

Chapter 9

Centrelink & Workers Compensation

Under social security law, compensation is defined as any payment for personal injury, illness, or disease that replaces lost income or earning capacity. This includes payments from within Australia or from overseas and applies to periodical payments as well as to lump sums.

If an injured worker is contemplating a lump sum (either commutation or through a damages claim) we recommend they have a chat with a financial counsellor first.

If the injured worker are receiving workers compensation weekly payments or have received a lump sum this will affect how much the injured worker can claim through Centrelink entitlements.



Centrelink sees workers compensation payments as the injured workers income

Periodic payments:

Refers to the weekly income replacement payments made to the injured worker by the injured workers insurer.

Lump sum payments:

Any commutation payments, or other large payments the injured worker may receive through the Workers Compensation Commission or directly from the insurer.

Note: It does not include any private insurance payments an injured worker may receive, like income protection or accident insurance (though these may be considered in their eligibility for allowances within the assets test when they apply to Centrelink).

The majority of Centrelink payments will be affected.

How do they work it out?

In general it is dollar for dollar. I.e if the injured worker receive \$200 per fortnight in workers compensation the injured workers Centrelink payments will be reduced by \$200 per fortnight.

Is it backdated?

Yes, In most cases, if the injured worker received Centrelink payments while waiting for workers compensation or a lump sum payment and those payments are backdated. There is an exception for people who were already receiving Centrelink payments, which were previously reduced by a compensation payment.

Are lump sum payments treated differently from periodic payments?

Yes, part of the injured workers lump sum is considered a lost earnings component (the injured workers weekly wage over a period of time paid in one go). This could be worked out by a court or will be 50% of the lump sum.

That lost earnings lump sum is called a self-supporting period of time by Centrelink. A calculation is used to work out how many weeks Centrelink wants the injured worker to look after themselves before they can rely on Centrelink support (the preclusion period).

The injured worker will not receive Centrelink support during that self-supporting period.

Please note. This figure is based on the total lump sum. Any purchases an injured worker make (such as house, car, etc..) will be not be taken into account during this period so please be careful. E.g. If the injured worker use the whole lump sum to buy a house, they will be expected to sell the house.

What about their partner?

Centrelink looks to the injured workers Centrelink payments first, if there is money remaining it will then look at the injured workers partner's Centrelink payments.

E.g. Bill and Clair are married with children. If Bill was getting \$400 a fortnight from Centrelink but got \$600 a fortnight from workers comp he wouldn't receive any Centrelink payments. The remaining \$200 would be part of the assets test for Clair's payments. The injured worker need to talk to Centrelink about what that will mean for themselves.

Centrelink has a Compensation Recovery team the injured worker can call to help the injured worker work out what the injured worker's Centrelink payments might be:

Call them on: 1800 777 653

The injured worker can try Centrelink's online compensation estimator. <http://www.humanservices.gov.au/customer/enablers/centrelink/compensation-recovery/compensation-estimator>

An injured worker can also make an appointment with a Centrelink office.

An injured worker can call the Welfare Rights Centre on 1800 226 028 for independent advice on Centrelink entitlements.