

Analogue Entitlements in a Digital Age

Preliminary data briefing on income support
and the digital divide

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“Analogue Entitlements in a Digital Age: Preliminary Data Briefing on income support
and the digital divide”

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Introduction

The Australian Communications Consumer Action Network (ACCAN)¹ commissioned the South Australian Council of Social Service (SACOSS)² to conduct a joint research project on the affordability of telecommunications for low income consumers. This research project is examining:

- The adequacy of the Centrelink Telephone Allowance (CTA) – the major commonwealth telecommunications concession payment for Australians on low incomes (see below for more detail on the CTA), and
- The suitability and impacts of payment plans, billing and value for money of the telecommunication products used by low-income consumers.

Encouraging the uptake of telecommunications services among low-income consumers by reviewing the CTA will increase digital literacy, generate higher return on the Government's investment in the NBN as well as better enable the digital transformation of government services. It will also increase savings to government and consumers. Currently 40% of transactions take place using non-digital methods. Deloitte has estimated that if this could be reduced to 20% in ten years' time, savings to government and citizens would amount to \$17.9 billion and \$8.7 billion respectively (Deloitte, 2015).

It is inevitable that any examination of the adequacy of a specific allowance such as CTA will also reveal issues about the overall adequacy of the levels of income support payments currently available to individuals and families. That said the purpose of this research is to focus specifically on the CTA.

Purpose of the preliminary data briefing

As part of the project, SACOSS commissioned Mint Research to conduct a survey of a random sample of 523 low income Centrelink beneficiaries (See Appendix 2 for an outline of the survey methodology and demographics) to explore their experiences of telecommunications, and the adequacy of the CTA to enable affordable access to telecommunications.

We are releasing this data now because the findings from the survey provide a strong

¹ ACCAN is the peak body that represents all consumers on communications issues including telecommunications, broadband and emerging new services.

² SACOSS is the peak body for the not-for-profit health and community services sector in South Australia and provides a voice representing the interests of those facing poverty and disadvantage.

evidence base to support recent calls by ACCAN to review and update the CTA to ensure that it reflects the reality of modern communications (ACCAN, 2016).

While a full analysis of the survey data will be made in the final report, we believe that releasing this preliminary data now will make an important contribution to the political debate about the telecommunications experiences of low income consumers and the adequacy of current Centrelink payments.

This briefing:

- outlines the key findings from the Mint Research survey,
- provides high level analysis of the adequacy of the CTA,
- confirms the vital role CTA plays as one element in the current income support payments system,
- recommends that all political parties commit during the current federal election campaign to review the CTA in light of the survey findings.

Summary of key findings and recommendation

The Low Income Consumer Survey on Telecommunications and the Centrelink Telephone Allowance (the survey) found that:

- many low income consumers are struggling to pay their telecommunications costs, and
- the Centrelink Telephone Allowance (CTA) is not adequate to alleviate this financial difficulty.

The survey findings highlight the telecommunications exclusion experienced by people on the lowest income support payments – the Newstart and Youth Allowance payments, and low income families with dependent children, confirming the inadequacy of financial assistance to meet basic living costs. It also found that the CTA:

- is not available for low income earners experiencing the most financial difficulty,
- fails to provide all recipients with assistance for the costs of an internet connection, which is an essential telecommunications service for social and economic participation in Australia today, and
- provides inadequate assistance for families with dependent children.

These findings suggest **the CTA is not fit for the purpose of providing all low income Australians with affordable telecommunications in the digital age.**

As such, ACCAN and SACOSS call on all candidates and parties in this federal election to:

- **recognise that in the digital age the CTA is not fit to ensure access to essential telecommunications is affordable for all Australians, and**
- **commit to reviewing and updating the CTA to ensure affordable telecommunications for all Australians in the digital age.**

The Centrelink Telephone Allowance

The Centrelink Telephone Allowance (CTA) is a concession paid to certain Centrelink income support recipients to help with the costs of maintaining a telephone, and for some recipients, a home internet service.

Eligibility for the telephone allowance is assessed by Centrelink at the same time as claims for income support payments and is paid quarterly.

The value of the CTA has also been included in the Pension Supplement which is paid fortnightly to a range of pensioners including those on the Age and Disability Pension (over 21 years old and without children) and Carers Payment recipients.

The CTA was first introduced in 1992 before the internet was widely used and according to the Centrelink *Guide to Australian Government Payments* is provided to assist recipients “with the cost of maintaining a telephone service—it is not paid to assist with the cost of telephone calls” (2016). Importantly, it only provides support for the internet for people who receive the Pension Supplement or the Disability Support Pension and are aged under 21 years old and have no dependent children.

As SACOSS has noted, the current design of the CTA rests on:

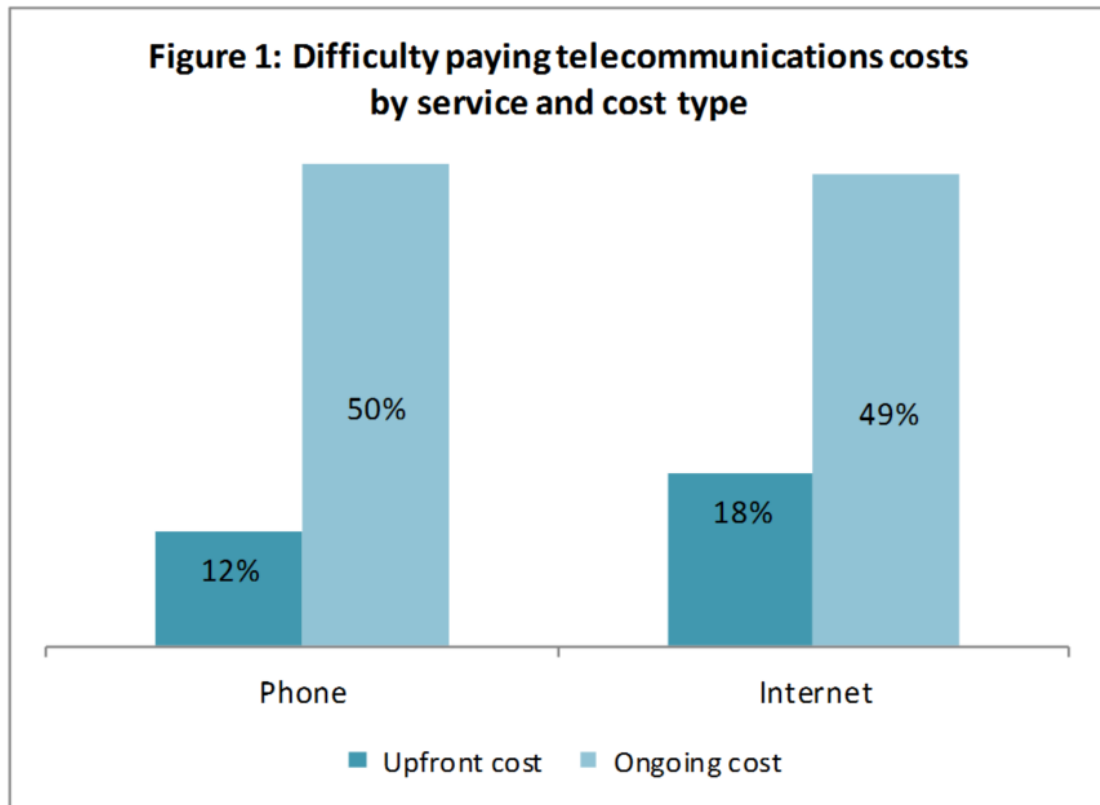
“an apparent notion that telecommunications are only essential where there are children or someone with disability – basically a view of emergency rather than essential services. This not only excludes some of the poorest in our community who might need phone and internet services (for instance, for job seeking or other support services) ... this ‘emergency service’ model fails to understand or address the increased importance of telecommunications to all aspects of life in a modern society.” (SACOSS, 2015)

See Appendix 1 for a full outline of the CTA eligibility criteria and payment rates.

Key Findings of the Survey

Many low income consumers are struggling with their telecommunications costs

Overall, 62% of respondents reported experiencing either difficulty paying, having to cut back, or having to stop using one or more telecommunications services for financial reasons in the last 12 months. When broken down according to telecommunications service and cost type, half of respondents are experiencing difficulty paying their ongoing phone (50%) and internet (49%) costs, while around one in ten are experiencing difficulty paying their upfront³ phone (12%) and internet (18%) costs (See Figure 1).



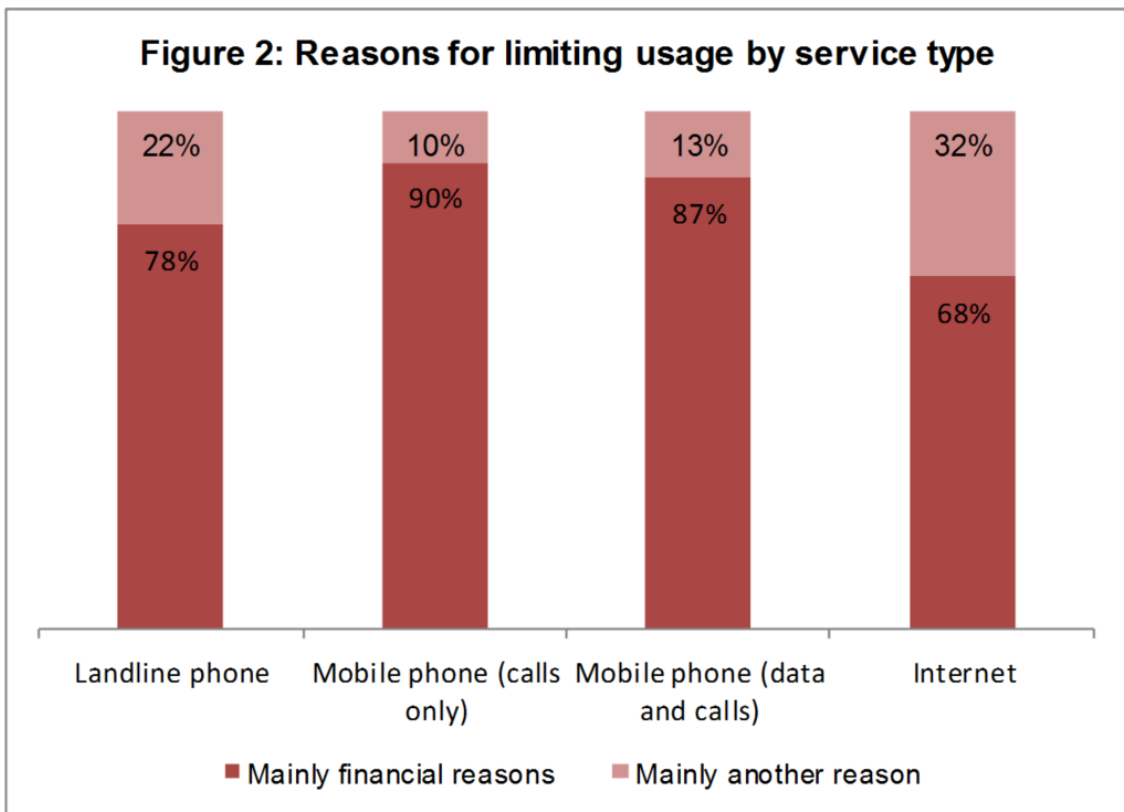
(Source: Mint Research, 2016)

³ Upfront costs include things such as the price of a mobile handset or the installation and modem fees for an internet connection.

The survey indicates that over half of current Centrelink beneficiaries are struggling to afford to use their telecommunications services. This suggests that **many low income consumers may require additional support to use their telecommunications services.**

Many low income consumers limit their telecommunications to manage their financial difficulty

When asked specifically about each telecommunications service they use, around half of respondents usually, always or sometimes limit their use of a mobile phone (53% for phone without data, 48% for phone with data), while just under half limit their use of a landline phone (43%) and the internet (41%). The majority of respondents cite financial reasons for limiting their use of telecommunications (90% for phone without data, 87% for phone with data, 78% for landline phone, 68% for internet users) (See Figure 2).

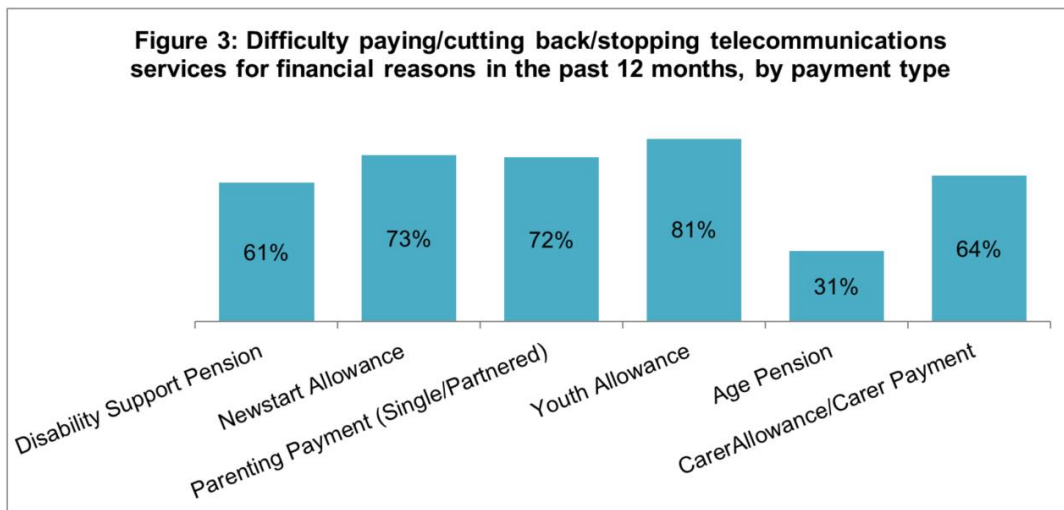


(Source: Mint Research, 2016)

The survey indicates that many low income consumers are limiting their telecommunications usage to manage their telecommunications costs. While this might be a sound coping strategy for low income consumers to manage their financial pressures, it may also **risk many low income consumers missing out on participating in normal social and economic activities**. (See below for outline of essential activities that are commonly undertaken using telecommunications). This is particularly significant for the internet, where in today’s Australia “teachers assume their students have unrestricted access to the internet and set homework accordingly; businesses assume their customers are internet users and shape their offerings online; and governments shift resources to digital provision of information and opportunities to interact” (Ewing, 2016). **Limiting the use of telecommunications may place low income consumers on the wrong side of the digital divide, and risk them becoming further disadvantaged and socially excluded** (ACOSS, 2016; Ewing, 2016; Walton et al, 2013). The survey suggests that **many low income consumers may require additional support to use their telecommunications services to participate in essential social and economic activities on par with the wider Australian community**.

The Centrelink Telephone Allowance is not targeted at low income earners who experience the most financial difficulty

When looking at overall difficulty paying, cutting back and stopping for financial reasons by Centrelink payment type, recipients of Youth Allowance (81%), Newstart Allowance (73%) and Parenting Payment (72%) are experiencing the most financial difficulty, while recipients of the Age Pension (31%) are experiencing the least by a significant margin (See Figure 3).



(Source: Mint Research, 2016)

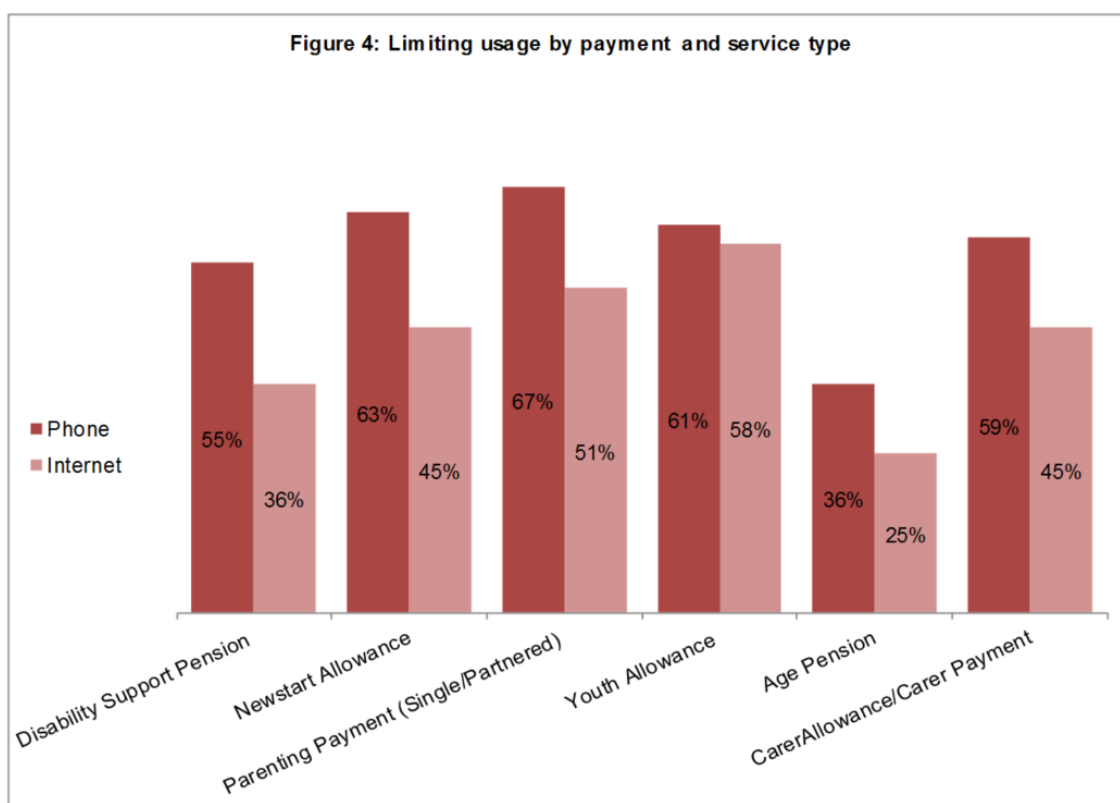
When financial difficulty is broken down by upfront and ongoing costs for both internet and phone connections, recipients of Newstart Allowance, Youth Allowance and Parenting Payment are again experiencing significantly more difficulty than recipients of the Age Pension (See Table 1).

Table 1: Respondents reporting difficulty paying by cost type

| Percent of Respondents Reporting Difficulty Paying | | | | |
|--|--------------------|-----------------|-------------------|-------------|
| Payment Type | Newstart Allowance | Youth Allowance | Parenting Payment | Age Pension |
| Phone – Upfront Costs | 13% | 8% | 20% | 4% |
| Phone – Ongoing Costs | 61% | 63% | 65% | 26% |
| Internet – Upfront Costs | 20% | 13% | 22% | 4% |
| Internet – Ongoing Costs | 63% | 53% | 63% | 21% |

(Source: Mint Research, 2016)

Similarly, those on Youth Allowance, Parenting Payment and Newstart Allowance are around twice as likely to limit their telephone and internet usage than those on the Age Pension (See Figure 4).



(Source: Mint Research, 2016)

The survey indicates that recipients of Newstart Allowance, Youth Allowance and Parenting Payment are experiencing far greater financial difficulty with their telecommunications costs than Age Pension recipients.

The latest ACOSS Poverty in Australia report shows that 55% of people relying on the Newstart Allowance or unemployment payment are living in poverty and 50.6% of those on Youth Allowance. The same research tells us that the maximum rate of many social security payments is less than the poverty line – by \$97 a week for Newstart and \$193 a week for Youth Allowance on 2014 figures. The Newstart Allowance is currently \$38 a day and has not been increased in real terms since 1994. People on these allowances also currently receive about \$170 a week less than those receiving pension payments and have more limited access to the CTA.

While all Aged Pensioners receive the CTA through the Pension Supplement, and all Parenting Payment (Single) recipients through the standalone CTA, only a highly restricted number of recipients of Newstart Allowance, Youth Allowance and Parenting Payment (Partnered) are eligible for the CTA (See appendix 1 for full outline of CTA eligibility). This is despite Newstart Allowance and Youth Allowance beneficiaries receiving a lower base level of income support compared to Age Pension beneficiaries who receive the highest base level of income support (See Table 2).

Age Pensioners are also more likely to own and live in their own home, thereby tending to have lower housing costs than Newstart and Youth Allowance recipients who tend to have high rent and mortgage repayment costs. Older Australians are also less likely to use mobile phones and the internet, and are likely to use these services less often than other Australians, meaning they potentially do not face as many affordability issues (ACMA, 2013),

This suggests **that the CTA is not currently reaching those with the highest financial need and those experiencing the most financial difficulty with their telecommunications costs.**

Table 2: CTA recipients payment type and level

| | Payment type | Payment level |
|-----------------------------------|---|--|
| CTA via Pension Supplement | <ul style="list-style-type: none"> Age Pension Disability Support Pension (age over 21 or have dependent children). | \$794/fortnight (FN) (Single) |
| Standalone CTA | <ul style="list-style-type: none"> Parenting Payment Newstart Allowance (over 60 or single principle carer of dependent children or partial capacity to work) Youth Allowance (single principle carer of dependent children or partial capacity to work) | \$672/FN (Single) \$570/FN (Single, children) \$567/FN (Single, children) |
| No CTA | <ul style="list-style-type: none"> Newstart and Youth Allowance (under 60, without dependent children and a full capacity to work or study) | \$527/FN (NS Single) \$433/FN (YA Single away from home) |

(Source: Mint Research, 2016)

Households with dependent children are struggling with telecommunications costs

Households with dependent children are experiencing high rates of financial difficulty with their ongoing telecommunications costs, and regularly limiting their use of telecommunications (See Table 3).

Table 3: Respondents reporting difficulty paying or limiting by cost type

| Household Type | Percent of Respondents Reporting Difficulty Paying or Limiting use | |
|-----------------------------|--|-------------------------|
| | Single with children | Partnered with children |
| All Telecommunication costs | 71% | 69% |
| Phone – Ongoing Costs | 62% | 59% |
| Phone – Limiting | 62% | 68% |
| Internet – Ongoing Costs | 65% | 58% |
| Internet – Limiting | 52% | 57% |

(Source: Mint Research, 2016)

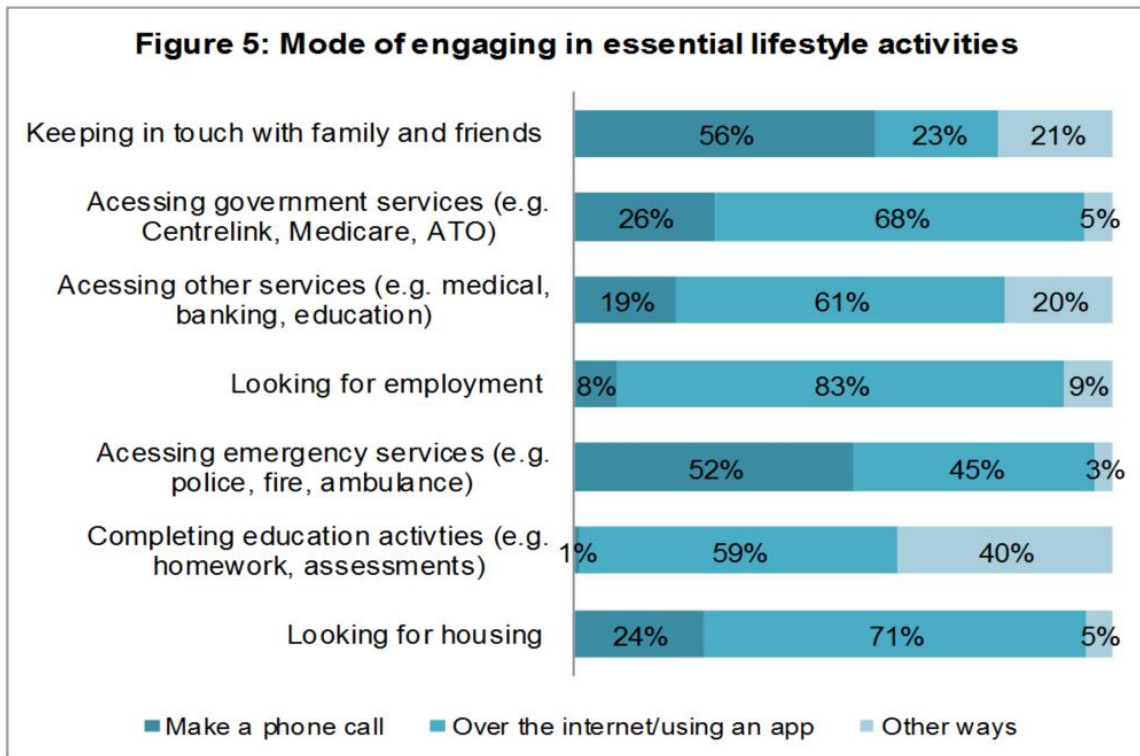
The survey indicates that households with dependent children are struggling to pay their regular telecommunication bills and are also limiting their usage. This is despite Centrelink income support recipients with dependent children generally being eligible for the CTA. This suggests **the CTA is not adequate for recipients with dependent children.**

The Centrelink Telephone Allowance does not provide all recipients with assistance for the internet, an essential telecommunications service for low income consumers.

Most low income consumers are connected to at least one type of telephone (61% with data and calls, 30% with calls only, 64% with landline telephone) as well as an internet service (92%). Just over half of all households are connected to all three services (52%).

Many respondents reported using the internet to undertake essential social and economic activities, including looking for employment (83%), looking for housing (71%),

accessing government services (68%), accessing other services (61%) and completing education activities (59%) (See Figure 5)



(Source: Mint Research, 2016)

The survey indicates that the internet is used by the majority of low income consumers, commonly for essential social and economic activities, including significantly for this cohort – access to government services such as Centrelink, looking for employment and completing educational activities. Other studies have established that the mobile phone and internet are now considered the most essential telecommunication services (Saunders and Wong, 2012).

However, current payments do not make adequate provision for the costs of accessing the internet. For example, **the CTA does not provide all recipients with assistance with the costs of an internet connection.** In fact, this is only available to those who receive it as part of the Pension Supplement or those recipients of the Disability Support Pension who are under 21 years old and have no children. Therefore the **CTA should be revised as it fails to provide all recipients with assistance for the costs of an internet connection, one of today's most essential telecommunications services.**

Key Recommendation: Review and Update the Centrelink Telephone Allowance for the Digital Age

The key findings from the Low Income Consumer Survey on Telecommunications and the Centrelink Telephone Allowance suggest that the **CTA is not fit for the purpose of providing all low income Australians with affordable telecommunications in the digital age**. Specifically the CTA:

- is not available for low income earners experiencing the most financial difficulty,
- fails to provide all recipients with assistance for the costs of an internet connection, which is an essential telecommunications service for social and economic participation in Australia today, and
- provides inadequate assistance for families with dependent children.

As such, ACCAN and SACOSS call on all candidates and parties in this federal election to:

- **recognise that in the digital age the CTA is not fit for the purpose of providing access to affordable telecommunications for all Australians, and**
- **commit to reviewing and updating the CTA to ensure affordable telecommunications for all Australians in the digital age.**

In the coming months ACCAN and SACOSS will provide a final report on the affordability research project of which this survey is one important element. The report will provide a full set of reform options for how the CTA could be updated to ensure that it supports all low income Australians to access affordable telecommunications in the digital age.

Appendix 1: Centrelink Telephone Allowance Eligibility and Payment Rates

Standalone CTA

Basic rate (single or couple combined): \$27.80/quarter

You may be eligible if you have a telephone connected, such as a landline, fax or a mobile phone, in either your or your partner's name and receive:

- Disability Support Pension and are under 21 with no dependent children
- Parenting Payment (single)
- Parenting Payment (partnered) if you claimed on or after 1 July 2006 and have been assessed as having a partial capacity to work due to a disability
- Newstart Allowance or Sickness Allowance and you are over 60 and have been in receipt of an income support payment continuously for 9 months
- Partner Allowance, Widow Allowance, Special Benefit or Parenting Payment (partnered) and are over 60 but under age pension age and have been in receipt of an income support payment continuously for 9 months
- Newstart Allowance or Youth Allowance and have a partial capacity to work as assessed by a Job Capacity Assessor
- Partner Allowance, or Parenting Payment (partnered) and your partner is over 60 and receives Newstart Allowance or Sickness Allowance and has received income support payments continuously for 9 months, or
- Newstart Allowance or Youth Allowance and are a single principal carer of a dependent child (*DHS, 2016c*)

Higher rate (single or couple combined): \$41.40/quarter

You may be eligible for the higher rate if you:

- receive Disability Support Pension
- are aged under 21 with no dependent children, and
- have a home internet service connected, such as a dial up service, broadband service or an internet connection via your mobile phone, in your or your partner's name

The standalone CTA is paid quarterly with the first regular income support payment you receive on or after 1 January, 20 March, 1 July and 20 September each year.

The payment rates are updated on 20 September each year in line with the Consumer Price Index (*DHS, 2016c*).

CTA via the Pension Supplement

You get the supplement automatically if you are receiving:

- Age Pension
- Bereavement Allowance
- Carer Payment
- Disability Support Pension - except if you are aged under 21 and have no children
- Widow B Pension or
- Wife Pension

The Pension Supplement is also automatically paid to people over age pension age who are receiving:

- Austudy
- Parenting Payment
- Partner Allowance
- Special Benefit or
- Widow Allowance

Payments that are rolled into the Pension Supplement:

- Pharmaceutical Allowance
- Utilities Allowance
- GST Supplement or
- Telephone Allowance equivalent to the higher rate for internet subscribers

The value of these payments is maintained in the supplement.

The supplement may be paid either fortnightly or quarterly (*DHS, 2016b*)

Appendix 2: Survey Methodology and Demographics

Mint Research conducted a 12 minute survey of a random sample of 523 low income telecommunications consumers via a mix of online and telephone surveys. Respondents were asked a range of questions about their use of telecommunications, its importance in their household budget, the technology used and the costs of connecting and remaining connected, as well as questions about the Centrelink Telephone Allowance.

Survey respondents were spread relatively evenly across the country (see Figure 6), while the age range of respondents was biased slightly towards older users as per Table 4.

Figure 6 Geographic spread of survey respondents

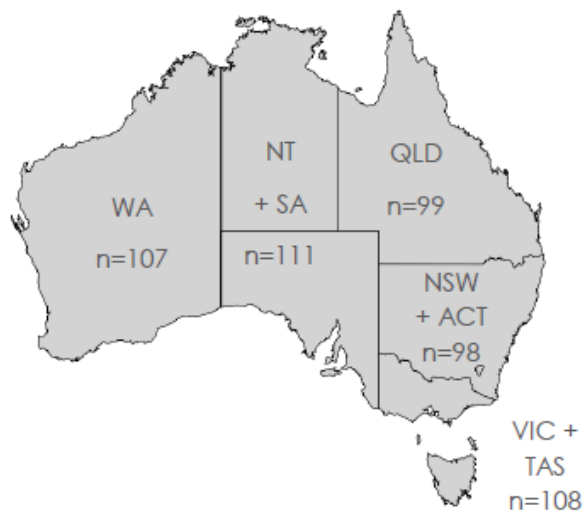


Table 4: Age of Respondents

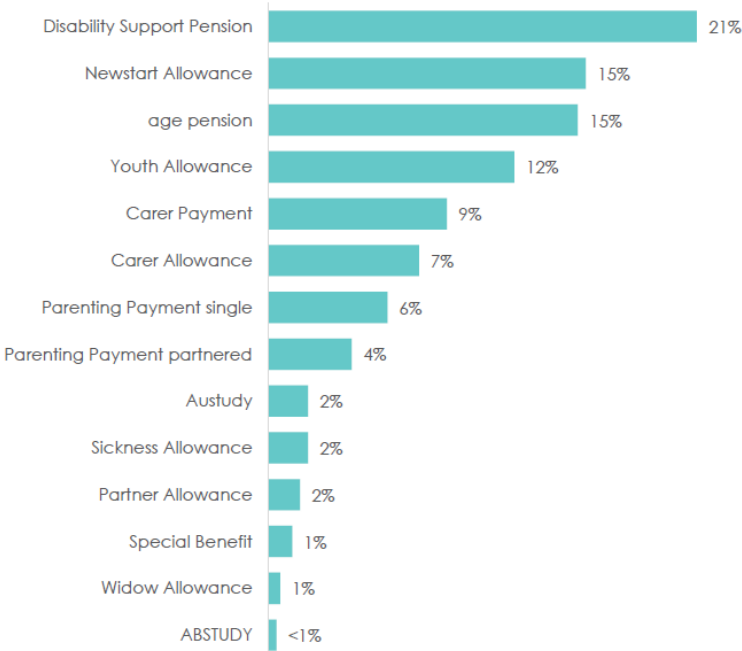
| Age Group | Survey Share |
|------------------|--------------|
| 16-21 years | 9% |
| 22-29 years | 15% |
| 30-39 years | 14% |
| 40-49 years | 13% |
| 50-59 years | 17% |
| 60-64 years | 17% |
| 65 years or over | 15% |

59% percent of survey respondents were female, and over half of respondents were living in multi-adult households (ie. with a partner, and/or with children over 15 years old, or a shared house). 23% of respondents lived alone, while 15% lived with children.

The survey was targeted to low income households and 8% of respondents were receiving income support payments, with the major categories set out in Figure 7. The remaining 20% were on the Low Income Health Card (eligibility for which cuts out at an

income of \$536 per week for a single person with no children, or \$926 per week for a couple with no children or a single person with a dependent child (DHSa, 2016)).

Figure 7: Representation of Income Support Payments among Survey Respondents



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