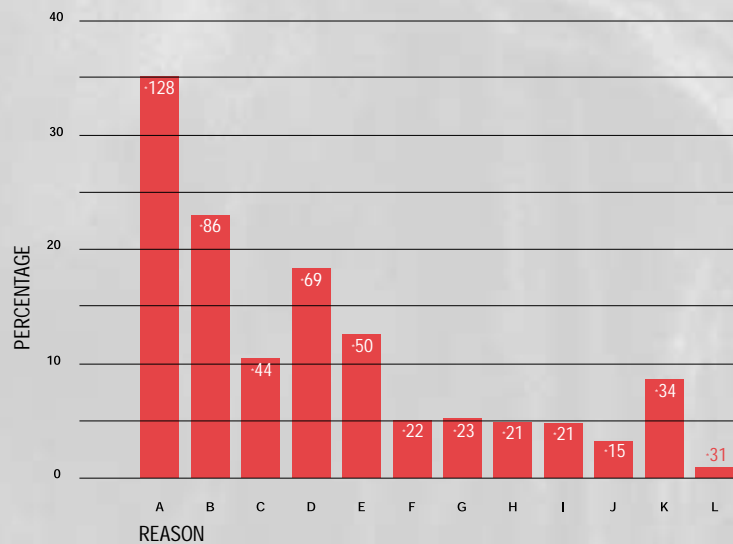
A disturbing proportion of ER applicants – 10.9 per cent, or one in nine people - indicated that as a result of breaching they had resorting to crime to pay for food, bills, medication or shelter. As this is a socially unacceptable behaviour to admit to, it can reasonably be assumed that this figure is a conservative estimate of the extent of this phenomenon.

BREACHING AS A PRECIPITANT TO SEEKING EMERGENCY RELIEF

ER applicants who identified themselves as having been breached were asked the following question: *Did you seek assistance TODAY from a Salvation Army emergency relief service AS A RESULT OF being breached?* Over half (51.3%) stated that they had. In other words, every second person presenting at The Salvation Army's key ER centres across five states/territories in the census period who had been breached by Centrelink stated that this breach had precipitated their need to seek crisis assistance.

These same respondents were also asked the following: *Not including today, have you sought assistance IN THE LAST YEAR from a Salvation Army or other welfare services AS A RESULT OF being breached?* Nearly two thirds (63.6 per cent) stated that they had. Thus, it is reasonable to extrapolate that nearly two in every three people breached by Centrelink who sought crisis assistance from Salvation Army and other ER agencies in the past year, did so as a consequence of that breaching.

FIGURE 2 Reason(s) for being breached as a proportion of all ER applicants breached

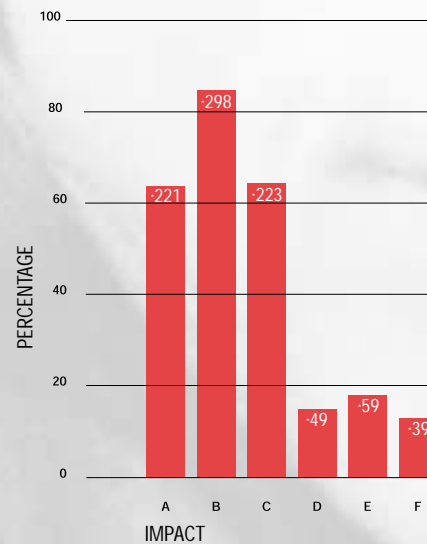


- A FAILED TO REPLY TO A LETTER
- B FAILED TO ATTEND JOB NETWORK PROVIDER INTERVIEW
- C FAILED TO ATTEND CENTRELINK OFFICE INTERVIEW
- D FAILED TO CORRECTLY DECLARE EARNINGS
- E FAILED TO ATTEND INFORMATION SEMINAR
- F FAILED TO ENTER INTO ACTIVITY AGREEMENT
- G FAILED TO ATTEND WORK FOR THE DOLE
- H FAILED TO CARRY OUT ACTIVITY AGREEMENT
- I FAILED TO ATTEND 3/9 MONTH INTERVIEW
- J VOLUNTARILY UNEMPLOYED
- K DON'T KNOW
- L OTHER

*Number values indicated on top of bars.

NB Under the "Other" category several respondents specified that they were repaying a loan or having overpayments taken out of their benefit. These respondents were removed from the total breached population, as neither of these circumstances constitutes a breach.

FIGURE 3 Impact of breaching on emergency relief applicants



- A UNABLE TO PAY UTILITY BILLS
- B UNABLE TO AFFORD FOOD, MEDICATION
- C UNABLE TO PAY RENT/BOARD/BOND
- D EVICTED FROM ACCOMMODATION FOR NON-PAYMENT OF BOARD/RENT
- E RENDERED HOMELESS
- F RESORTED TO CRIME TO PAY FOR BILLS/FOOD/MEDICATION/SHELTER ETC...

*Number values indicated on top of bars.

NB Homelessness was defined on the questionnaire as living on the streets or moving frequently from one form of temporary shelter to another (e.g. a friend, relative, crisis accommodation).



The findings of this census substantiate the anecdotal experience of Salvation Army ER workers that the growing rate and severity of Centrelink breaching is being reflected in the significant demand on our ER services. Whilst we do not have the time series data to examine the rate of growth of breaching until we run the census again in the future, the findings clearly indicate that:

- The prevalence of breaching is high amongst unemployment recipients presenting to Salvation Army ER centres across five states/territories (about one in four);
- A substantial number of these people have experienced their third or subsequent activity test breach (one in six), representing an alarming number of people without income support for eight weeks at a time;
- Over half of those breached presenting to our ER centres identified that they were seeking assistance as a consequence of breaching; and
- Breached ER applicants are identifying, in significant numbers, very serious adverse impacts of breaching. Very high proportions reported that they could not afford the basic necessities of life (food and medicine) or to pay their utility bills. Many others reported that breaching put them at serious risk of homelessness or actually precipitated the fall into homelessness. It is of grave concern also that so many stated they resorted to crime as a consequence of breaching to meet basic needs of food, medication, shelter, and so on.

These impact findings strongly suggest that breaching is compounding the already impoverished status of the unemployed, and for significant numbers, is a contributing precipitating factor in homelessness and crime.

The findings lend support to the contention that it is not only extremely vulnerable groups such as the homeless who are severe casualties of the breaching regime, but also the less severely disadvantaged amongst unemployed people who nevertheless are placed at risk because they lack family and other informal social supports. If this contention is accepted then the current critique of the penalty regime and the Mutual Obligation system needs to be broadened. It goes beyond the need for better system responses for those whose severe barriers make it difficult to comply with Mutual Obligation requirements. It goes beyond improving

assessment and referral to expanded personal support programs to ensure that those entitled to be exempt from activity testing are identified as such. It becomes, rather, one of how the community can justify the fundamental existence of such penalties when they erode already marginal social security support. The Salvation Army believes that in a wealthy country such as Australia in the 21st century it is **morally unacceptable** that people should be placed in a position where they have no income support to pay for basic necessities and shelter. How are they to be expected to meet these costs, let alone maintain job seeking activities, when all they can access is **limited emergency relief**?

It has been estimated that there has been a “saving” or reduction in Commonwealth government expenditure of at least \$258.8 million achieved by Centrelink through the penalty regime.¹⁴ The view that breaching is purported to save on the public purse is simplistic and distorting in its incompleteness; it fails to recognise the massive cost-shifting that breaching entails. As this survey found, large numbers of unemployed people affected by breaching are turning up to Salvation Army and other community welfare agencies to seek assistance to survive, and considerable Commonwealth ER dollars are needed in many cases to attempt to undo the enormous hardship that breaching can bring about. Its impact also reverberates beyond the immediate cost of providing ER crisis assistance, to the cost to individuals and the community of homelessness, poor health and crime. Far from being a reassuring saving for the tax paying citizens of Australia, breaching is shifting the personal and public costs elsewhere – to the homelessness and health sectors, and the justice system.

The Salvation Army is dismayed by some media treatment, particularly within the tabloid press, of the issue of breaching, in particular the tendency to conflate breaching with welfare fraud. The fact that **“breaches are not about social security fraud – they relate to infringements of often complex rules and/or increasingly tight Activity Test requirements”** has not emerged clearly enough in coverage of the issue.¹⁵ Furthermore, despite the rapid rise in breaching, there has been no corresponding increase in actual welfare fraud. Of the 1.1 million entitlement reviews conducted by Centrelink between 1 July 2000 and 31 December 2000, only 0.1% (1308) resulted in convictions.¹⁶

BRIAN'S STORY

Brian is a 33 year old individual on Newstart Allowance. He and his partner were struggling to support their two children, aged 6 and 4, in high cost rental accommodation in Adelaide on the income earned from a string of low paid labouring jobs and his unemployment benefit. He was advised by the State Housing Authority that he and his family could access public housing if they moved to Whyalla. They did so and Brian was promptly breached by Centrelink for unwittingly moving to an area of low employment prospects (MALEP), resulting in a complete cut to his income support. In the absence of any family or friends to turn to, Brian approached The Salvation Army's Whyalla ER centre for food vouchers and assistance with his utility bills. Brian returned to the centre a few weeks later stating that his marriage was under stress due to financial hardship, and was assisted with accessing respite child care and a referral to a relationship counsellor.

BRIAN

It is also not well understood in the community that penalties applied to unemployed people are both unjustifiably harsh and raise serious questions about **natural justice**. The Salvation Army concurs with the analysis by ACOSS and the National Welfare Rights Network that penalties are disproportionate to the "infringement", particularly when it is recognised that many of the people to whom they are applied have no other available support once their basic benefit is significantly reduced or withheld. Penalties for failing to reply to a letter or attend an interview, for instance, exceed those applied in the criminal system for the offense of drink driving.¹⁷ Yet the same legal safeguards we expect within the criminal system do not operate here: staff who impose these penalties are administrative officers, not judicial officials and the burden of proof under which they operate is lower. Unemployment recipients are required to prove their innocence *after* the imposition of tremendous financial hardship. In the mean time they may experience the consequence as severe as loss of housing. Restoration of payment may not, in many cases, be enough to return individuals to the same financial situation they were in before the penalty was applied.

¹⁴ As per Footnote 13, page 23.

¹⁵ National Welfare Rights Network & ACOSS. (2000). Doling out punishment: The rise and rise of social security penalties. Joint Research paper ACOSS INFO 220, 9 November 2000. Page 2.

¹⁶ Centrelink. (2000). Centrelink's compliance activity for Family and Community Services. Half-yearly report 1 July 2000 to 31 December 2000.

¹⁷ National Welfare Rights Network & ACOSS. (2000). Doling out punishment: The rise and rise of social security penalties. Joint Research paper ACOSS INFO 220, 9 November 2000. Page 1.

This study has brought into question the legitimacy and logic of denying people access to basic income security and consequently forcing them to rely on charity handouts to survive.

The Salvation Army accepts that some measures are necessary and desirable to minimise fraud. It also supports measures to enable and encourage participation, but believes fundamentally that participation can be achieved by motivational approaches rather than coercion and punishment.¹⁸ The basic minimum safety net should be a **right**, not a privilege bestowed by a benevolent government. Instead of penalties that erode or withdraw the minimum basic income support payment, The Salvation Army believes that a new system of incentives for participation under Mutual Obligation should be considered. Non compliance would then entail reduction or withdrawal of these participation incentives whilst maintaining the security of the basic unemployment benefit.

The Salvation Army welcomes the Community Services Minister Larry Anthony's announcement of a review of Centrelink breaching guidelines and processes. Further, we, along with ACOSS and the National Welfare Rights Network, would prefer to see a comprehensive independent inquiry into the penalty regime.¹⁹ We present these research findings in the hope that they will be considered as evidence in both the internal review and external enquiry.

As part of any review, the focus of concern needs to be extended beyond the more easily recognised special categories of literacy/numeracy, homelessness, domestic violence, mental illness, substance abuse, and indigenous people, to take in those people who have nowhere else to turn for support and who are thereby placed at grave risk through breaching. The Salvation Army calls on the **Commonwealth Government** to **consider** not only those who are eligible to fall within the exempt categories for Mutual Obligation requirements, but also those who are vulnerable more generally to further marginalisation as a consequence of breaching.

At the very least, there needs to be a review of the severity of breaching penalties and the appropriateness and legitimacy of application of the third breach which results in withdrawal of unemployment recipients' entire benefit for two months.

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¹⁸ See The Salvation Army Australia Southern Territory. (2000). *Submission to Reference Group on Welfare Reform*. page 15.

¹⁹ ACOSS media release (2001). *Call for suspension of third breach penalties of 8 weeks no payment*. Issued: 13 August.



Rhonda is 22 years old, on Newstart Allowance. She was studying part-time – a TAFE hospitality course, and working casually part-time, and thereby fulfilling her Mutual Obligation activity requirements. She had been breached by Centrelink twice before in the past two years, first for not attending a Job Network interview, and then for not providing a complete job seeker diary demonstrating that she was actively looking for suitable paid work. Rhonda was breached a third time without understanding why and came into her local Centrelink office to find out. She was told that she had not declared all her earnings. Rhonda had earned an extra \$60 in one fortnight through casual work in an effort to supplement her unemployment benefit. The third activity test breach resulted in her entire benefit being cut for eight weeks. Centrelink advised Rhonda that her appeal was unsuccessful and suggested she seek help from the local Salvation Army ER service in Preston. The only family Rhonda had was her mother, from whom she was estranged, so she had no choice. Rhonda shared a rental house with another student and had a history of being late with rental payments. She was now eight weeks behind in her rent and unable to afford her monthly travelcard to enable her to attend classes and work. Over the course of three days Preston ER centre contributed \$320 towards Rhonda's rental, gave her a monthly travelcard and provided her with food vouchers. This was not sufficient, however, to cover expenses for basic necessities in the second month. Rhonda ended up losing her rental premises and being referred by the ER centre to the The Salvation Army's Social Housing Service to attempt to access transitional housing since she was now blacklisted from rental housing. She has missed several of her classes and is not sure if she will continue with her course.