The Senate

Community Affairs Legislation Committee

Social Services and Other Legislation Amendment (Simplifying Income Reporting and Other Measures) Bill 2020 [Provisions]
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## Abbreviations

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<tr>
<td>ACOSS</td>
<td>Australian Council of Social Service</td>
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<td>ATO</td>
<td>Australian Taxation Office</td>
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<td>AUWU</td>
<td>Australian Unemployed Workers Union</td>
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<td>bill</td>
<td>Social Services and Other Legislation Amendment (Simplifying Income Reporting and Other Measures) Bill 2020</td>
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<td>committee</td>
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<td>Family Assistance Act</td>
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<td>National Social Security Rights Network</td>
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<td>STP</td>
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<td>Veterans’ Entitlements Act</td>
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List of Recommendations

Recommendation 1
1.65 The committee recommends that further targeted consultation and user testing is undertaken prior to the commencement of the simplified income reporting system to ensure that the measures, and associated information and supports, are capable of meeting the needs of all income support recipients.

Recommendation 2
1.67 The committee recommends that the government give a commitment to initiate a review of the implementation of the simplified income reporting measures within 12 months of commencement of the legislation and that a report of the review be tabled in the parliament.

Recommendation 3
1.68 The committee recommends that the Senate pass the bill.
Introduction

1.1 The measures in the Social Services and Other Legislation Amendment (Simplifying Income Reporting and Other Measures) Bill 2020 (bill) are intended to simplify the way income support recipients report their employment income to Services Australia. Currently, recipients who earn employment income must make a calculation to report their, or their partner's, earnings based on the number and value of shifts they have worked in a fortnight. The measures in the bill will make it possible for income support recipients to report the gross value of what they have been paid, as it appears on their payslip.¹

1.2 The ongoing expansion of the payroll information collected through the Single Touch Payroll (STP) administered by the Australian Taxation Office (ATO) will enhance these initiatives. From September 2020, it will be possible for Services Australia to use data collected by the ATO via the STP to prefill payroll information into income support recipients' fortnightly reports.²

1.3 The bill implements the Budget 2019-20 measure 'changing the Social Security Income Assessment Model' and is estimated to result in savings of $2.1 billion over four years exclusively through improved payment accuracy.³

Proposed changes to the income assessment model

Introduction of a paid assessment model

1.4 Income support is paid fortnightly, and each fortnight's rate is determined by the income support recipient's previous two week's earnings. At the end of every fortnight, income support recipients report their earnings for the previous two weeks to Services Australia and this determines the amount of income support they will receive the next day.

1.5 As noted above, under the current earned assessment model, income support recipients report what they have earned each fortnight. This requires them to

¹ Multi-agency Government Submission, Submission 6, p. 4.
² Multi-agency Government Submission, Submission 6, p. 10.
³ Multi-agency Government Submission, Submission 6, p. 4.
calculate their employment income based on the value of the shifts they have worked, not what they have actually been paid.\textsuperscript{4}

1.6 Under the paid assessment model proposed in the bill, from 1 July 2020, income support recipients will report the gross income that has been paid to them during the fortnight as it appears on their payslip.\textsuperscript{5}

1.7 The measures in the bill will affect recipients who report income on Jobseeker payment, Parenting Payment (Single and Partnered), ABSTUDY, Austudy, Youth Allowance, Special Benefit, Age Pension, Carer Payment, Disability Support Pension and Farm Household Allowance.\textsuperscript{6}

\textbf{Interaction with the STP}

1.8 The STP is a new system for employers to report income, tax and superannuation information to the ATO each time an employee is paid. Except for a small number of employers who are eligible for temporary exemptions or who are eligible for quarterly reporting until 2021 (such as micro businesses with 1–4 employees), most employers have transitioned or are in the process of transitioning to the STP.\textsuperscript{7}

1.9 From July 2019, the ATO commenced sharing STP data with Services Australia for employees who are customers of Services Australia. This data includes the salary and wages, tax, lump sum payments and allowances in Year to Date format on or before the pay day of the employee. From 1 July 2020, the ATO will commence collecting an expanded set of income data from employers. Full implementation of collection of this expanded data set will commence on 1 July 2021 and will be mandatory for all employers, except micro employers with 1–4 employees using a low or no cost STP solution.\textsuperscript{8}

1.10 The expanded data set includes the disaggregation of gross income, the collection of Child Support Agency deduction and garnishee amounts and a cessation reason.\textsuperscript{9}

\textsuperscript{4} Multi-agency Government Submission, \textit{Submission 6}, p. 5.
\textsuperscript{5} Multi-agency Government Submission, \textit{Submission 6}, p. 5.
\textsuperscript{6} Multi-agency Government Submission, \textit{Submission 6}, p. 6.
\textsuperscript{8} Multi-agency Government Submission, \textit{Submission 6}, p. 10.
\textsuperscript{9} Multi-agency Government Submission, \textit{Submission 6}, p. 10.
Easier and more accurate income reporting

1.11 Under the amendments in the bill, Services Australia will use the employer reported STP payroll information to prefill payroll information into income support recipients' fortnightly reports, in a similar way to how the ATO prefills tax returns. Income recipients will be prompted to review, confirm or update the STP data, before it is used to assess their entitlements.

1.12 Subject to the passage of the bill, from July 2020, Services Australia will begin to prefill the name of the organisation associated with the payroll payment until employers begin reporting the expanded data set to the ATO.

1.13 Where a recipient works for an employer who is not covered by STP, they will continue to have to report their income, using their payslip.\(^{10}\)

1.14 The combination of the paid assessment model and the use of STP payroll information will make it easier for income support recipients to report their employment income and will improve the accuracy of income reported.\(^ {11}\)

Provisions of the bill


1.16 It contains one Schedule in three Parts:

Part 1 – Simplifying income reporting

1.17 Part 1 of the bill replaces the current rules used to assess employment income under social security law by:

- amending the Social Security Act to insert new employment income attribution rules, including a special employment attribution rule for income received on a monthly basis or in a lump sum;\(^{12}\)
- amending the Social Security Act and Veteran’s Entitlements Act to ensure members of the pension bonus scheme are not adversely affected by the new employment income attribution rules;\(^{13}\) and
- making a number of minor consequential amendments to the Social Security Act, Social Security Administration Act and Veterans’ Entitlements Act to

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\(^{10}\) Multi-agency Government Submission, Submission 6, p. 11.

\(^{11}\) Multi-agency Government Submission, Submission 6, p. 10.

\(^{12}\) Social Services and Other Legislation Amendment (Simplifying Income Reporting and Other Measures) Bill 2020 (bill), Item 37.

\(^{13}\) Bill, Items 5, 62 and 63.
reflect that, under the new rules, income is assessed when received, rather than on an earned, derived or received basis.

1.18 Part 1 also includes extensive application and savings provisions to define how these amendments will apply in the payment instalment period when the bill commences.\(^{14}\)

**Part 2 – Exchange of information relating to taxation information**

1.19 Part 2 of the bill ensures that taxation information, primarily data from the STP system, can be used to assess employment income under social security law by:

- amending the Social Security Administration Act, Family Assistance Act and Student Assistance Act to insert provisions relating to the obtaining, recording, disclosure or use of information relating to taxation information; and
- amending the Social Security Administration Act, Student Assistance Act and Family Assistance Act to allow use of automated computer programs to obtain taxation data.\(^{15}\)

1.20 The Explanatory Memorandum states that these amendments do not facilitate the use of computer programs to make decisions about a person’s eligibility for or rate of a social security payment or provide for the automation of debt recovery.\(^{16}\)

**Part 3 – Other amendments**

1.21 Part 3 of the bill provides for the assessment of certain non-remunerative lump sum amounts by:

- inserting a new section in the Social Security Act to provide for the assessment of certain lump sum payments made in arrears of periodic payments;\(^{17}\) and
- making a number of minor consequential amendments to the definition of 'ordinary income' to include certain income amounts.

1.22 Part 3 also includes an application provision to clarify that the new section applies to lump sums received on or after the commencement of the bill.\(^{18}\)

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\(^{14}\) Bill, Items 72 and 73.

\(^{15}\) Bill, Items 81, 82, 83, 84 and 100.

\(^{16}\) Explanatory Memorandum to the Social Services and Other Legislation Amendment (Simplifying Income Reporting and Other Measures) Bill 2020 (explanatory memorandum), pp. 31–34, 40, 41.

\(^{17}\) Bill, Item 116.

\(^{18}\) Bill, Item 118.
Conduct of the inquiry
1.23 The Senate referred the provisions of the bill to the Senate Community Affairs Legislation Committee (committee) for inquiry and report by 20 February 2020.19

Evidence
1.24 Details of the inquiry, including a link to the bill and associated documents were placed on the committee’s website. The committee wrote to relevant organisations inviting submissions to the inquiry by 14 February 2020.

1.25 The committee received eight submissions, which were published to the committee’s website. The committee held a public hearing in Melbourne on Monday 17 February 2020. Lists of submitters and witnesses are included at Appendices 1 and 2.

1.26 The committee thanks all those who contributed to the inquiry.

Note on references
1.27 References to the committee Hansard are to the proof transcript. Page numbers may vary between the proof and official Hansard transcript.

Legislative scrutiny
1.28 The Senate Standing Committee for the Scrutiny of Bills and the Parliamentary Joint Committee on Human Rights made no comment in relation to the bill.20

Matters raised by submitters and witnesses
1.29 Submitters were broadly supportive of the bill, noting that the measures in it would simplify reporting obligations, help ensure income support recipients receive the rate of payment they are entitled to and help reduce the number of social security overpayments.21 The Australian Council of Social Service (ACOSS) stated that it welcomes the bill, because shifting the reporting of income to when it is received as opposed to when it is earned it will simplify the reporting of income and remove the guess work involved in the current system.22

19 Journals of the Senate, No. 38, 6 February 2020, p. 1247.


21 See, for example, Anglicare Australia, Submission 4, p. 4; National Social Security Rights Network (NSSRN), Committee Hansard, 17 February 2020, p. 1.

22 Australian Council of Social Service (ACOSS), Committee Hansard, 17 February 2020, p. 6.
1.30 Submitters discussed the complexity of the current system and noted government statistics regarding the significant rate of corrections of reported income due to mistakes being made in estimating and reporting income.23

1.31 However, submitters and witnesses raised a range of matters in relation to the passage of and implementation of the bill, which they consider need to be addressed if the anticipated benefits of the measures are to be realised. These matters are discussed below.

Consultation and user testing

1.32 A key concern for submitters was the need to ensure that the new reporting system is robust and will work for everyone who needs to use it. A number of submitters and witnesses commented on the timeframe for consideration of the bill, and expressed concern that this had limited their ability to examine the measures in the bill in detail and provide considered comments on the practical implications of them.24

1.33 A particular concern was the need to ensure that the new reporting processes take account of the needs of diverse and vulnerable income support recipients.25 Submitters and witnesses also noted the importance of ensuring the changes will meet the needs of income support recipients who receive irregular or one off payments.26

1.34 Submitters highlighted the importance of undertaking comprehensive consultation and user-testing, both with a range of income support recipients and with the organisations that support them, to guard against unintended consequences and ensure appropriate steps are identified to ameliorate and potential risks.27 Submitters noted that this was important if the full benefits of the change are to be realised and also to restore trust in the use of automation and data sharing in the social security system.28

1.35 Ms Charmaine Crowe told the committee that ACOSS would ‘like to see the system tested on a large number of people in different circumstances who live in different areas of Australia, with different access to online forms of

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23 See, for example, NSSRN, Committee Hansard, 17 February 2020, p. 1; Australian Unemployed Workers Union (AUWU), Committee Hansard, 17 February 2020, p. 10.

24 See, for example, NSSRN, Submission 2, p. 2; Accountable Income Management Network, Submission 3, [p. 1].

25 See, for example, NSSRN, Submission 2, p. 4.

26 See, for example, ACOSS, Committee Hansard, 17 February 2020, p. 6; AUWU, Committee Hansard, 17 February 2020, p. 10.

27 Ms Crowe, ACOSS, Committee Hansard, 17 February 2020, p. 7; Anglicare Australia, Submission 4, p. 4.

28 See, for example, NSSRN, Submission 2, p. 3; ACOSS, Submission 7, p. 3.
communication’ and different access to Services Australia. Ms Crowe also noted the importance of having access to a comprehensive set of worked examples to illustrate how different payment scenarios would be reported under the new measures.29

1.36 Mr Daniel Turner, representing the National Social Security Rights Network (NSSRN), stressed the importance of being able to provide feedback on the various reporting platforms to be used to ensure that people will not be at risk of making simple mistakes resulting in the reporting of potentially incorrect information.30

1.37 The multi-agency government submission advised that ‘work has been undertaken to identify the needs and challenges for both recipients and staff’ and that this would inform the development of a suite of supporting resources to address both technical and behavioural changes.31 These resources will include worked examples to assist people to understand how to report their income.32

1.38 Services Australia described the current user testing of screen flows and letters:

We have multiple channels for customer experience testing. We’ve probably done four iterations now on the letter. It’s been a really great process; we’ve actually gone from co-design to co-creation, with getting customers to actually write it in plain English that speaks to them. So we’ve gone through the use of diagrams to written examples, and tested all of those out with the customers to make sure that it hits the mark.33

1.39 Services Australia also described a range of enhancements that it is making ahead of the 1 July 2020 implementation date, in response to feedback from the user testing sessions:

We’ve had some great feedback from customers about: ‘Could you bold this word?’ or ‘Could you reorder the screens? It doesn’t make sense to me if you flow it that way.’ So we’ve done that. We’ve also made sure that within the screens we’ve got links to those support tools…We’ll have a bot available so people can get some more personalised information by asking a question.34

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29 Ms Charmaine Crowe, ACOSS, Committee Hansard, 17 February 2020, p. 7.
30 Mr Daniel Turner, NSSRN, Committee Hansard, 17 February 2020, p. 3.
31 Submission 6, p. 11.
33 Ms Ailsa Borwick, Services Australia, Committee Hansard, 17 February 2020, p. 24.
34 Ms Borwick, Services Australia, Committee Hansard, 17 February 2020, pp. 24–25.
Implementation

1.40 The measures in the bill are intended to commence from 1 July 2020. Some submitters and witnesses questioned the rationale for the proposed commencement date and whether it would be possible to defer commencement of the measures by a quarter to allow for a longer period of consultation and user-testing. ACOSS told the committee:

We think that there is no need to rush this bill. We need to see that comprehensive testing of the new scheme before it commences so that we can guard against any issues or problems that may exist in the scheme or that haven’t been detected.

1.41 In response to questions on notice, the Department of Social Services set out the rationale for a 1 July 2020 commencement date and stated:

Work undertaken by Services Australia with income support recipients to date shows that a staged implementation of the measure would best support individuals through the change to income reporting. Commencement on 1 July 2020, along with comprehensive supports prior and following implementation will allow recipients time to engage with the changes and adjust to reporting when paid. Having recipients report what they have received before prefiling will assist them to understand the basis of reporting before they have the benefit of STP prefilled data.

1.42 Further, DSS advised that the ‘roll out of communication and supports by Services Australia is dependent on the passage of legislation and Services Australia will be unable to engage with recipients more broadly until the legislation is passed’.

1.43 During the transition to the paid assessment model, income support recipients with ongoing employment will need to undertake a one-time calculation to ensure that their income is not double counted. Submitters and witnesses expressed concern that income support recipients would find this process confusing, resulting in reporting errors.

1.44 The departments advised that the bill has been drafted to make this transition as simple as possible and that a range of supports will be available to assist people during this period:

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35 See, for example, Ms Kasy Chambers, Anglicare Australia, Committee Hansard, 17 February 2020, p. 17.
36 Ms Charmaine Crowe, ACOSS, Committee Hansard, 17 February 2020, p. 7.
37 Department of Social Services (DSS), answers to questions on notice, 17 February 2020, SQ20-000052, (received 19 February 2020).
38 DSS, answers to questions on notice, 17 February 2020, SQ20-000052, (received 19 February 2020).
39 See, for example, Ms Leanne Ho, ACOSS, Committee Hansard, 17 February 2020, p. 3; Ms Crowe, ACOSS, Committee Hansard, 17 February 2020, p. 6.
A specially designed calculator will also help people work out what they should report. The transition calculator will be available online along with examples of how to report, frequently asked questions and video messages. Messages advising of the changed requirements will also be included in the regular Services Australia income reporting tools during the transition, such as the online portal and the app.40

1.45 Witnesses also stressed the need to ensure that income support recipients are aware of the need to check any pre-filled data when they report their income. Witnesses highlighted the need for processes for the correction of errors to be easy to access, both for employers and income support recipients, and not result in payment delays.41 The Australian Unemployed Workers Union called for greater clarity regarding the resolution of discrepancies in reporting, particularly errors in reporting by employers, and what this would look like in practical terms for income support recipients.42 The Community and Public Sector Union (CPSU) expressed concern that the length of time taken to identify income discrepancies currently is too long. The CPSU submitted that the public needs to have confidence that, under the proposed changes, discrepancies between income earned and income reported will be identified promptly and their size and frequency will be substantially reduced.43

1.46 Witnesses proposed that Services Australia should alert income support recipients of any discrepancies between information they have supplied and the STP data. Mr Daniel Turner, representing the NSSRN, said

… at the very least, when an income support recipient provides information that is inconsistent with prefilled information, Services Australia should alert the income recipient of the discrepancy. The recipient should be notified that the information they supply will be relied on in place of the prefilled data and, if it is subsequently found to be incorrect, then this may give rise to an overpayment and potential criminal penalties. Ideally this alert would be accompanied by an offer of support by Centrelink to resolve the discrepancy between the prefilled information and what the payment recipient believes to be the correct information.44

1.47 Ms Borwick also explained that, while recipients can currently only update or correct their record over the phone or face to face, Services Australia is looking at enhancements to help improve that process in response to feedback it has received during the user testing.45

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40 Multi-agency Government Submission, Submission 6, p. 11.
41 See, for example, Dr Simone Casey, AUWU, Committee Hansard, 17 February 2020, p. 10.
42 Dr Casey, AUWU, Committee Hansard, 17 February 2020, p. 10.
43 Community and Public Sector Union, Submission 1, [p. 1].
44 Committee Hansard, 17 February 2020, p. 1.
45 Ms Borwick, Services Australia, Committee Hansard, 17 February 2020, p. 25.
Communicating the changes

1.48 The committee heard evidence regarding the importance of ensuring income recipients are supported to understand the new reporting process. Some submitters noted that recipients may have formed the false impression that the implementation of STP data sharing between the ATO and Services Australia would replace the need for them to check and report their income. NSSRN and ACOSS expressed the view that effective communication of the ongoing responsibility for income support recipients to report their income will be as important as communicating the new income reporting processes.46

1.49 Submitters stressed the need for information and supports to be targeted to the particular needs of recipients. Anglicare Australia highlighted the need for assistance pathways for people who have barriers such as low literacy, physical and psychosocial disabilities, complex needs or are in crisis.47 ACOSS noted the need for communication strategies to take account of the particular needs and challenges of people living in rural and remote areas; those with poor access to Services Australia, particularly Aboriginal and Torres Strait Islander and culturally and linguistically diverse communities.48

1.50 Submitters and witnesses also emphasised the need to use multiple channels of communication noting that the planned communication initiatives appear to be via online means. ACOSS cautioned that this would be unsuitable for many people and recommended that other, non-online, communication channels also be used such as letters, television and radio.49

1.51 The committee heard that recipients will be notified via a bulk mail-out to about 600,000 recipients and targeted messaging in advance of the changes. Messages would also be included in the reporting channels during the transition period. Services Australia advised that the letter would explain the changes and would include worked examples to assist people, as well as guiding them to additional information.50

1.52 Services Australia explained that a range of information and support would be provided through existing channels that income support recipients are familiar with. Ms Borwick told the committee that close to 90 per cent of Services Australia’s customers use the online applications and the voice system.51

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46 NSSRN, Submission 2, p. 4; ACOSS, Submission 7, p. 4.
47 Submission 4, p. 8.
48 Submission 7, p. 3.
49 Submission 7, p. 3.
50 Committee Hansard, 17 February 2020, p. 24.
51 Committee Hansard, 17 February 2020, p. 24.
1.53 The multi-agency government submission advised that $30 million funding over the three years to 2019-20 has been provided to Services Australia to support both recipients and Services Australia staff transition to the new income reporting model. The departments explained that recipients will be notified of the changes ahead of 1 July 2020 and during the transition period.\(^\text{52}\)

1.54 Training would also be provided for all Services Australia staff from payment line and payment support staff to those staff who provide specialist services such as social workers and Indigenous service officers to ensure that they understand and are able to explain the change to customers.\(^\text{53}\)

1.55 Services Australia also explained the use of Indigenous radio and factsheets translated into ten different languages would help communicate the changes Aboriginal and Torres Strait Islander and culturally and linguistically diverse communities.\(^\text{54}\)

**Privacy**

1.56 The committee heard evidence that highlighted the need for close consideration of privacy issues under the Social Security Act. The Accountable Income Management Network submitted that insufficient attention has been given to the erosion of individual privacy and data rights in relation to the data-sharing mechanisms in the bill.\(^\text{55}\) ACOSS submitted that people's right to privacy must be strengthened under social security law. ACOSS noted that the bill will expand the sharing of private information and recommended that disclosure of people's private information without their explicit, informed consent, should not be permitted under social security law.\(^\text{56}\)

1.57 At the same time, submitters and witnesses noted the government’s powers under the Social Security Act often meant that it was better placed to access accurate information about a person’s income and argued that the responsibility for gathering this information should shift from income support recipients to government.\(^\text{57}\) Ms Crowe from ACOSS explained that there is a question about getting the balance right between the government's ability to ensure information is sufficient and correct and acknowledging the powers that the government has to release information about people’s circumstances.\(^\text{58}\)

\(^\text{52}\) Submission 6, p. 14.

\(^\text{53}\) Committee Hansard, 17 February 2020, p. 24.

\(^\text{54}\) Committee Hansard, 17 February 2020, p. 24.

\(^\text{55}\) Submission 3, [p. 1].

\(^\text{56}\) ACOSS, Submission 7, p. 4.

\(^\text{57}\) See, for example, Mr Turner, NSSRN, Committee Hansard, 17 February 2020, p. 1; NSSRN, Submission 2, p. 3; Ms Chambers, Anglicare Australia, Committee Hansard, 17 February 2020, p. 16.

\(^\text{58}\) Committee Hansard, 17 February 2020, p. 8.
Review

1.58 Submitters and witnesses highlighted the importance of reviewing the practical operation of the measures to identify any unintended consequences and remedy them. Victoria Legal Aid and ACOSS recommended that the legislation be reviewed 12 months after implementation to ensure that it is operating in the best interests of income support recipients. Ms Charmaine Crowe from ACOSS told the committee:

I think that’s a responsible way for the government to move forward with this. Let’s not forget that hundreds of thousands of people will be affected by this piece of legislation in any given year. It would be prudent for government to do a comprehensive review of the legislation in a year’s time to ensure that it is operating fairly and correctly and that people really are at the centre of this legislation.

1.59 Some submitters emphasised the importance of the findings of any such review being implemented:

My concern is that testing and reviews and how much people are held to hose can be fairly weak once a bill has been passed. So if we could actually write that in in some way—that there needs to be ongoing review, ongoing testing, much greater leniency in terms of working through any issues raised and review at the end of the time as well—that would be ideal.

1.60 Mr Bennett from the Department of Social Services explained that there have been no discussions regarding a review period and that rather than having a specific review period, the department would monitor the system going forward.

Conclusion

1.61 The Social Services and Other Legislation Amendment (Simplifying Income Reporting and Other Measures) Bill 2020 will change the way that income support recipients report their employment income to Services Australia. It will remove the need for income support recipients to calculate the value of the shifts they have completed each fortnight and allow them to report their income when it is paid to them by their employer, referring directly to their payslip.

1.62 This change will remove one of the most problematic aspects of income reporting: the need for income support recipients to keep track of, calculate

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59 See, for example, AUWU, Committee Hansard, 17 February 2020, p. 14; Anglicare Australia, Committee Hansard, 17 February 2020, p. 17.

60 Victorian Legal Aid, Submission 5, p. 5; ACOSS, Submission 7, p. 5.

61 Committee Hansard, 17 February 2020, p. 9.

62 Committee Hansard, 17 February 2020, p. 17.

63 Committee Hansard, 17 February 2020, p. 22.
and report their earnings before they are paid. The current system can involve multiple calculations and a risk that the recipient will incorrectly report the income they earned from the previous fortnight, resulting in the underpayment or overpayment of income support payments. Allowing recipients to report income when it is paid to them will make it easier for individuals to accurately report their income and significantly improve the accuracy of income reporting. This reduction in complexity will be of particular benefit to those income support recipients engaged in irregular or intermittent employment.

1.63 The proposed change in reporting model will be supported by the transition to the Single Touch Payroll, which will enable an income support recipient's employment income, along with the name of their employer, to be prefilled in their report to Services Australia. While recipients will still need to check the accuracy of these details, this initiative should help to simplify the process of income reporting.

1.64 Evidence to this inquiry indicates broad support for the measures and an appreciation of the benefits that will flow from their implementation. However, the committee notes that this support is predicated on adequate consultation and user-testing taking place prior to the commencement of the proposed changes to ensure that their practical implementation meets the needs of all income support recipients. The committee makes particular note of the concerns raised regarding the need to ensure that the measures meet the needs of a diverse range of income support recipients, particularly those who face challenges in accessing the social security system and Services Australia.

Recommendation 1

1.65 The committee recommends that further targeted consultation and user testing is undertaken prior to the commencement of the simplified income reporting system to ensure that the measures, and associated information and supports, are capable of meeting the needs of all income support recipients.

1.66 The committee also notes evidence received regarding the need to review the implementation of the measures in the bill to ensure that the anticipated benefits are being achieved and to identify and address any unintended consequences. The committee notes the assurance from the Department of Social Services that there will be ongoing monitoring of the system. However, the committee considers that there is merit in undertaking a formal review to gain an understanding of income recipients' understanding and engagement with the system and the extent to which the information and supports provided to assist them are meeting their needs.
Recommendation 2

1.67 The committee recommends that the government give a commitment to initiate a review of the implementation of the simplified income reporting measures within 12 months of commencement of the legislation and that a report of the review be tabled in the parliament.

Recommendation 3

1.68 The committee recommends that the Senate pass the bill.

Senator Wendy Askew
Chair
Additional Comments by Labor Senators

1.1 Labor Senators note the in-principle support for the bill offered by stakeholders who represent the interests of social security recipients and frontline service delivery organisations, including: the Australian Council of Social Services,1 the National Social Security Rights Network2 and Anglicare Australia.3 However, all submissions and witnesses – other than Government agencies – raised significant concerns about the Government’s ability to implement the changes in the bill smoothly and effectively.

1.2 The National Social Security Rights Network, raised the following concerns about the transition from the current reporting arrangement, to the new arrangements proposed in the bill:

We’re particularly concerned about the transition periods, where we understand that people will actually need to do some manual calculations to make sure that the period that the data relates to is correct. That particular period is, I think, going to be fraught, and there are going to need to be additional resources from Services Australia to support people through that period.4

1.3 Concerns about the capacity of the Government to effectively implement changes to systems on which social security recipients rely were also shared by the Australian Unemployed Workers Union:

While we support the idea of making income support reporting simpler, the recent experience with robodebt offers salient warnings about the harms that arise when the algorithms that inform income imputations do not reflect the reality of variable income many underemployed workers experience. The robodebt experience shows how the design and digitisation initiatives too often occurs in a vacuum, with insufficient testing of the concepts on human subjects and with a disregard for the suffering that arises when these initiatives fail to work as intended.5

1.4 These concerns are acute among organisations that work on a daily basis with social security recipients. Largely because of inadequate testing and consultation with the people who will need to report income in a new way. This concern, and the likely solution, was pointed out by the Australian Council of Social Services:

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1 Australian Council of Social Services (ACOSS), Submission 7, p. 2.
2 National Social Security Rights Network (NSSRN), Submission 2, p. 2.
3 Anglicare Australia, Submission 4, p. 4.
4 Ms Leanne Ho, NSSRN, Committee Hansard, 17 February 2020, p. 3.
5 Dr Simone Casey, Australian Unemployed Workers Union, Committee Hansard, 17 February 2020, p. 10.
We'd like to see the system tested on a large number of people in different circumstances and who live in different areas of Australia, with different access to online forms of communication, access to Services Australia et cetera. We think that there is no need to rush this bill. We need to see that comprehensive testing of the new scheme before it commences so that we can guard against any issues or problems that may exist in the scheme or that haven't been detected.

Importantly, we want to see testing with social security law experts and not just people who could be affected down the road. That's because they can often identify issues that people who would be using the scheme may not be aware of, simply because they have a decent understanding of social security law. If we compare it what happened with robodebt, there was no consultation there with experts at all.6

1.5 Anglicare Australia shared these concerns about the Government’s ability to effectively manage change to systems, and pointed out the importance of investing in the systems on which many Australian rely in order to make them easier, simpler and better to use:

Centrelink has not demonstrated its organisational ability to enact automated systems. There is a lot going on at Centrelink at the moment, and it would be really good to see demonstrated consolidation of the current lessons to assist in the future changes. These changes must be seen as an investment into a better system for Australians. They will not work for the people using Centrelink if they’re viewed as a cost-cutting exercise. An investment outlook will involve careful design and testing, but it will, ultimately, deliver better outcomes for everyone.7

1.6 Witnesses were particularly concerned about the likelihood that many social security recipients would be underpaid during the fortnight of transition to the new income reporting system. This is because people could easily double-report income under the old system and the new system. ACOSS described this likely scenario from the point of view of a social security recipient who also works:

I think there is a large likelihood that people will make a mistake with that calculation because it would be very easy to do. We know that more than half a million people report income in any given fortnight, so there is a huge risk that a large number of people will make an error when they make that calculation. Going to your question of whether or not people should be penalised, I think there should be a level of understanding from the government that people may well make a mistake and that people should not be penalised unduly if they report their income incorrectly. Our concern is that people double-count income as opposed to under-report income. As we know, there is no obligation on the government to detect any underpayments that may be made and that responsibility rests solely with the individual concerned, which is why we are calling for the government to use any tools it might have to pick up on instances of

6 Ms Charmaine Crowe, ACOSS, Committee Hansard, 17 February 2020, p. 7.

7 Ms Kasey Chambers, Anglicare Australia, Committee Hansard, 17 February 2020, p. 6.
double-counting and try and work with the person concerned to ensure that they are receiving the correct entitlement for that period. Given that it is only one fortnight that will constitute the transition period, I think it is only fair that the government plays its part here to ensure that people do receive the income support to which they are entitled.8

1.7 Labor Senators support the recommendations of the Committee Report, including that:

- further targeted consultation and user testing is undertaken prior to the commencement of the simplified income reporting system to ensure that the measures, and associated information and supports, are capable of meeting the needs of all income support recipients; and
- the Government give a commitment to initiate a review of the implementation of the simplified income reporting measures within 12 months of commencement of the legislation and that a report of the review be tabled in the parliament.

Recommendation 1

1.8 In addition to the recommendations of the Committee Report, Labor Senators recommend that the Government take all reasonable steps during the period of transition to the new income reporting system to detect, confirm and correct over-reporting of income. This is essential to ensure payments are correct and reflects the Government’s moral duty of care to use the available information and systems to make sure social security recipients receive accurate payments.

Recommendation 2

1.9 Labor Senators also recommend the one-year review of the implementation of the changes proposed in the bill is conducted independently and that consultation with experts and the social security recipients is part of the review process.

Senator Malarndirri McCarthy

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8 Ms Charmaine Crowe, ACOSS, Committee Hansard, 17 February 2020, p. 7.
Additional Comments by the Australian Greens

1.1 The Australian Greens support the recommendations of the majority report but wish to make some additional comments. We note that simplifying income reporting has broad in principle support from the social services sector, provided that a number of issues are clarified and some protections put in place.

1.2 This bill will simplify the process of reporting employment income for 1.2 million income support recipients who report earnings in the course of a year. Income support recipients will need to report the gross income that has been paid to them by their employer(s), instead of estimating the amount of income they have earned.

1.3 This bill needs to be considered in light of the ongoing debacle of the unlawful robodebt program that has adversely affected hundreds of thousands of Australians. We must view this bill through the lens of robodebt to ensure that the failures of robodebt never happen again and to demonstrate the importance of getting the legislation right from the start to avoided harmful consequences. It is critical that the Government learns from the lessons of robodebt before implementing further automation and data matching processes within the social security system.

Rushed timeframes

1.4 The Australian Greens hold concerns that this bill is being rushed through Parliament limiting the time for review of the provisions of the bill and their potential ramifications. The limited consultation phase and short time frame for stakeholders to consider the bill is concerning. We strongly believe the Government must get these significant changes right to ensure the bill does not cause unintended harm.

1.5 Victoria Legal Aid recommended that the Committee consider 'whether further time and consultation with stakeholders is required to consider the potential implications of the bill'.

1.6 The National Social Security Rights Network noted that it is difficult for them to provide comprehensive feedback on the practical implications of the bill without seeing the reporting screens that outline the new process. This concern was echoed by other stakeholders including ACOSS.

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1 Victoria Legal Aid, Submission 5, p. 5.
2 National Social Security Rights Network (NSSRN), Submission 2, p. 2.
1.7 It is unclear whether the rushed timeframes are being driven by the need to align the process with the start of the financial year or because of the significant savings the Government claims will be generated by this measure.

Clarification on operation of the bill
1.8 The current bill does not provide a clear definition of key terms, including 'employment period' and 'in respect of a particular period or periods' under clauses 1073A and 1073B.

1.9 Victoria Legal Aid noted in its submission:

   It is not clear what is meant by the particular period to which the employment income relates. It could be the pay cycle, the number of days of work or the period during which the person worked.3

1.10 During the hearing, the Department of Social Services clarified:

   If you got paid and it related to the period 1 January to 31 July, the employment period would be 31 days. It doesn't relate to what days you worked in that period. The use of the term 'employment period' was to avoid confusion that it related to specific days. It was to relate to the employment period over which you earned the income.4

1.11 As it is currently drafted, the bill does not specify that an employment period means a person’s pay cycle and not the number of days a person worked. This could cause confusion and problems when calculating a person’s social security entitlement.

1.12 Where a person is paid an amount but there is no corresponding timeframe (for example, a Christmas bonus), the Secretary has discretion to attribute this employment income over a period not exceeding 52 weeks. There are currently no guidelines or limitations on the Secretary’s discretion which is a concerning feature of this measure.

Recommendation 1
1.13 That the Government provides a clear definition of what is meant by 'employment period' in the bill.

Recommendation 2
1.14 That the Government provides guidance on how the Secretary should use their discretion to determine an employment period where employment income is paid but not in respect of a particular timeframe.

3 Victoria Legal Aid, Submission 5, p. 3.
4 Ms Lapthorne, Department of Social Services, Committee Hansard, 17 February 2020, p. 29.
**User testing of the new process and system**

1.15 Throughout the inquiry stakeholders raised the issue of user testing the new process and system.

1.16 National Social Security Rights Network noted that the small scale of user testing being undertaken will not adequately capture the complexities and vulnerabilities experienced by income support recipients:

> We understand from the briefing we attended that a focus group of 10 people in Brisbane will be invited to user-test the prototype of the new reporting system. We are concerned that that this small sample will not provide the level of diversity of perspectives required to ensure that the system will work well for everyone, particularly those most vulnerable.5

1.17 During the hearing, ACOSS urged the government to test the new scheme on a large number of people in different circumstances, different geographical locations and with different levels of access to online forms of communication.6

1.18 Anglicare Australia noted the need for rigorous testing of the automated system ‘to ensure that it generates accurate data, and supports accurate decision-making’.7

1.19 The Australian Unemployed Workers Union also recommended that the reforms undergo rigorous testing with underemployed workers to test real people with real scenarios.8

1.20 ACOSS also called for testing to occur with social security law experts who would be able to identify issues with the new system due to their understanding of social security law.9

1.21 We echo the concerns raised by stakeholders and believe that the extent of user testing to date has been inadequate. We are especially concerned that the Government is running out of time to rigorously test the new system if it is aiming for a 1 July start date.

1.22 Given these measures will affect 1.2 million income support recipients, it is essential that the Government urgently undertakes comprehensive user testing of the new process and system. People receiving income support payments who also report income often have complex employment situations and experience vulnerabilities.

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5 NSSRN, *Submission 2*, p. 2.
7 Anglicare Australia, *Submission 4*, p. 4.
8 Australian Unemployed Workers Union (AUWU), *Committee Hansard*, 17 February 2020, p. 11.
Recommendation 3
1.23 That the Government urgently undertakes comprehensive user testing on a large and diverse range of cohorts to capture the experience of people of different ages, abilities, literacy levels, geographical locations, access to technology, First Nations peoples and people from culturally and linguistically diverse backgrounds.

Recommendation 4
1.24 That the Government undertakes user testing with experts in the field, including ACOSS, National Social Security Rights Network, and other social security law stakeholders.

Recommendation 5
1.25 If this testing cannot be undertaken in time for a 1 July 2020 start date, the implementation of these measures should be delayed at least for another quarter.

Transition period
1.26 During the inquiry we heard concerns about the two week transition period and whether people will be unfairly penalised for misreporting their employment income.

1.27 The National Social Security Rights Network and ACOSS both expressed concerns about the need for income support recipients to do a manual calculation during the transition period. This opens up risks of double-counting income or incorrectly reporting income. ACOSS noted 'there is a large risk that many people will get this wrong'.

1.28 There are outstanding questions around whether people will be penalised if they misreport their employment income during the transition period. The Australian Greens strongly urges the Government to play a role in helping people to report correctly under the new rules and receive their correct entitlement. The Government should also guarantee that people will not be penalised if there is misreporting.

1.29 This bill will introduce the new reporting rules from 1 July 2020. However, Single Touch Payroll data will be rolled out progressively from September 2020 until 30 June 2021. We are concerned that this two-step process will result in added confusion for people reporting employment income.

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*ACOSS, Committee Hansard, 17 February 2020, p. 6.*
Recommendation 6

1.30 Recommendation: That the Government guarantee that people will not be unduly penalised if they misreport their income during the transition period.

Support for those affected by the new process

1.31 To limit any unintended consequences or harm to income support recipients, it is essential that appropriate support services are available through Services Australia. The additional steps of needing to check, edit and add income will likely cause additional stress for people.

1.32 Anglicare Australia noted that information about the changes needs to be made available in other languages. Currently, Centrelink apps are only available in English which could result in difficulty for people from culturally and linguistically diverse backgrounds.

1.33 Support services should include a dedicated Centrelink phone number and contact channels and face to face support for people who are unable to navigate the new system that is available on demand.

1.34 The National Social Security Rights Network emphasised the need for additional resourcing for the Centrelink phone lines, staff numbers and staff training to facilitate an effective response.

1.35 The Australian Unemployed Workers Union suggested a pop up function that provides advice could be included when people are editing their pre-filled Single Touch Payroll data. The Australian Greens believe it is essential that income support recipients are provided with advice about their rights and responsibilities if they make changes to pre-filled Single Touch Payroll data.

Recommendation 7

1.36 That the Government ensures appropriate support services are available to ensure income support recipients are receiving the correct entitlement, including tailored services for First Nations peoples and people from culturally and linguistically diverse backgrounds.

Communication plan

1.37 A large part of the success of this measure rests on how the new rules and system are communicated to income support recipients.

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13 NSSRN, *Submission 2*, p. 5.
14 AUWU, *Committee Hansard*, 17 February 2020, p. 15.
1.38 National Social Security Rights Network highlighted the importance of effective communication products:

The communication of the new process needs to effectively explain that the Centrelink payment recipient will still have the ability to review, edit or add additional employment income before finalising their report to Centrelink, and that any edited or additional information they provide will supersede the pre-filled STP data.15

1.39 ACOSS also noted that people will assume their pre-filled Single Touch Payroll data is correct:

I think this is where clear communication is critical, because I imagine that many people will assume that that prefilled data are correct and will consequently feel like they don’t need to do anything further because it is correct.16

1.40 ACOSS highlighted that Services Australia plan to undertake much of the communication about the reforms via online means and noted:

This is unsuitable for many people, and we urge the government to provide information via letter, television, radio (including mainstream radio), and other channels.17

1.41 It is critical that the Government implement an effective communication strategy to ensure people understand the changes around reporting income.

**Single Touch Payroll**

1.42 There will be a number of income support recipients who have an employer that is not using the Single Touch Payroll reporting system. While Single Touch Payroll data will become mandatory for all employers from 1 July 2021, micro employers with 1-4 employees are exempt from this requirement.

1.43 Victoria Legal Aid raised concerns regarding the lack of information about how the bill will affect people receiving employment income outside the Single Touch Payroll system.

1.44 The Australian Greens support the recommendation made by Victoria Legal Aid for the need for clear guidance on how the bill affects people who remain outside the Single Touch Payroll system and continue to report their employment income.

**Review one year on**

1.45 The Australia Greens are concerned that the rushed nature of this legislation and limited consultation process could result in unintended or harmful consequences.

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16 ACOSS, *Committee Hansard*, p. 7.

17 ACOSS, *Submission 7*, p.3.
1.46 Victoria Legal Aid, ACOSS, Australian Unemployed Workers Union and Anglicare are supportive of a review of the legislation after 12 months to ensure that the bill is operating fairly and correctly, and there are no unintended consequences. As part of the review, a panel of income support recipients using the new system should provide advice to the review about how the changes are operating in practice.

Recommendation 8

1.47 That the bill be amended to include a requirement for a public, independent review one year after commencement of the operation of the act, and ensure that this review includes advice from a panel of income support recipients about how the bill is operating in practice.

1.48 The Australian Greens urge the Government to adopt these recommendations to ensure that the legislation does not cause unintended harm and avoids the mistakes of robodebt.

Senator Rachel Siewert
Appendix 1
Submissions and additional information

Submitters
1  Community and Public Sector Union
2  National Social Security Rights Network
3  Accountable Income Management Network
4  Anglicare Australia
5  Victoria Legal Aid
6  Multi-agency Government
7  Australian Council of Social Service
8  Australian Unemployed Workers Union

Answer to Question on Notice
1  Answers to Questions taken on Notice during 17 February public hearing, received from Department of Social Services, 19 February 2020
Appendix 2
Public hearings

Monday, 17 February 2020
Edinburgh Room
Stamford Plaza Hotel
Melbourne

National Social Security Rights Network
• Ms Leanne Ho, Executive Officer
• Mr Daniel Turner, Solicitor, Welfare Rights Centre, Sydney

Australian Council of Social Service
• Ms Charmaine Crowe, Senior Advisor Social Security

Australian Unemployed Workers Union
• Dr Simone Casey, Policy Adviser

Anglicare Australia
• Ms Kasy Chambers, Executive Director

Department of Social Services
• Mr Shane Bennett, Acting Deputy Secretary, Social Security
• Ms Mary McLarty, Acting Group Manager, Participation Payments and Families
• Ms Vanessa Lapthorne, Branch Manager, Study and Compliance

Services Australia
• Ms Ailsa Borwick, National Manager, Employment Income and Single Touch Payroll Branch
• Ms Debbie Mitchell, General Manager, Social Services and Welfare Programmes Division