

Australian government hires private debt collectors to hound welfare recipients

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Less than a month after the federal government agreed to a \$1.2 billion settlement over the unlawful “robodebt” scheme, it has issued a new call for tenders from private debt collectors to hound welfare recipients for allegedly receiving overpayments.

The new contracts will include several provisions that indicate the department intends to take a more aggressive approach to debt recovery.

Cases will initially be divided equally among a panel of three companies. Their performance will supposedly be assessed according to a “balanced scorecard” comprising “debt recovery performance, customer satisfaction levels, adherence to agreed service levels and contractual arrangements; and quality operational outcomes.”

In fact, the tender documents make clear that financial performance—the percentage of debts recovered—will be the primary determinant of how many cases are referred to each company after the first quarterly review.

The documents state: “Financial performance is critical in terms of achieving a level of performance that will ensure a [company’s] share of the referral volumes is maintained or increased.”

While other government agencies, such as the Australian Tax Office, pay a flat fee to private debt collectors, Services Australia (formerly the Department of Human Services) will pay a commission rate, creating a strong incentive for the companies to bully clients into paying their alleged debts in full, rather than challenging the claims or negotiating partial payments.

Previously, external collectors had 180 days to recover debts. Under the new tender they will have only 56 days, forcing them to pursue repayments more aggressively. The shortened timeframe will also put the

alleged debtors under increased pressure to comply rather than attempt to argue their case.

In an effort to suppress public criticism of the program, the companies will be required to inform the department “within an hour” of a customer saying they will contact the media or members of parliament.

While Services Australia has engaged external debt collectors in the past, more than 90 percent of debts have been handled by the agency itself. By contrast, 43 percent of debts raised under the unlawful “robodebt” program between July 2016 and March 2017 were referred to private contractors.

Under the punitive requirements of Centrelink, the welfare arm of Services Australia, those receiving payments must report their income fortnightly. The already pitiful payments begin to be reduced if workers earn more than \$300 a fortnight from other sources.

The “robodebt” scheme was introduced in mid-2016 in an aggressive move to claw back “overpayments” to welfare recipients alleged to have under-reported their income to Centrelink. The automated process compared Centrelink records with “income-averaged” data from the Australian Tax Office.

Before it was halted in November 2019, around 900,000 “robodebt” notices were issued. Those receiving the notices were threatened with penalties and jail sentences if they failed to pay the fraudulent debts.

In many cases the alleged overpayments had occurred years earlier, making it virtually impossible for workers to disprove the agency’s claims.

Compounding the problem, it was extremely difficult to contact Centrelink to dispute the notices. In 2017–18, around 50 million calls to the agency were met with a busy signal. The officially-reported average hold time of just under 16 minutes is a vast underestimation, because the clock is reset each time a call is transferred,

and “abandoned calls”—in which the caller hangs up in frustration without speaking to an operator—are not counted.

This is the direct result of decades of public service job cuts under successive Labor and Liberal-National governments, and the privatisation and outsourcing of many aspects of Centrelink’s operations.

The Labor party has publicly criticised “robodebt” in an attempt to exploit public opposition to the scheme for political benefit, but in fact the practice of issuing debt notices based on “income-averaging” and “data-matching” was instituted under the Gillard Labor government in 2011.

Although the current Liberal-National government was forced to concede in November last year that the entire “robodebt” regime was unlawful, by August 2020 only 80 percent of the debts issued had been refunded. Even after the class action victory last month, some of those targeted by the scheme will have to wait until at least February 2021 for restitution.

While Australia has so far avoided the horrific COVID-19 infection and death rates seen internationally, the country has not escaped the economic fallout of the global pandemic.

Between December 2019 and May 2020, the number of Australians receiving unemployment and other income support payments through Centrelink doubled, from around 820,000 to 1,640,000. The official (significantly understated) unemployment rate *increased* from 6.9 percent in September to 7 percent in October, and remains at a level not consistently seen for more than two decades.

These figures are almost certain to balloon in April next year with the cessation of JobKeeper, which is currently subsidising the wages of around 1.5 million workers.

Despite the ongoing economic crisis and continuing risk of contracting COVID-19, stringent income and asset tests, as well as “mutual obligation” requirements compelling welfare recipients to attend job interviews and/or do unpaid work, have been reintroduced.

Between September 28 and November 30, 250,112 payments were suspended by Centrelink for failure to comply with “mutual obligation” requirements.

Centrelink debts were “paused” in April, but have now been resumed, and the agency will begin demanding payment in February.

The terms of the new external debt collection contracts illustrate the lengths the Australian ruling elite and political representatives will go to in order to claw back a portion of the poverty-level welfare payments issued to the country’s most vulnerable residents.

While the new developments are an escalation, there is nothing new in the approach. For decades, Labor and Liberal-National governments have forced the unemployed, disabled and elderly to endure dehumanising treatment and relentless bureaucracy in exchange for pitiful welfare payments as low as \$40 a day.

The continuing assault on welfare recipients, along with cuts to education, health, public transport and all forms of social expenditure, is part of a broader drive to lower taxes for the wealthy and force workers to accept poorly-paid and insecure jobs.



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