

# Showing their helping hand

The selective promotion of government assistance

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## Summary

Although Australia has a long tradition of providing welfare support, in recent times the promotion of available support has been at best selective. In recent years, campaigns to raise awareness have focused on promoting new forms of assistance, often those that are initiatives of the current government. The Education Tax Refund (ETR) is an example of the way priority is given to promoting new forms of government assistance.

The advertising campaign for the ETR was allocated \$9.3 million in the 2008-09 Budget. The funding for refund claims in the same budget was \$1,015 million. That is, the government was willing to spend one dollar promoting the new initiative for every \$109 that the government allocated for refunds. However, the 'lower than expected' take-up in 2009-10 meant that this promotional budget actually only delivered \$66 in claims for every dollar spent. It appears that low income families, particularly those not required to lodge a tax return may be more likely to miss out.

In launching the ETR, the government recognised the importance of promoting the refund to maximise take-up. This recognition is evident in the funding ratio to which the government committed for promoting the initiative, and in documents obtained under Freedom of Information. Unfortunately this recognition is not widely extended to existing forms of government assistance. Indeed, performance measures reported annually by Centrelink have a target threshold for delivering payments to four out of five people who qualify for assistance.

Based on the funding provided for the ETR and estimates of the number of people missing out on assistance, the government should be spending an estimated \$47 million to equally promote existing forms of government assistance. The government has not allocated funding anywhere near this amount. To maximise take-up, it is beholden upon the government to equally fund promotion of all forms of available assistance.

## Introduction

Australia has a long history of providing social support for its citizens. Unfortunately, this support is not always readily available, with awareness, the requirements of making a claim and transaction costs all affecting take-up. This situation is perpetuated by successive governments, which promote new forms of assistance but do little or nothing to promote existing forms of social security.

Following its election in 2007, the new Labor Government delivered on an election promise to provide assistance for the costs incurred by families in sending their children to school. The Education Tax Refund (ETR) began on 1 July 2008 and has received wide promotion, including TV and print advertising. With a new school year under way, there has been further promotion of this new form of government assistance.

In contrast, the promotion of other forms of government assistance, such as Parenting Payment and Carer Allowance, is far less visible. Instead the government appears happy with the status quo, depending on word of mouth as the primary form of promotion, be it from GPs, social workers or family and friends of people who might qualify for benefits. Such an approach, in turn, depends on professionals keeping up-to-date with available assistance and any changes that occur. Similarly, family and friends can only pass on information if they have previously acquired knowledge or engaged with Centrelink and other government agencies. Without help, learning about and accessing assistance can be difficult indeed.

Previous research from The Australia Institute estimated that 168,000 Australians appeared to have missed out on government assistance totalling \$623.8 million in 2009 across just four payments: Parenting Payment, Carer Allowance, Disability Support Pension and the Bereavement Allowance.

In researching this paper, The Australia Institute made a Freedom of Information (FOI) application to the Department of Education, Employment and Workplace Relations for documents relating to the number of claims; strategy for raising awareness; advertising budgets; and deliberations about how to increase the number of claims for the ETR. Documents released under FOI make up the primary source of research material for this paper.

## Not all welfare is created equally – the case of the Education Tax Refund

The ETR is designed to help with the education expenses incurred by parents and guardians of school age children. The capped 50 per cent refund covers items such as school shoes and uniforms, stationery, text books and computer expenses. The stated aim of the ETR is to:<sup>1</sup>

*... provide financial support to low income families to help meet the cost of primary and secondary school education.*

### *Promoting awareness of the ETR*

The challenge of informing everyone who qualifies for government assistance was recognised during the implementation of the ETR. The Federal Treasurer, Wayne Swan,

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<sup>1</sup> DEEWR (2011a), p.14.

acknowledged the need to promote government assistance to maximise take-up in a letter to a colleague, which stated that:<sup>2</sup>

*... without an advertising campaign there is a risk that eligible families will miss out on the refund.*

The key messages that were identified for the ETR awareness campaign included:

- the importance of keeping receipts
- information about who is eligible
- what could be claimed and how.

The expected cost of advertising and other public relations activities to promote awareness of this new form of government assistance was \$13 million.<sup>3</sup> The government approved \$9.3 million funding for the campaign in the 2008-09 Federal Budget.<sup>4</sup> Documents released under FOI show that the promotional campaign resulted in 'a significant increase in awareness of the program following that advertising', which justified a 'further round of advertising'.<sup>5</sup>

### *Measuring success*

The success of the awareness campaign to promote the ETR and the value received for the \$9.3 million spent<sup>6</sup> can be measured by the number of eligible families that subsequently made an ETR claim. The Australian Taxation Office (ATO) reported that as at 30 June 2010 only two out of three eligible families had made an ETR claim.<sup>7</sup> This means that 500 000 families, identified as eligible in the 2007 Charter of Budget Honesty, had missed out.<sup>8</sup>

In terms of the money refunded the ETR was even less successful. In December 2009, the then Deputy Prime Minister, Julia Gillard, wrote to the then Prime Minister, Kevin Rudd, to inform him that:<sup>9</sup>

*... there has been a lower than expected take-up of the scheme. Of the projected Budget cost of \$1015 million, only \$488.1 million, or 48.1 percent, has been claimed in tax refunds.*

The ATO has reported that for the year 2009-10 payments totalling \$615 million were paid for just over one million claims.<sup>10</sup> This 'lower than expected' take-up of the ETR meant that for every dollar the government spent promoting the ETR the value of claims generated was approximately \$66. This amount is significantly less than the original ratio of \$109 (based on the \$1,015 million in refunds for which the government budgeted in 2008-09).<sup>11</sup>

This measure of success is misleading, however, as all documented statistics pertaining to the take-up of the ETR obtained under FOI were for taxpayer claims only. No data was provided for claim rates by non-taxpayers. Yet, families not lodging a tax return would be amongst the low income families that the government claims to be targeting with the ETR.

<sup>2</sup> DEEWR (2011a), p.3.

<sup>3</sup> DEEWR (2011a), p.4.

<sup>4</sup> Australian Government (2009), *Budget Measures 2009-10*, Budget Paper No. 2, p.382.

<sup>5</sup> DEEWR (2011a), p.13.

<sup>6</sup> Department of Treasury (2009), *Portfolio Budget Statements 2009-10*, Budget Related Paper No. 1.17, p.196.

<sup>7</sup> DEEWR (2011a), p.37.

<sup>8</sup> DEEWR (2011a), p.11.

<sup>9</sup> DEEWR (2011a), p.26.

<sup>10</sup> Australian Taxation Office (ATO) (2010), *Commissioner of Taxation Annual Report 2009-10*, p.109.

<sup>11</sup> Department of Treasury (2009), p.204.

The Treasury campaign strategy for promoting the ETR explicitly states that the programme aim is:<sup>12</sup>

*... to provide financial support to low income families to help meet the cost of primary and secondary school education.*

Low income families may be disproportionately represented amongst families missing out on the ETR. We will now examine the obstacles to take-up of the ETR by claimants who are not required to lodge a tax return .

### *Obstacles to take-up*

Although promotion of the ETR has focused on advising people to retain their receipts (a recognised obstacle to claiming a refund), another obstacle to take-up may be having a bigger than expected impact. The primary method of claiming the ETR is to do it as part of lodging a tax return. Not everyone eligible for the ETR, however, is required to lodge a tax return. Although the government is aware of this fact and has promoted the option of claiming online, this method is likely to involve higher transaction costs.

A *transaction cost* is the term applied, in this case, to the time and effort required to acquire new knowledge and learn new skills that allow access to government assistance. Information released under FOI shows that only '[h]alf of those who were likely to make a claim knew how to do so'.<sup>13</sup> The transaction cost for taxpayers who only have to fill out an additional section of their tax return (something that may also be done on their behalf by an accountant) is likely to be less than for a non-taxpayer who is required to lodge a stand-alone claim for the ETR. Although the issue of access to the ETR for non-tax-payers has been recognised in the promotion of the refund, it has not been a prominent aspect of awareness campaigns. Considering the potentially higher transaction costs for non-taxpayers, access to the ETR by other means than a tax return requires greater promotion and, better still, must be made easier.

The need to do more to ensure that those people with an income at or below the tax-free threshold access the benefits of the ETR cannot be overstated. Documents obtained under FOI show that the then Minister for Education, Julia Gillard, was aware of the 'lower than expected take-up' of the ETR and that those people missing out were more likely to be low-income earners, as stated in another FOI document, also signed by her:<sup>14</sup>

*Research showed that there was a good awareness of the measure amongst the target audience however take-up rates of this measure have been low, particularly among those with low incomes who are not required to lodge tax returns.*

While the government claims that low income earners are the target of the program, evidence suggests that data collection focuses on claims made by taxpayers.

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<sup>12</sup> DEEWR (2011a), p.26.

<sup>13</sup> DEEWR (2011a), p.13.

<sup>14</sup> DEEWR (2011a), p.25.

### *Further promotion*

During the 2010 election campaign, the government promised to expand the ETR to include the cost of school uniforms. The inclusion of school uniforms as a claimable expense was expected to increase the amount paid in refunds by an additional \$220 million.<sup>15</sup> Following its re-election, the government planned further promotion of the ETR for the 2011 school year.

The purpose of the renewed awareness campaign was to notify people about the inclusion of school uniforms within the ETR and to again highlight the need for people to save receipts for claim purposes. The need to remind people to keep their receipts suggests that previously people had forgotten to do so, limiting the amount that they could claim. Government data obtained under FOI shows that less than half of those people reporting awareness of the ETR had kept all relevant receipts, and that 15 per cent had not kept any.<sup>16</sup> A lack of receipts is likely to have contributed to the 'lower than expected' take-up of the ETR and underlines the need for government to ensure that public awareness campaigns not only promote the availability of assistance but also sufficiently emphasise what people need to do to claim assistance.

As the 2012 school year began, continuing low-take up of the ETR saw the government enlist the media to further promote it. For example, *The Sunday Telegraph* reported at the end of January that:<sup>17</sup>

- \$300 million in education refunds is going unclaimed, and
- that one in four students are missing out.

Ongoing promotion of the ETR shows that the government recognises the importance of maintaining awareness campaigns so as to maximise take-up. As discussed below, however, not all people who might potentially benefit from various forms of available assistance are being as actively pursued as are those who qualify to receive the ETR.

The ETR potentially provides benefits for a broad section of the community and the government has promoted it widely, but it has still failed to achieve its stated goals. A much bigger problem exists, however, in the non-take-up of existing forms of government assistance and the lack of campaigns to promote them.

## **The case for increased funding to promote all forms of assistance**

Changing government priorities mean that new forms of government assistance emerge regularly. Yet at the same time, existing forms of assistance, some of which have existed for decades, continue to provide valuable support (the Aged pension originated in 1908; child support in 1912). In reality, however, this support is only accessed by those people who are aware of its availability. Existing forms of assistance receive little promotion, if any, unlike new forms of assistance, such as the ETR, which are heavily promoted.

In a research paper published by the former Department of Family and Community Services it was estimated that in 2004 as many as 1.3 million Australians may have missed out on assistance for which they qualified.<sup>18</sup> Previous research from The Australia Institute examined the rate of take-up across four selected Centrelink payments and found that in 2008 an estimated 168,000 Australians appear to have missed out on government assistance, totalling \$623.8 million from just four payments. From these figures we can

<sup>15</sup> DEEWR (2011a), Freedom of Information documents, p.34.

<sup>16</sup> DEEWR (2011a), Freedom of Information documents, p.13.

<sup>17</sup> Maiden, S (2012), 'Thousands of parents are missing out on student rebate'.

<sup>18</sup> Johnson D & Scutella R, *Understanding and improving data quality relating to low-income households*, p.68.

extrapolate that the government may be failing to deliver an estimated \$4.8 billion in assistance, as follows:

- \$624 million in assistance payments estimated as unpaid across four Centrelink payments
- 168 000 people estimated to be missing out across four Centrelink payments
- 1.3 million; most recent (2004) public estimate of total number of people missing out

$$\$624 \text{ million} \div 168 \text{ 000} \times 1.3 \text{ million} = \$4.8 \text{ billion}$$

- \$4.8 billion in missed assistance.

This \$4.8 billion equates to an average of \$3,714 in financial assistance not being paid each year to those Australians estimated to be missing out; the latter figure represents approximately a third of the average annual payment made by Centrelink. Overall, the estimated shortfall in social security payments not delivered to Australians who appear to qualify for them equates to six per cent of the assistance delivered by Centrelink in 2008-09.

This estimate appears conservative, however, when compared with Centrelink's own estimate that non-delivery of government assistance was just over ten per cent.<sup>19</sup> The targeted delivery rate or take-up of government assistance was only 80 per cent; in other words Centrelink and the government aim to deliver assistance to only four out of five people who qualify.

### *Estimating the funding required*

Based on the budget for promoting the ETR, we can calculate an estimate of the equivalent level of funding required to promote all existing forms of government assistance. This calculation takes the amount of support being missed, and divides it by the funding ratio used (planned, not actual) to promote the ETR. The proportional funding equation is as follows:

- \$4.8 billion is the estimated amount of assistance being missed by Australians
- 109 is the ratio of advertising to assistance funding in the budget for the ETR

$$\$4.8 \text{ billion} \div 109 = \$44 \text{ million}$$

- \$44 million in funding is required to provide proportionally equivalent promotion for all forms of assistance.

The funding required to promote assistance payments administered by Centrelink that people are missing out on is \$44 million. Adjusting for inflation in the intervening two financial years (2008-09 to 2010-11),<sup>20</sup> the required funding becomes \$47 million. That is, if the government was consistent in its approach to promoting available assistance, it would be willing to spend this money. To put it into a broader context, \$47 million is the amount that the government reallocated from Higher Education Performance Funding in the 2011-12 Federal Budget, savings that 'will be redirected to support other Government priorities'.<sup>21</sup> Such a priority should be the promotion of existing social security assistance payments that can provide much needed support, support that many Australians are currently missing out on.

<sup>19</sup> Centrelink (2006),, *Annual Report 2008-09*, p.4.

<sup>20</sup> Australian Bureau of Statistics (2012), *Consumer Price Index, Australia, December 2011*.

<sup>21</sup> Australian Government (2011), *Budget Measures 2011-12*, Budget Paper No. 2, p.164.

### *Current funding of awareness campaigns for existing forms of assistance*

Based on the willingness of the government to spend money promoting the ETR, the government should be spending \$47 million a year promoting other forms of assistance. Outlined below is an account of the money that is being spent by relevant agencies and departments, as presented in their annual reports.

#### Centrelink

The 2010-11 Centrelink annual report lists communication activities that targeted:<sup>22</sup>

- people living in rural and regional locations
- indigenous Australians, and
- areas with specific employment and socio-economic issues.

Regarding marketing programs to promote awareness:<sup>23</sup>

*Centrelink did not undertake any communication campaigns in 2010–11.*

Nor did Centrelink 'undertake any communication campaigns in 2009-10',<sup>24</sup> but there were campaigns in 2008-09 covering changes to family assistance, implementation of the BasicsCard and Income Management, and delivery of the Australian Government Economic Security Strategy and Household Stimulus Package payments.<sup>25</sup> This list of campaigns further illustrates the priority given to promoting new forms of assistance over existing forms.

#### Department of Families, Housing, Community Services and Indigenous Affairs

The Department of Families, Housing, Community Services and Indigenous Affairs was responsible for promoting the Paid Parental Leave scheme. The \$10 million spent promoting this scheme<sup>26</sup> was similar to the funding allocated for promotion of the ETR. The government estimated that 148,000 parents would receive this payment,<sup>27</sup> making a promotion expenditure ratio of 1:144. The government allocated proportionally more to promote the ETR than it did to Paid Parental Leave. Once again this money was spent to promote a new form of government assistance.

Although the Department of Health and Ageing Annual Report for 2010-11 indicated a number of budget expenditure items associated with raising awareness of health and welfare initiatives, there was no expenditure on programs to raise awareness of existing forms of assistance payments provided by the Federal Government.

#### Department of Education, Employment and Workplace Relations

The Department of Education, Employment and Workplace Relations (DEEWR) reported that it conducted a campaign to promote awareness of Child Care Assistance in 2010-11. This expenditure amounted to \$8.3 million.<sup>28</sup> Similar spending on another five forms of existing

<sup>22</sup> Centrelink (2011), *Annual Report 2010-11*, pp.109-10.

<sup>23</sup> Centrelink (2011), *Annual Report 2010-11*, p.227.

<sup>24</sup> Centrelink (2010), *Annual Report 2009-10*, p.132.

<sup>25</sup> Centrelink (2009), *Annual Report 2008-09*, p.120.

<sup>26</sup> Department of Families, Housing, Community Services and Indigenous Affairs (2011), *Annual Report 2010-11*, p.357.

<sup>27</sup> Australian Government (2009), *Australia's Paid Parental Leave Scheme: supporting working Australian families*, p.9.

<sup>28</sup> Department of Education, Employment and Workplace Relations (2011b), *Annual Report 2010-11*, pp.284-5.

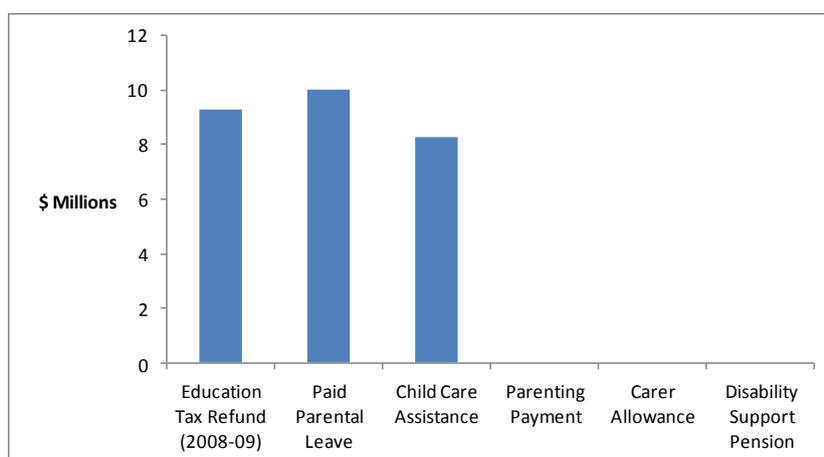
assistance payments would be required to meet the estimated funding requirement of \$47 million.

It is evident that the government does not give equal priority to promoting all forms of assistance. Until such time many Australians will continue missing out on assistance intended for them.

## Conclusion

The data presented above shows that the government is eager to promote new forms of assistance, especially its own initiatives, while mostly neglecting existing forms of assistance, as well as those people who are missing out. Figure 1 clearly shows the disparity in the funding of promotion for new and existing forms of assistance.

**Figure 1 Funding to promote awareness of government assistance 2010-11**



Source: 2010-11 Annual Reports from Centrelink, FaCHSIA and DEEWR.

The ETR is a prime example of a government heavily promoting its newest policy initiative, while allocating little or no funding to promote older forms of assistance. When introducing the ETR in 2008, the government was aware of the need to widely promote the refund program to ensure high take-up. As a result \$9.3 million was spent promoting the ETR and the \$1,015 million available in assistance.

This expenditure delivered 'lower than expected' take-up: only two-thirds of families who were estimated to qualify lodged a claim. A failure to retain receipts has been identified as an obstacle to greater take-up. Less attention has been focused on the obstacles faced by families who are not required to lodge a tax return. The transaction costs that these families face in making a claim are potentially higher and possibly prohibitive.

This paper estimates that for all forms of government assistance to receive promotion equivalent to that given to the ETR, the government would have to allocate \$47 million.

Unless the government makes a greater effort to promote all forms of government assistance, we can assume that (1) it deems some recipient groups to be more deserving than others; and that (2) the government is satisfied with up to one in five people missing out on support for which they qualify. The example provided by the ETR shows that low income groups are more likely to miss out, unless the targeting of programs is improved. Increased awareness could potentially reduce the transaction costs associated with making a claim for assistance, which would in turn be likely to increase take-up.

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