



ACOSS Submission | February 2010

Australian  
Council of  
**Social Service**

**Submission to Senate Community Affairs Legislation Committee:  
Inquiry into *Social Security and Other Legislation Amendment (Welfare  
Reform and Reinstatement of Racial Discrimination Act) Bill 2009* and  
related bills**

February 2010

## Executive summary

The proposed extension of compulsory income management to affected income support recipients across the country would represent a major shift in Australian social security policy. The proper role of the social security system is to reduce poverty by providing adequate payments, support and incentives to assist people into employment. Compulsory income management extends well beyond this role to impose an unprecedented degree of behavioural control. It is expensive, intrusive and unnecessary.

ACOSS is very concerned that the proposed scheme has been developed without adequate or informed consultation either with affected Aboriginal communities in the Northern Territory (NT), disadvantaged communities across the country, income support recipients or service providers. A national roll-out of income management is proposed despite the weak and conflicting evidence base from the Northern Territory Emergency Response (NTER) and other trials and despite contradictory recommendations arising from the independent review of the NTER established by the Government.

Compulsory income management of long-term unemployed people, sole parents on income support and young people assumes that these groups are unable or unwilling to manage their finances. No evidence has been presented by the Government to support this assumption. Rather, individuals must provide contrary evidence in order to qualify for an exemption. The proposed scheme is likely to make the lives of income support recipients more difficult and less dignified. It will constrain income support recipients' choices, impose a considerable administrative burden and remove autonomy over individual finances.

Income management is expensive and diverts resources from effective programs. Restricted-use payment schemes, like income management, are much more expensive to administer than cash payments. This is because of the need for electronic payment systems, store licensing schemes and significantly increased client contact with Government agencies administering the scheme. Our calculations suggest that the implementation of the proposed scheme across the NT will cost \$4400 per person per year. These resources would be better spent on improving the adequacy of income support payments (current Newstart recipients receive only \$228 per week) and funding appropriate and effective services for struggling individuals and families.

ACOSS recommends that the compulsory income management provisions of the bills be withdrawn. We advocate for an alternative approach which addresses the key causes of poverty and exclusion and includes adequate social security payments; better employment assistance to reduce long term reliance on payments; case management and support services for deeply disadvantaged individuals and families and voluntary income management on an individual or community basis to supplement these services. Funds allocated to compulsory income management should be diverted to intensive support services to deal with the social and health problems the *Welfare Reform Bill* seeks to address in disadvantaged communities.

## Introduction

The Senate referred the following bills to the Community Affairs Legislation Committee for inquiry and report by 9 March 2010:

- *Social Security and Other Legislation Amendment (Welfare Reform and Reinstatement of the Racial Discrimination Act) Bill 2009* [*the Welfare Reform Bill*];
- *Families, Housing, Community Services and Indigenous Affairs and Other Legislation Amendment (2009 Measures) Bill 2009* [*the 2009 Measures Bill*]; and
- *Families, Housing, Community Services and Indigenous Affairs and Other Legislation Amendment (Restoration of Racial Discrimination Act) Bill 2009* [*the Greens Bill*].

The Government bills would effect significant changes to the social security system and some key changes to the Northern Territory Emergency Response (NTER), most importantly the partial reinstatement of the *Racial Discrimination Act* (RDA) to NTER measures.

The Australian Council of Social Service (ACOSS) is the peak council of the community services and welfare sector and the national voice for the needs of people affected by poverty, disadvantage and inequality.

We welcome the proposed reinstatement of the RDA but note that this will only apply to some aspects of the NTER and will not take place for another year. We strongly recommend that the RDA be **fully** reinstated as soon as possible.

We have serious concerns about the proposed extension of compulsory income management across the country which we believe will undermine individual capacity and stigmatise income support recipients.

## Key features of the proposed reforms

If enacted, the Government bills would provide the legislative framework for the national extension of compulsory income management. The bills also include amendments to existing NTER measures including alcohol bans, restrictions on pornography, 5 year leases, community store licensing and powers of the Australian Crime Commission. Due to the very limited time available to prepare submissions to this Inquiry, ACOSS will focus mainly on the income management provisions of the bills. However, we do raise some concerns in this submission about the partial reinstatement of the RDA and the adequacy of the Government consultation process on NTER measures generally.

Key aspects of the proposed income management scheme include:

- A new compulsory income management scheme to replace the existing scheme in the Northern Territory (NT) and to be rolled out nationally to 'disadvantaged communities' across the country.

- The new scheme would apply to three categories of income support recipients: 'disengaged youth', long-term income support recipients and 'vulnerable' income support recipients. Individuals could also be referred to compulsory income management under the child protection scheme and existing income management models will continue (school enrolment and attendance and Cape York trials).
- Under the new scheme, some income support recipients who are currently being income managed under the NTER measures will no longer be affected but can choose to participate in the voluntary income management scheme.
- The *Welfare Reform Bill* creates two new social security payments: incentive payments of \$250 every six months to encourage voluntary income management and a matched savings scheme to encourage savings and financial literacy by those subject to compulsory income management.

### *National roll-out to disadvantaged communities*

If enacted, the *Welfare Reform Bill* would empower the Minister to declare by legislative instrument 'disadvantaged communities' to be affected by the new scheme. A declared area may be an entire State or Territory, or area that is larger or smaller than a whole State or Territory.<sup>1</sup> Although it is not entirely clear, ACOSS understands that the new scheme will be rolled out gradually to remote, rural and urban areas in the Northern Territory from July 2010 to eventually cover the whole of the Territory by mid-2011. The Government has indicated that the first evaluation report on the new income management scheme in the NT is expected in 2011-12. Evaluation of the other trials currently underway in Western Australia and Queensland will continue. These evaluations are to inform the future roll out elsewhere in Australia.<sup>2</sup> The roll out to communities across the country is also to be informed by 'evidence of disadvantage ... and consideration of where income management could benefit individuals and families.'<sup>3</sup>

Income support recipients whose 'usual place of residence' is in a declared income management area will be affected. Unlike the NTER measures which affected all individuals in a prescribed area on a specified date, only those whose 'usual place of residence' is in the area will be affected. Further, ACOSS understands that individuals whose usual place of residence changes as they move away from an area will no longer be covered by the proposed scheme. This is likely to cause an increase in mobility by affected recipients seeking to avoid the scheme.

### *Affected categories of income support recipients and payments*

Categories of affected income support recipients are defined by reference to payment type and duration and a new category of 'vulnerable' recipient is created. The table in Appendix 1 sets out which income support recipients will be affected by the proposed scheme, which payments will be quarantined and in what proportions.

Income support recipients in affected categories will not only have a portion of their primary payment quarantined (generally 50%), but also a portion (generally also 50%) of

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<sup>1</sup> Item 35 discussed in Explanatory Memorandum, *Welfare Reform Bill* at 19.

<sup>2</sup> Explanatory Memorandum, *Welfare Reform Bill*, page 13.

<sup>3</sup> Explanatory Memorandum, *Welfare Reform Bill*, page 13.

other payments they receive, including Family Tax Benefit and supplements. One hundred per cent of lump sum payments will be quarantined.

The income managed or 'quarantined' part of a payment can only be spent on 'priority needs'. These are defined in section 123TH of the *Social Security (Administration) Act 1999* (Cth) (Appendix 2).

No changes are made to the existing voluntary income management provisions which require that 70% of Category I (instalment) payments be quarantined and 100% of lump sum payments.<sup>4</sup>

### *Changes to income management in the Northern Territory*

The proposed scheme is to be expanded across the NT and then nationally. It will therefore affect income support recipients across the Territory, not just those in prescribed communities under the NTER.

As a result of the proposed changes, some individuals who are currently being income managed under the NTER measures will no longer be within the categories of affected recipients. For example, aged pensioners, carers and Disability Support Pensioners in prescribed communities, currently subject to compulsory income management under the NTER, will no longer be compulsorily affected (unless assessed as vulnerable or subject to a child protection notification). These individuals will, however, be able to apply to be voluntarily income managed.

### *New social security payments*

The *Welfare Reform Bill* would introduce a new incentive payment to encourage people to sign up to voluntary income management. A matched savings scheme would also be established to encourage those individuals who are subject to compulsory income management to save.

## **The role of the social security system**

The primary and proper role of the social security system is to reduce poverty by providing adequate payments and supporting people into work. Appropriate activity requirements to assist people into employment are consistent with this objective. Compulsory income management which does not increase payment levels and removes individual autonomy does not further this objective. Rather, it locks people into long-term dependence on others to make financial decisions for them without enabling them to manage their finances independently.

Australia's income support system has significantly advanced from a charity to a social security model. Historically, welfare agencies had discretion over the levels of assistance provided to recipients and how it was spent. This paternalistic 'charity' model was rejected in favour of a modern social security system based on an entitlement to a fixed level of cash income support and the flexibility to determine how payments are spent.

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<sup>4</sup> See Sections 123XPA and 123XPB of the *Social Security (Administration) Act 1999* (Cth).

The main obligation on the recipient is to make reasonable efforts to secure employment and therefore remove the need for income support.

The proposed policy changes have been couched in language which shifts clearly away from the language of social security. The Government bills use the pejorative terms 'welfare payment' and 'welfare recipients'. The Government's Policy Statement describes the role of 'welfare reform' in helping it 'fight passive welfare'.<sup>5</sup> In this way, the Government frames 'the problem' as one of welfare dependency, rather than poverty and exclusion. The language of 'fighting passive welfare' also marks a clear shift away from the language of social inclusion. The proposed scheme will stigmatise income support recipients and, in this way, is likely to further entrench their social exclusion.

Further, the scheme is likely to increase the 'dependency' of affected recipients on government to make decisions about their individual finances. It is difficult to reconcile this with the Minister for Families, Housing, Community Services and Indigenous Affairs statement in her recent Social Inclusion address that:

We need new approaches that go beyond immediate assistance to **promote capacity and build confidence in managing money.**

We need to give people not only the financial resources to participate but the opportunities and **capabilities they need to build their own financial security.**<sup>6</sup>  
(Emphasis added)

To promote 'active welfare' and personal responsibility the Government should improve the capacity of the income support recipients to manage their finances in cases where there is a lack of capacity to do so. The proposed scheme does not do this. It is not underpinned by a planned transition of compulsorily income managed people out of the scheme and into financial independence. Nor does it prepare people to manage income earned through work. Rather, it would operate for as long as people receive income support, subject to individuals proving eligibility for an exemption.

While 'mutual obligation' policies which impose employment-related activity requirements on income support recipients have been in place for some time, the proposed reforms would extend this relationship much more broadly. The Government's Policy Statement describes a 'two-way transaction' in which:

Governments have a responsibility to support people and families through hard times. In turn, welfare recipients have a responsibility to demonstrate personal responsibility and spend payments appropriately – on essentials like food, clothing and rent, not on alcohol and gambling.<sup>7</sup>

In ACROSS's view, the social security system should be exclusively directed to achieving a reduction in poverty through adequate payments and appropriate support to move people into work where this is appropriate. The system should not be used to effect broader social or behavioural change because that is not its purpose. Guardianship law already provides for arrangements to be made for the management of an individual's

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<sup>5</sup> Australian Government, 'Policy Statement: Landmark Reform to the Welfare System, Reinstatement of the Racial Discrimination Act and Strengthening of the Northern Territory Emergency Response' ('Policy Statement') at 2.

<sup>6</sup> Jenny Macklin MP, Minister for Families, Housing, Community Services and Indigenous Affairs, Opening Address: Australian Government Social Inclusion Conference, Melbourne, 28 January 2010.

<sup>7</sup> Australian Government, Policy Statement at 2.

personal affairs by another person in the event that they lose the capacity to manage their affairs themselves. The use of the social security system to address problems experienced by a minority of income support recipients (but not restricted to income support recipients) is discriminatory. Social security should only be paid on a non-cash basis in exceptional circumstances, either where an individual or community volunteers to do so or when a recipient is unable to manage their affairs and nominee or guardianship arrangements apply.

Services to assist people to manage their finances and deal with personal crises should be organised in a way which is responsive to the needs of particular individuals and communities. Service responses should not discriminate between income support recipients and others needing assistance with budgeting or personal crisis.

While the original purpose of income management under the NTER was to 'stem the flow of cash that is expended on substance abuse and gambling and to ensure that funds provided for the welfare of children are directed towards meeting their priority needs', the specific purpose of income management under the new scheme is unclear. The purpose of the new measures is expressed in the Explanatory Memorandum (EM) in much more general terms as 'a tool to support disengaged youth and vulnerable individuals, particularly women and children'. The objects clause for the income management measures in the bill states that:

The objects of this Part are as follows:

- (a) to **reduce immediate hardship and deprivation** by ensuring that the whole or part of certain welfare payments is directed to meeting the priority needs of:
  - (i) the recipient of the welfare payment; and
  - (ii) the recipient's children (if any); and
  - (iii) the recipient's partner (if any); and
  - (iv) any other dependants of the recipient;
- (b) to ensure that recipients of certain welfare payments are **given support** in budgeting to meet priority needs;
- (c) to reduce the amount of certain welfare payments available to be spent on **alcoholic beverages, gambling, tobacco products and pornographic material**;
- (d) to reduce the likelihood that recipients of welfare payments will be subject to **harassment and abuse** in relation to their welfare payments;
- (e) to **encourage socially responsible behaviour**, including in relation to the care and education of children;
- (f) to **improve the level of protection** afforded to welfare recipients and their families. (Emphasis added)

The Government cites preliminary results from existing income management trials which suggest that it is an 'effective tool in urban, regional and remote areas to reduce levels of deprivation and hardship; promote personal and parental responsibility; and provide security for people in relation to their decisions about how their welfare payments will be spent'.<sup>8</sup> It argues that income management 'can also provide the foundations for pathways to economic and social participation through helping to stabilise household budgeting'.<sup>9</sup> ACROSS is concerned that, as the policy mandate becomes broader, the

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<sup>8</sup> Explanatory Memorandum, *Welfare Reform Bill*, page 12.

<sup>9</sup> Explanatory Memorandum, *Welfare Reform Bill*, page 12.

connection between the objective and the means becomes weaker and the outcomes therefore will be more difficult to measure.

## **Problems with the policy development process**

The NTER introduced radical policy and service delivery changes to affected Aboriginal communities without consultation or informed consent. Many Aboriginal people and other members of the community were distressed and angered by this approach which sidelined community members and overlooked existing mechanisms in place in communities to address complex social issues. Many Aboriginal people spoke of their distress and anger about this process in the most recent Government NTER consultations.

On its election, the Government committed to 'resetting' its relationship with Aboriginal and Torres Strait Islander Australians. The National Apology was to signal a new era of 'mutual respect, mutual resolve and mutual responsibility'.<sup>10</sup>

Consultations on the future of the NTER were conducted with Aboriginal people in the NT between June and August 2009. However, rather than an open consultation process with scope for Aboriginal people to advance reform proposals developed by communities, the Government consulted on a narrow range of questions and options. On income management, the Government consultation asked Aboriginal people to choose between two alternative income management models: one involving no change to the existing model and the other allowing individuals to opt-out on proof of responsible budgeting and /or parenting. Aboriginal communities were not offered the option to roll-back income management entirely or make it voluntary. It is clear that opinion on the ground about income management is still divided.

The Government bills include a number of NTER amendments which the Government considers to be 'special measures' under the *Racial Discrimination Act*. However, serious questions have also been raised about whether the recent NTER consultation process was sufficient to indicate consent by Aboriginal people to special measures for the purposes of the Act. Concerns have been raised about the lack of independence from Government, the lack of Aboriginal input into the design and implementation of the consultations, an absence of interpreters at some consultations, the limited policy options given to communities and the sense that Government decisions had already been made before the consultations.<sup>11</sup> It has also been suggested that Government reporting on the consultations has been selective and the Government has resisted calls to release the full transcript of the consultations.

The latest consultations follow a series of reports and reviews on the NTER. The most significant of these was the independent NTER Review Board's report, which was released in October 2008 after extensive consultations, with submissions from 222 organisations and individuals.<sup>12</sup> While the Government adopted what it described as the three 'overarching' recommendations of the NTER Review Board report, it ignored many

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<sup>10</sup> National Apology to the Stolen Generations, Australian Parliament, 13 February 2008.

<sup>11</sup> Alastair Nicholson, Larissa Behrendt, Alison Vivian, Nicole Watson and Michele Harris, 'Will they be heard? – a response to the NTER Consultations June to August 2009' at page 9.

<sup>12</sup> See the list of submitters on the NTER Review Board website at: <http://www.nterreview.gov.au/subs.htm>.

of the specific recommendations which formed the basis of the broader proposals. Most significantly, the Government ignored the Review Board's recommendations on income management which were that the current blanket application of compulsory income management cease, to be replaced with a voluntary scheme and limited compulsory income management applied on the basis of child protection, school enrolment and attendance and other relevant behavioural triggers.<sup>13</sup> Significantly, the Review Board noted that:

Experiences of racial discrimination and humiliation as a result of the NTER were told with such passion and such regularity that the Board felt compelled to advise the Minister for Indigenous Affairs during the course of the Review that such widespread Aboriginal hostility to the Australian Government's actions should be regarded as a matter for serious concern.<sup>14</sup>

Compulsory income management has been a key cause of discrimination and humiliation. As the Review Board noted, it is seen as 'synonymous' with the NTER and the 'most widely recognised measure'.<sup>15</sup> Specifically, the Review Board noted that some Aboriginal people living or shopping in major regional centres 'have suffered frustration, embarrassment, humiliation and overt racism because of the difficulties associated with acquiring and using store cards'.<sup>16</sup> While the reinstatement of the RDA will go some way to addressing this shame as the measure will no longer be targeted by race, it will generate broader embarrassment and indignity among affected income support recipients who will be identifiable by their method of payment. Further, although the NTER Review Report identified some benefits of income management, they found that the most common view expressed was that people should be able to take advantage of the scheme **by choice**, with some support for compulsory income management in response to specific behavioural triggers.

The Government's proposed scheme significantly differs from that recommended by the Review Board as it is an opt-out rather than a targeted model, applying to all income support recipients in designated categories subject to proof of eligibility for exemption. The Review Board model is limited to a more narrow range of behavioural triggers and does not nominate length of payment as a trigger factor, which is the basis of the categories under the proposed scheme.

The proposed compulsory income management scheme also differs significantly from the model suggested by the Australian Human Rights Commission. The Commission identified key features of an RDA-compliant model in its *Draft Guidelines for ensuring income management measures are compliant with the Racial Discrimination Act* including that the model should **not apply automatic quarantining** but instead be based on a voluntary/opt-in model or last-resort suspension model; it should provide for a **defined period** of income management, proportionate to the context and subject to review and it should include **additional support programs** including safe houses for men and women and alcohol and substance abuse programs.<sup>17</sup> Any income

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<sup>13</sup> Report of the NTER Review Board, October 2008 at 12.

<sup>14</sup> NTER Review Board report at 8.

<sup>15</sup> NTER Review Board report at 20.

<sup>16</sup> NTER Review Board report at 20.

<sup>17</sup> Australian Human Rights Commission, *Draft Guidelines for ensuring income management measures are compliant with the Racial Discrimination Act*, 11 November 2009 at 18-19.

management scheme must be compatible with human rights, including the rights to non-discrimination and the right to social security.

ACOSS is concerned that measures which, if well targeted, could suit a few will instead be imposed on many, without broader consultation. In extending income management nationally, there has been no broad national consultation outside the NT with community and consumer organisations who represent and provide services to those who will be affected on a daily basis, or with payment recipients themselves. There has also been inadequate consideration of alternative approaches that maintain dignity and enable people to take control of their finances.

In addition, the proposed reforms to the social security system have been announced without regard to the broader national review of payments, with the findings and recommendations of the Henry Review of Taxes and Transfers not yet public. The affected payment categories were beyond the scope of the Pension Review Report published in February 2009.

## The evidence

ACOSS is concerned that a national roll-out of compulsory income management is proposed despite the weak and conflicting evidence base from the NTER and other income management trials and despite contradictory recommendations arising from the independent review of the NTER established by the Government.

The Government has relied on evidence from a variety of reports, reviews and consultations to support its claims that compulsory income management under the NTER has been effective in increasing the amount of money spent on food and other basics, reducing 'humbugging' and reducing the purchase and consumption of alcohol, tobacco and gambling products. These include:

- Reports from the most recent NTER redesign consultations;
- the AIHW's *Evaluation of income management in the Northern Territory*;
- a survey of community stores; and
- the Central Land Council survey 2008.

Close examination of the above sources suggests that the available evidence provides a weak evidence base for the extension, is very mixed and often contradictory. In addition, there are a number of other reports and reviews which raise clear concerns about compulsory income management and question the positive benefits claimed by the Government, including the:

- NTER Review Board's report (and the 222 submissions to the Board);
- *Closing the Gap in the Northern Territory*, January 2009- June 2009, Whole of Government Monitoring Report;
- Senate Select Committee on Regional and Remote Indigenous Communities' three reports, and submissions to the Committee;
- House Standing Committee on Aboriginal and Torres Strait Islander Affairs Report on Community Stores; and
- The response to the NTER consultations, *Will they be heard?*, by Nicholson, Behrendt et al.

## **Problems with research methods**

In addition to the problems identified with the most recent NTER consultation process above, there are clear limitations on the value of the other sources which the Government relies upon in making its case for the extension of compulsory income management. One of the primary limitations on the value of these reports is the lack of baseline data to enable comparison and measurement of the effectiveness of NTER measures. As the NTER Review Board stated in its 2008 report:

Apart from some initial scoping data, there was little evidence of baseline data being gathered in any formal or organised format which would permit an assessment of the impact and progress of the NTER upon communities. The lack of empirical data has proved to be a major problem for this Review and is an area that requires urgent consideration.<sup>18</sup>

The Review Board recommended that the Government establish an authoritative database which integrates available information and enables regular measurement of outcomes of all government agencies and programs that target Aboriginal communities in the NT. The ABS has also emphasised the need to improve the quality of available data.<sup>19</sup>

The AIHW report was cited by the Government as evidence that children were eating more and were healthier due to income management.<sup>20</sup> This was based on interviews with parents, in which more than half of those interviewed reported that their children were eating more and were healthier.<sup>21</sup> A majority of clients interviewed also reported that there was less gambling (63%), less drinking/alcohol abuse (60.9%) and less 'humbugging' (52.1%).<sup>22</sup> Three-quarters of clients interviewed reported spending more on food, with half buying more fruit and vegetables.<sup>23</sup> Over two-thirds of store operators reported an increase in sales of fresh fruit and vegetables.<sup>24</sup>

However, the authors of the report were careful to identify the limitations of the evidence available. The authors stated that:

The research methods used in the income management evaluation (point-in-time descriptive surveys and qualitative research) would all sit towards the bottom of the evidence hierarchy.<sup>25</sup>

They identified a number of deficiencies with the available evidence, including that:

- There was no comparison group or baseline data by which to measure what would have happened in the absence of income management;

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<sup>18</sup> NTER Review Board report at 16.

<sup>19</sup> Senate Select Committee on Remote and Regional Indigenous Communities, Second Report at 31.

<sup>20</sup> See Minister Macklin and Warren Snowdon MP, Media Release, 'Children eating healthier food in NTER communities', 15/12/2009.

<sup>21</sup> Australian Institute of Health and Welfare, *Report on the evaluation of income management in the Northern Territory*, 20 August 2009 ('AIHW Report') at v.

<sup>22</sup> AIHW report at v.

<sup>23</sup> AIHW report at v.

<sup>24</sup> AIHW report at v.

<sup>25</sup> AIHW report at iv.

- The overall effectiveness of income management in isolation from other measures was difficult to assess. The NTER comprises a range of measures in addition to income management, the effects of which were not controlled for in the research;<sup>26</sup>
- There was a limited amount of quantitative data on which to base the quantitative findings;
- Due to the absence of a comparison group, the evaluation was dependent on the perceptions of a range of stakeholders, which would have been strengthened if supplemented with empirical indicators;
- The client interview evidence was limited by the small sample size and method of selection, with clients not randomly selected;
- It was difficult to identify whose views within the stakeholder focus groups were being reported and whether these reflected the views of the majority.

Data collected by Centrelink on purchasing patterns have also been shown to be of limited value. The Department of Human Services gave evidence to the Senate Select Committee on Remote and Regional Indigenous Communities inquiry that 64% of income managed funds were being spent on food.<sup>27</sup> This was then clarified as being money spent *at stores that primarily sell food*. The Committee's Second Report notes that although there was anecdotal evidence to support an increase in money being spent in shops that sell food, there was no itemised data available from the use of the Basics Card (the card with which income managed recipients can buy a restricted range of goods from food and retail outlets using quarantined funds) to identify what income managed funds have actually been spent on.<sup>28</sup> This led the Committee to conclude that it is **not** the case that the majority of income managed funds are spent on food.<sup>29</sup> In its Third Report it called on the Government to be more transparent in its reporting of this data, and clarify that the information is worked out from what Centrelink customers say they will spend their money on, not on actual items purchased.<sup>30</sup>

The survey of store owners conducted by FaHCSIA is also of limited evidentiary weight. The survey was conducted by departmental staff rather than independent researchers. The perceptions and observations of store owners were relied on, in lieu of quantitative data, to inform conclusions not only about purchasing patterns but about broader social and behavioural change among income managed customers. In addition to observations about customer shopping habits (with a reported increase in the amount of healthy food purchased), evidence from store owners is relied upon about familial relationships, humbugging, mistrust and confusion about income management. The Senate Select Committee noted in its Third Report that it was concerned that the perspectives of community members were not considered in the survey report.<sup>31</sup> It should also be noted that the community stores survey does not capture owners or operators of larger retailers in town centres which are also participating in income management and are the primary retail outlet for Aboriginal residents of town camps. Further, some of the results reported by store owners, for example, increased purchasing of fresh fruit and vegetables, could be attributable to the licensing requirements rather than to compulsory

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<sup>26</sup> AIHW report at iv.

<sup>27</sup> Senate Select Committee Second Report at 30.

<sup>28</sup> Senate Select Committee Second Report at 30.

<sup>29</sup> Senate Select Committee Second Report at 118.

<sup>30</sup> Senate Select Committee Third Report at 64.

<sup>31</sup> Senate Select Committee Third Report at 65.

income management. Again, the effects of various NTER measures are difficult to isolate.

The Central Land Council survey has also been relied upon by the Government to support its claims about the positive effects of income management, as is reflected in a number of Government documents.<sup>32</sup> However, the results of the CLC survey are very mixed. Quantitative data showed that community members were still divided on the merits of compulsory income management, with 45% wanting it scrapped or changed significantly and 50% in favour of retaining current arrangements. Drawing on qualitative data, the CLC report identified some advantages associated with income management, as well as some disadvantages. Advantages included increased expenditure on food and children, reduction in drinking, young men contributing and a reduction in gambling. Disadvantages identified included inadequate discretionary cash, the discriminatory nature of blanket reforms, the impact on the individual's capacity to manage financially, problems accessing money, impact on population mobility, lack of choice, restricted use of money and lack of understanding. However, although the report identifies 'key themes', it does not indicate what proportion of people raised particular themes.

### ***The available evidence is mixed and contradictory***

In addition to the problems identified above with the research methods, there are some clear contradictions within the available evidence. These raise questions about the accuracy and weight to be accorded to the evidence in informing policy development.

For example, while over half of clients surveyed reported spending less on cigarettes, a majority (73.3%) of surveyed store owners reported that cigarette sales had remained unchanged.<sup>33</sup> Similarly, while clients surveyed reported less drinking and alcohol abuse, the NTER Whole of Government Monitoring Report noted that there was a significant increase in the number of alcohol-related incidents reported to police across NT communities (up 34% between 06-07 and 07-08, and increasing by 29% in 08-09).<sup>34</sup> The report also noted that substance-related incidents had increased by 77% since the introduction of the NTER.<sup>35</sup> One of the findings drawn from the focus groups was that there had been a reduction in humbergging, domestic violence, addictive behaviours and gambling. However, these findings do not seem consistent with the trends in alcohol-related incidents discussed above, nor with substantial increases in domestic violence reporting (up 42% from 2007-08 to 2008-09). It is unclear to what extent an increased police presence and alcohol-bans in communities have affected these results, but, without further information, it seems difficult to support the conclusion that income management has resulted in a reduction of alcohol use or violence in communities.

The evidence on community views of compulsory income management is also mixed, as is clear from the CLC report, referred to above. The Government's report on its Emergency Response Redesign Consultations reported a number of 'key themes' from the community consultations, including that:

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<sup>32</sup> See Australian Government, Future Directions for the Northern Territory Emergency Response Discussion Paper, 2009 at 10 (which refers to the CLC submission to the NTER Review) and Australian Government, Policy Statement at 3.

<sup>33</sup> AIHW report at v.

<sup>34</sup> Australian Government, Department of Families, Housing, Community Services and Indigenous Affairs, *Closing the Gap in the Northern Territory: January 2009-June 2009 Whole of Government Monitoring Report*, Part Two, Progress by Measure at 34.

<sup>35</sup> *Ibid* at 34.

'children, the elderly and women were now feeling safer, better fed and clothed, they were getting a better night's sleep, and there was less humbugging for money for alcohol, drugs and gambling. This was attributed to the combined effects of various NTER measures, in particular income management...'<sup>36</sup>

It found that women commented most frequently on the positive benefits of income management, but that men also commented frequently on these benefits, though many said that the NTER had 'shamed many caring and responsible men'.<sup>37</sup> It also noted that community leaders and stakeholder organisation representatives highlighted the embarrassment caused by the introduction of income management, particularly the Basics Card.<sup>38</sup>

The report indicates that views on whether income management should continue were not expressed at every meeting but, where the issue was discussed, 'the majority of comments said that income management should continue'. However, as the report notes, this cannot be taken to indicate majority support for the continuation of the current compulsory income management model. Indeed, the report notes that there was a divergence of views about future options, '*with discussion ranging beyond the two options outlined in the Discussion Paper*'.<sup>39</sup> It notes that, compared to the option of continuing the current model, there was a slight overall preference among some groups for an exemption model and that 'there were also many calls for income management to be applied only on a voluntary basis'.<sup>40</sup> It is not clear what proportion of respondents in these groups expressed this view, or supported other models not canvassed by the Government consultation paper. In other groups, the report states, there was a 'strong and consistent view in support of voluntary and trigger-based models ... in preference to either of the Government's proposed options'.<sup>41</sup> Importantly, the report also found that participants expressed a **strong preference** that '**communities themselves** should actively be involved in making decisions about income management'.<sup>42</sup> All of this evidence suggests that the consultation feedback **cannot** be taken to show majority support for the model proposed: compulsory income management applied by Government (without community input or control) across broad categories of income support recipients.

In addition to evidence on the NTER, evidence available from other Australian income management trials and restricted-use payments overseas also point to mixed results.

The US has a long history of offering restricted-use payments, most notably the Supplemental Nutrition Assistance Program (SNAP, or 'Food stamps'). Unlike the proposed income management scheme, restricted-use payments in the US generally supplement existing benefits and are either entitlements or broadly targeted.

'Food stamps' were first introduced in the US in the late 1930s to assist low income families and people to purchase food. The payment must be used to buy foods to be

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<sup>36</sup> Australian Government, *Report on the Northern Territory Emergency Response Redesign Consultations* at 8.

<sup>37</sup> *Ibid* at 8.

<sup>38</sup> *Ibid* at 8.

<sup>39</sup> *Ibid* at 9.

<sup>40</sup> *Ibid* at 9.

<sup>41</sup> *Ibid* at 9.

<sup>42</sup> *Ibid* at 9.

primarily cooked at home, and cannot be used in restaurants, for some prepared meals or for alcohol, cigarettes or clothes. The program supplements social security payments to low-income individuals and families, which are paid at very low levels. They therefore perform an essential role in alleviating poverty. 'Food stamps' operate in a very different social policy context, characterised by low base payment levels, fewer recipients of cash assistance and no history of a robust social safety net. The majority of food stamp program participants are not on 'welfare' payments (Temporary Assistance for Needy Families) and the measure is therefore more broadly targeted than the proposed Australian scheme.

The food stamp program, like all restricted-use payment programs, is expensive to administer. It is estimated that program administration consumes about one-sixth of the total program costs.

While previously paid as stamps or coupons, electronic debit cards have now been introduced. Although the electronic debit card ensures greater anonymity, this has not addressed all of the issues of stigma and perception associated with the scheme. In addition, use of the card constrains consumer choice as retailers have to be licensed and install the infrastructure to participate in the scheme. The stigma associated with use of food stamps means that the scheme is under-utilised. Many recipients experience negative treatment by retailers and suffer embarrassment as a result.

There are a number of other overseas models and Australian policy trials which are directed to achieve one or a number of the objectives of the proposed compulsory income management scheme. These include the conditional welfare models in the US and South America which tie social security payments to educational or health requirements (for example, school enrolment or immunisation) and, in Australia, the Halls Creek trials, the School Enrolment and Attendance Measure (SEAM) and the child protection trial.

Under the Government's proposed scheme parents with school-aged children must provide proof of enrolment and attendance in order to seek an exemption from compulsory income management. Existing social security reform trials designed to improve enrolment and attendance have produced mixed results. The Halls Creek *Engaging Families* trial involved 30 income support recipients, and encouraged parents to participate in employment related activities with parents agreeing to send their children to school. It did not result in any increase in school attendance rates. Although there were no threats of sanctions, the findings of the trial nonetheless point to some of the causes of low attendance and the limited capacity of parents to change attendance patterns. These findings were that:

- Variations in the quality of teachers and schools impact negatively on attendance rates. The school must be an attractive option for children and they must want to be in the classroom with their teacher;
- There was a need to better address bullying at schools to encourage greater attendance;
- The housing situation (poor quality and overcrowded) in Halls Creek was unlikely to provide an environment in which families could be 'work and school ready'; and

- Many parents felt quite powerless about getting their children to attend school, especially those children aged 12 years and upwards, suggesting the need for additional parenting services.<sup>43</sup>

In the 1980s and 1990s an increasing number of United States state governments introduced schemes requiring school attendance as a condition of welfare cash assistance. A 2005 study of seven US welfare school-attendance programs that made use of financial sanctions found that 'sanction-only' programs had a negligible effect on school attendance.<sup>44</sup> Those which combined sanctions with individual case management also saw no positive increase in the attendance rates.<sup>45</sup> Only programs which combined sanctions, case management, support services and financial incentives for attendance or graduation saw limited but positive results, with case management seen as the critical variable.<sup>46</sup> Even in these cases, the reported gains were in enrolment rates, rather than longer term improved attendance patterns or other indexes of wellbeing. The critical finding of this study was that 'case management services are critical to the ability of welfare school-attendance programs to achieve their objectives' with most evaluations crediting improvements in attendance to 'the ability of case managers to convey information about support services and potential bonuses or to provide those services directly'.<sup>47</sup>

Overseas experience offers a number of lessons about the effectiveness of different approaches to improving school enrolment and attendance levels:

- sanctions (for example, threat of payment suspension) have had limited success and only where accompanied by case management, support services and financial incentives, with case management not sanctions the critical variable<sup>48</sup>;
- parental lack of motivation is not the major factor in non-compliance with conditions – this is related instead to a lack of capacity, attributable to the complex range of social issues disadvantaged parents may experience;
- geographic location is a better predictor of attendance than welfare status;
- illness rather than truancy is the major cause of school non-attendance; and
- incentive schemes are more effective than sanctions-only schemes, but both can be undermined by the lack of supply to meet any increase in demand.

***No evidence to support the targeting of income management to the specified categories of recipients***

The targeting of compulsory income management to long-term income support recipients is based on, and perpetuates, a clichéd and discriminatory view of this group. It creates a perception that long-term recipients are unable or unwilling to manage their very limited finances. It is also likely to indirectly discriminate against Indigenous Australians, who will be disproportionately affected by the scheme due to the high levels

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43 Department of Employment and Workplace Relations, 'Halls Creek Engaging Families Trial February – July 2006 Evaluation Report', September 2006.

44 David Campbell and Joan Wright, 'Rethinking Welfare School Attendance Policies', *Social Service Review*, Vol. 79(1), March 2005.

45 Ibid.

46 Ibid.

47 Ibid at 5.

48 Larissa Behrendt and Ruth McCausland, 'Welfare payments and school attendance: An analysis of experimental policy in Indigenous education', An Issues Paper for the Australian Education Union, Jumbunna Indigenous House of Learning, University of Technology, Sydney, August 2008 at 9.

of poverty in Indigenous communities and the higher rate of long-term unemployment among the Indigenous population.

The choice of payments and payment duration under the proposed scheme is arbitrary. The *Welfare Reform Bill* Explanatory Memorandum states that the groups to be affected by new income management measures 'have been chosen based on their need for support due to their high risk of social isolation and disengagement, poor financial literacy, and participation in risky behaviours.'<sup>49</sup> No evidence is presented to support this statement, nor any analysis of the complex causes of social isolation, disengagement, poor financial literacy or risky behaviours. Deep social exclusion may be associated with receipt of these payments but that tells us nothing about cause and effect.

Most long term unemployed people lack work for reasons such as a disability or age discrimination, chronic health problems, inadequate skills or because they live in an area where there are few low skilled jobs and limited employment assistance. A 2006 Job Network Services Survey of highly disadvantaged and long-term unemployed recipients found that the most common barriers to employment reported were age, poor health or disability, lack of jobs in the local area and not having access to transport.<sup>50</sup> Any one of these factors could lead to long-term unemployment. Effective solutions must address the specific barrier faced by the individual, for example, through improved employment services, local job creation and measures to address employer discrimination. The proposed scheme, in its broad application, will further stigmatise long-term unemployed people. This is particularly an issue for mature age recipients of Newstart who, once out of the labour market, face clear barriers to re-entry due to age-discrimination.

A minority of social security recipients experience multiple barriers to work (38% of respondents to the 2006 Job Network Services Survey reported that they faced two or more barriers)<sup>51</sup> and a small group have complex social problems, for example, alcohol or other substance addiction or family dysfunction. Different approaches are needed for these individuals and communities. However those with more complex problems cannot be identified by payment status or geographic area alone.

## **The likely effects of the proposed national scheme**

The vast majority of income support recipients budget effectively with the inadequate payments they receive (\$228 per week for Newstart recipients). Requiring many recipients to use a card to spend half of their Social Security payments is demeaning. It would also make it harder to budget to pay bills and other expenses using the very limited discretionary funds available.

### *Practical problems and administrative burden*

Compulsory income management has given rise to a range of practical and administrative problems for affected individuals in the Northern Territory. It requires

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<sup>49</sup> Explanatory Memorandum, *Welfare Reform Bill*, page 11.

<sup>50</sup> Cited in DEEWR, *The APM Evaluation: July 2003 to June 2006*, Evaluation and Program Performance Branch Research and Evaluation Group, November 2007 at 113.

<sup>51</sup> Ibid.

recipients to have frequent contact with Centrelink, often in person; constrains choices; and causes inconvenience and embarrassment.

Compulsory income management imposes a high compliance burden and cost on individuals. Income support recipients are required to meet with Centrelink when their income becomes managed to discuss their priority needs and expenses with staff, set up automatic deductions and organise an allocation of funds to the Basics Card. When circumstances change, for example, when recipients earn income from casual work or receive a quarterly bill, a recipient has to make contact with Centrelink again to change their allocations accordingly. This causes great inconvenience for recipients, who will either have to phone or visit a Centrelink office. Reports from the NT suggest that individuals are incurring considerable transport and phone costs in meeting these requirements. The costs of increased service demand on Centrelink staff are also very high.

Probably the most significant effect of income management in the NT has been the constraint on consumer choice and the inconvenience and additional costs incurred on individuals as a result.

While the effects on consumer choice may be minimal in remote communities with one or few retailers, this is not the case in the larger town centres. In Alice Springs, for example, where there is a range of large, medium and small retailers around town, residents of prescribed communities are now only able to shop at a limited range of designated retailers. In the main, these are large retail and department store chains like Coles, Woolworths and Kmart. This has meant individuals having to travel, often some distance, to access a Basics Card retailer (often incurring significant transport costs). It means that individuals may be unable to shop at a store which is better located, offers better quality produce or a different range of goods, caters for special dietary requirements or is more affordable than the designated Basics Card retailers. In addition, some outlets are licensed to sell only one product to Basics Card customers.<sup>52</sup> For example, roadhouses are mostly licensed only to sell fuel. Lack of awareness of this restriction has further compounded stigma and embarrassment, with Basics Card customers refused service when they have sought to buy priority needs from these outlets. In one case that ACOSS is aware of, an Aboriginal woman was unable to purchase a bottle of water from a road house because of this restriction.

If compulsory income management, and the Basics Card system, is extended across the country, it would have significant negative effects on consumer choice and competition between retailers. For some income support recipients, it will make it very difficult to access special foods needed for dietary, cultural or religious reasons. This would have a disproportionately negative effect on income support recipients with health conditions and on migrants and refugees with cultural or religious dietary requirements or practices. The scheme would also impede community based initiatives and social enterprises which improve access to cheaper and healthier foods.

Problems with the Basics Card will be faced by all income managed recipients unless substantial improvements are made to the system. One of the most frequently cited issues is the inability to check the balance of the Basics Card either at point of sale or at conveniently located ATMs in shopping areas. This has resulted in nearly a fifth of

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<sup>52</sup> Senate Select Committee Second Report at 120.

Basics Card transactions being unsuccessful, mainly due to insufficient funds on the card.<sup>53</sup> Affected individuals have experienced significant shame and humiliation when forced to return goods to shelves after having their transaction rejected. It has also caused considerable frustration among other shoppers due to the delays involved, leading to the creation of separate queues for Basics Card shoppers in some retailers. This is stigmatising and humiliating.

The extension of compulsory income management will require the extension of the Basics Card and related infrastructure across the country. The Government has also indicated that it plans to install Basics Card 'kiosks' in select locations in the NT to enable people to check their account balance. While these developments will allow greater mobility and reduce some of the problems with the Card, this comes at great expense. The proposed infrastructure also does not ensure access for people with disabilities or people from Culturally and Linguistically Diverse backgrounds.

One of the other likely effects of the measure will be that recipients in declared areas will seek to move out of the area, possibly to places where living costs are higher, to escape the scheme. This could cause social and educational dislocation and undermine community support and service delivery networks.

*Likely effects on long term Parenting Payment, Youth Allowance and Newstart Allowance recipients and on 'vulnerable' clients*

ACOSS is concerned that compulsory income management will reduce people's capacity to manage finances by limiting individual control over how payments are spent. This is of particular concern for affected youth payment recipients, for whom the development of early budgeting skills is vital to set a life-long pattern of financial management. Limiting this capacity by managing income just as young people acquire some level of financial independence does not teach or encourage responsible budgeting.

There are also real risks that income support recipients who are experiencing domestic violence or other forms of abuse are going to be less likely to notify Centrelink due to the threat of compulsory income management. Under the proposed scheme, income support recipients identified as 'vulnerable' can be referred for compulsory income management by a delegate of the Secretary (in practice, Centrelink social workers). The Explanatory Memorandum states that people may be assessed as being in this category for reasons including 'vulnerability to financial crisis, domestic violence or economic abuse.'<sup>54</sup> ACOSS is very concerned that the role of social workers under the proposed scheme is likely to undermine relationships of trust with clients and reduce the likelihood that individuals will report abuse or personal crisis to social workers. Limiting access to funds could also make it more difficult for some women to escape domestic violence, which was one of the main reasons cash income support was extended to sole parents in the first place in the 1970s.

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<sup>53</sup> *Closing the Gap in the Northern Territory*, Part Two reports that 17% of the 1,709,415 Basics Card transactions to 26 June 2009, 17% were unsuccessful (at pg 57).

<sup>54</sup> Explanatory Memorandum, *Welfare Reform Bill* at 13.

*Income management is expensive and diverts resources from effective programs*

Restricted-use payment schemes, like income management, are much more expensive to administer than cash payments. This is because of the need for electronic payment systems, store licensing schemes and significantly increased client contact with Government agencies administering the scheme.

The Government has committed \$352 million over the next 4 years to roll-out the new income management scheme in the Northern Territory and estimates that it will affect 20,000 people.<sup>55</sup> On average, this represents \$17,600 per person over 4 years or \$4400 per person per annum, one third of the single rate of Newstart Allowance. The Financial Impact Statement in the Explanatory Memorandum indicates that total resourcing for income management over 5 years (nationally), across all portfolios is \$402 million.<sup>56</sup> ACOSS believes these resources would be better spent on improving the adequacy of income support payments and funding appropriate and effective services for struggling individuals and families.

There is no detailed break-down of allocated future funding into service and Basics Card system costs in the EM or the Additional Portfolio Budget Estimates. The Basics Card system operating in the NT and in other income management trial sites cost a total of \$17.2 million over the 2008-09 and 2009-10 financial years.<sup>57</sup> By August 2009, 18,000 people had been issued Basics Card.<sup>58</sup> This represents a cost per person of nearly \$1000. Given the limited scope of the existing trials, the costs of the national extension of this infrastructure are likely to be high. It is not clear whether these costs are included in the \$402 million allocated to the national roll-out.

Information obtained during Budget Estimates shows that in 2009-10, \$88.3 million was spent on income management in the Northern Territory. Of this amount, it would appear that:

- 81% went to Centrelink service delivery ('NTER Income management' and 'Sustainable Service Delivery'); and
- 19% on the Basics Card and Replacement Card Project.<sup>59</sup>

This suggests that a voluntary income management scheme, which would affect far fewer people and therefore significantly reduce service delivery costs, would be a more cost-effective scheme. However, more detailed funding information is needed to enable a full comparative cost assessment. In particular, more information on the costs of the Basics Card infrastructure are needed to enable an assessment of whether the card is cost-effective and should form part of voluntary income management schemes.

The costs of compulsory income management are high. ACOSS believes that the significant establishment and ongoing operational costs of would be better targeted if used to support programs designed to deal directly with the social problems identified by

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<sup>55</sup> Note that part of this cost may be the extra cost of Centrelink regularly serving remote communities.

<sup>56</sup> Explanatory Memorandum, *Welfare Reform Bill*, 'Outline'.

<sup>57</sup> Mr Olson, Senate Estimates Hearings, Community Affairs Committee, Friday 23 October 2009 at CA67. This excludes funding for the card replacement program (\$5.6 million).

<sup>58</sup> Department of Human Services, *Better Dealings with Government: Innovation in Payments and Information Services*, September 2009 at 19.

<sup>59</sup> Community Affairs Legislation Committee, Answers to Questions on Notice, Budget Estimates – 5 June 2009, Human Services Portfolio.

the Government including financial counseling, family support services and alcohol and other drug services

## **An alternative approach**

ACOSS advocates an alternative approach to reduce poverty, social exclusion and deprivation.

### *Adequate social security payments*

Research by ACOSS indicates that unemployed people and sole parents face a much higher risk of financial hardship than most other groups in the community. For example, our research shows that 57% of Parenting Payment recipients and 28% of Newstart Allowance recipients could not afford to pay utility bills on time compared with 12% of all Australians. Over 40% of both groups could not afford dental treatment when needed.<sup>60</sup>

A major reason for this is the very low level of social security allowance payments for unemployed people. The base rate of Newstart Allowance for unemployed adults is just \$228 per week. This has not increased in real terms since the early 1990s. The payment for unemployed young people living independently is \$186 per week. These amounts are \$108 and \$150 less than pension rates, respectively. The gap between pension and allowance payments widened substantially when the \$32 increase granted to pensioners in the 2009 Budget was not extended to recipients of social security allowance payments, or to sole parents on Parenting Payment Single (which was previously paid at pension rates).

ACOSS advocates for a substantial increase to Allowance payments, including Newstart.

### *Better employment assistance to reduce long term reliance on payments*

The new Job Services Australia (JSA) employment services system significantly improves on the previous Job Network arrangements. Instead of prescribing a fixed sequence of employment assistance for all, it gives providers more flexibility to respond to individual needs. However, the major weakness of the new system is that after 12 months of unemployment, most people will be offered a very low level of assistance because the 'work experience' phase of the new system is under-resourced. Each unemployed person entering work experience attracts just \$500 in Employment Pathway Funds to purchase work experience, together with funding for an interview every two months. This will not be adequate to overcome their barriers to work, especially in the present environment. We propose that fees for the 'work experience phase' be increased as a first step to rectifying this problem.

The Government has invested substantially in vocational training for unemployed people through the Productivity Places Program. This training should now be better adapted to disadvantaged job seekers, who need a higher level of practical and personal support to sustain their training and often benefit from training that is delivered outside standard classroom settings. We propose an enhancement of funding for Productivity Places for disadvantaged job seekers (those in Streams 2 to 4 of the JSA) and that a condition of this funding be that the training organisations and JSA providers jointly identify the additional training needs of these job seekers.

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<sup>60</sup> ACOSS 2008, *Missing out, hardship in Australia*, ACOSS Info Paper – see [www.acoss.org.au](http://www.acoss.org.au).

Another kind of labour market assistance that can significantly improve job prospects at a time when jobs are scarce for long term unemployed people is a period of paid work experience in regular employment. This can help improve confidence on the job skills and networks that will assist with job search. The most effective paid work experience programs are carefully targeted towards long term unemployed people; and designed to transition them into mainstream employment and keep them engaged in job search rather than simply providing temporary work. International examples include 'transitional jobs' schemes in the UK and US; the former Supported Work Demonstration Program in the US; and the Danish work training scheme that combines paid work experience and training.

ACOSS proposes that the resources provided to employment service providers in the new employment services system to assist long term unemployed people in the Work Experience phase should be enhanced; a paid work experience program that provides temporary paid employment in regular jobs should be established as an option for employment service providers to refer suitable long term unemployed people during the work experience phase of employment assistance; and that the Government should adapt the Productivity Places program to the needs of disadvantaged job seekers.<sup>61</sup>

### *Support services and case management for deeply disadvantaged people*

The minority of income support recipients who are deeply disadvantaged need additional support to address barriers to work and deal with personal and family crisis. Data from the most recent ACOSS Community Sector Survey (forthcoming) shows that financial and material support services and advice and personal social services were identified as having the very high levels of unmet need. Of these, financial and material support services are turning away more than 50% of those who seek assistance. Given the high level of need for community services, particularly those which assist people to manage their finances, the level of expenditure on a national compulsory income management scheme which does not build individual capacity is a diversion of valuable resources.

As the international evidence discussed above shows, case management is the key variable in determining the success or failure of social security reform models from overseas. It would also appear to be the key factor in achieving improvements in school attendance and other social outcomes in the Cape York trials. The latest quarterly report of the Family Responsibilities Commission (FRC) shows that Conditional Income Management orders accounted for 17.7% of orders made by the Commission.<sup>62</sup> These orders are made only when a client fails to attend two scheduled conferences, is not complying with case plan requirements and/or is continuing to receive additional notifications.<sup>63</sup> It would appear that case conferencing and management, increased engagement by schools and other agencies and more coordinated service delivery are the key factors influencing positive outcomes by the FRC where these have been achieved. No additional funding has been allocated to case management and support services under the proposed new national scheme. Further, the role of Centrelink social workers in providing support for vulnerable income support recipients is compromised by their role in recommending a person for compulsory income management. As such it is

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<sup>61</sup> See ACOSS Budget Priorities Statement, 2010-11.

<sup>62</sup> Family Responsibilities Commission, Quarterly Report No. 5., July-September 2009 accessed at <http://www.atsip.qld.gov.au/government/families-responsibilities-commission/documents/frc-quarterly-report-5.pdf> on 21 January 2010.

<sup>63</sup> Ibid at 13.

imperative that tailored case management services are delivered independently of Centrelink, preferably by experienced non-government agencies.

ACOSS calls for substantially increased funding to increase investment in the support services needed by disadvantaged Australians to build individual capacity to manage finances, deal with personal and family crises and address barriers to work. The funds allocated to the extended compulsory income management scheme (\$352 million in the Northern Territory or \$17,600 per person over 4 years) should be re-directed to this purpose.

### *Voluntary income management to supplement other services and supports*

While ACOSS opposes compulsory income management, we support voluntary income management and other budgeting tools (like Centrepay and weekly payment options) which can be opted into, either on an individual or community basis.

Voluntary income management can play a useful role in helping people to manage their finances where this is chosen by the individual and supplements other services and supports. The key difference between compulsory and voluntary income management is that voluntary models respect individuals' capacity to make their own financial decisions and preserve individual autonomy. Consistent with this, voluntary income management models should allow individuals to determine the percentage of payment they wish to be managed and for how long, within reasonable limits (we suggest a minimum of 30% of income, compared to 70% under the proposed scheme). It should also enable them to opt out when they choose, again within reasonable parameters.<sup>64</sup> Clients wishing to use existing Centrepay arrangements without quarantining a percentage of income or using the Basics Card should also continue to be entitled to do so.

The role of the Basics Card in voluntary income management arrangements should be carefully considered, informed by an analysis of costs, benefits and alternatives. ACOSS is concerned that the Basics Card infrastructure is expensive and inefficient and that the current system causes inconvenience for affected individuals and generates stigma and embarrassment. Some of these effects may be experienced under voluntary as well as compulsory arrangements.

ACOSS recommends that the compulsory income management provisions of the *Welfare Reform Bill* be withdrawn. Instead, transitional arrangements should be legislated under which compulsory income management is rolled back in prescribed communities. The measures could work in a similar way to the proposed transitional provisions, which allow 12 months for people to transition to the new scheme or exit income management. The transitional period should allow time for affected communities to consult with community members about the future of income management in their community. Appropriate income management models chosen by communities could then be continued where there is community consent. Where communities decide they do not want compulsory income management to continue in their communities, it should be rolled-back, allowing adequate time for individuals to adjust their financial arrangements.

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<sup>64</sup> Under the *Welfare Reform bill* a person is not able to terminate their voluntary income management arrangement unless it has been in place for at least 13 weeks. This seems to be a reasonable length of time. The rationale provided for this measure is that 'it is inefficient to service people for a very short duration'.<sup>64</sup>

The Government's Policy Statement on Welfare Reform states that the Government will separately (outside the context of the current bills) 'support the development of a community-based approach to re-establishing social norms', referring to the Cape York welfare reform trial. The statement is clear that communities must request such a model to be implemented - it will not be imposed by Government. ACOSS supports the right of communities to self-determine, after appropriate consultation, community approaches to complex social issues. However, it is unclear how such a model would interact with the national compulsory income management scheme proposed in the *Welfare Reform Bill*. It may be possible that, where a community requests an FRC-type model of income management in their communities *prior* to being declared an affected area under the compulsory income management legislation, this would enable them to avoid any such declaration. Alternatively, it may be that where an area falls within an area that has been declared, the Minister will be able to use her powers under the legislation to declare the population of the community an *exempt* class of persons, or to *excise* a confined area from a larger declared area. Further information is needed as to how the interaction between these models will be managed.

Incentives to encourage financial literacy and saving should not be conditional upon income management. For this reason, the voluntary incentive payment provisions of the bill should not be passed. Rather, the choice to have one's income managed should be made only on the basis of the direct benefit individuals see in the scheme. The matched savings scheme should be de-coupled from compulsory income management and open to all income support recipients who are able to demonstrate a pattern of savings and who participate in a relevant financial or budgeting course.

#### *Alternative mechanisms to improve food security*

One of the Government's stated policy objectives in proposing a national compulsory income management scheme is to increase the amount of healthy food purchased by social security recipients, particularly for their children. ACOSS supports alternative, supportive and capacity-building measures to achieve this objective.

To improve food security in remote Aboriginal communities, we recommend that the Government implement some of the specific recommendations of the House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs inquiry into Remote Aboriginal and Torres Strait community stores. The Committee found that Aboriginal people living in remote communities experienced significantly higher costs of food (some 23% higher than the cost of equivalent goods in Darwin).<sup>65</sup> It recommended the development of an incentive scheme to influence store managers to sell healthy food and the expansion of nutrition education programs to all remote communities, as well as a suite of other measures.

The School Nutrition Program is a breakfast and/or lunch service for school-aged children from remote communities in the NT. It has a number of objectives, including improving nutrition and school attendance and providing job opportunities and training for local community members. Nutrition programs provided in schools by local

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<sup>65</sup> Standing Committee on Aboriginal and Torres Strait Islander Affairs, *Everybody's Business*, November 2009 at para [5.5], citing NT Government survey results.

community members directly increase the access of school children to nutritious foods, while providing an opportunity to educate children about diet and nutrition and creating local employment opportunities. Such schemes have also been successful in the US which has a National School Lunch Program. ACOSS would support the expansion of these schemes to disadvantaged areas, with parents invited to make a contribution to the costs of food provided. Participation by families should not be compulsory.

Other voluntary food security programs should also be considered. For example, voluntary food voucher programs in central Australia had been established prior to the NTER and attracted a large number of participants.

## Recommendations

### *General recommendations*

The following general recommendations are drawn from the *Community Sector Statement on Income Management* (Appendix 3), prepared by ACOSS and endorsed by a range of listed community organisations.

1. Withdraw the provisions of the Bill which would enable income management to be compulsorily applied across designated geographic areas, payment types or categories of recipient, for example, 'vulnerable welfare payment recipient'.
2. Replace the income management provisions in the Bill with a system of income management that people can opt into, on an individual or on a local community basis. The following conditions must apply:
  - a. The system must be non-discriminatory: it must not automatically apply on the basis of race, geographic area or type or duration of payment.
  - b. Legislation should provide that, before a community opts in to an income management scheme a thorough and inclusive consultation process (consistent with the Australian Human Rights Commission guidelines) must be undertaken within that community.
  - c. Adequate Government funding for support services must be provided as a pre-condition to applying income management in a community.
  - d. Individuals in communities which opt into income management should be able to opt out where there are no identified trigger factors present.
  - e. Income management on an individual or community basis should be regularly reviewed in an open and inclusive way, and individual appeal rights (to the Social Security Appeals Tribunal) should be maintained.
3. A national consultation with Indigenous communities, affected individuals, consumer organisations, relevant peak bodies and service providers should be conducted over the legislation, policy design and implementation of the 'opt in' model of income management proposed above.
4. The provisions of the Bill removing exemptions to the *Racial Discrimination Act* and increasing the flexibility of the NTER measures should be legislated.<sup>66</sup>
5. Open and inclusive consultations should be commenced with Northern Territory Indigenous communities affected by the NTER to develop models of community and land management and community resourcing that combine self determination with sustained action to resolve the social crisis being faced in many communities.
6. Detailed, timely, independent and transparent evaluations should be conducted of all income management measures. Existing evaluation reports and materials should be open to public scrutiny, including the full transcripts of consultations in NTER communities.

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<sup>66</sup> This recommendation is subject to recommendation 7, below, which calls for the **full** reinstatement of the RDA and addition of a 'notwithstanding' clause which would expressly state that the provisions of the RDA prevail notwithstanding anything to the contrary in the NTER legislation.

*Additional recommendations on the Welfare Reform and 2009 measures bills*

7. The bills should provide for the **full** reinstatement of the *Racial Discrimination Act* (this means that a 'notwithstanding clause' should be added to the bill which expressly states that the provisions of the RDA prevail notwithstanding anything to the contrary in the NTER legislation);
8. The *Welfare Reform Bill* should provide that individuals who are currently subject to income management under the NTER measure will be transitioned either off the scheme entirely or onto a voluntary individual or community scheme. A separate legislative framework will be required to enable communities who decide they wish to continue to be income managed to do so, under their preferred model.
9. The provisions on individual voluntary income management agreements in the *Welfare Reform Bill* should be amended to provide that an individual can determine the percentage of Category I payments to be deductible (above a reasonable minimum, for example, 30%). The provisions relating to the proposed voluntary income management incentive payment should be withdrawn.
10. The provisions on the matched savings scheme in the *Welfare Reform Bill* should be amended to separate the payment from the income management scheme. Rather, the payment should be available to all income support recipients who demonstrate a pattern of saving and participate in a financial management course.

*An alternative approach: recommendations to reduce poverty and social exclusion*

11. Raise single rates of Newstart Allowance and other Allowance payments substantially;
12. Improve employment assistance for long term unemployed people;
13. Establish paid work experience for long term unemployed people;
14. Adapt the Productivity Places training program to the needs of disadvantaged job seekers;
15. Substantially increase funding to the support services needed by disadvantaged Australians to build individual capacity to manage finances, deal with personal and family crises and address barriers to work, redirecting funds to be allocated to the national compulsory income management scheme;
16. Implement recommendations of the House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs inquiry into Remote Aboriginal and Torres Strait community stores to develop an incentive scheme to influence store managers to sell healthy food and expand nutrition education programs to all remote communities;

17. Expand voluntary school nutrition programs provided by community organisations.

## APPENDIX 1

### Categories of affected payment recipients<sup>67</sup>

Category of affected recipient	Primary payment	Other payments to be quarantined <sup>68</sup>
Disengaged youth: aged 15-24 in receipt of payment for more than 13 of last 26 weeks	Category E: Youth Allowance (Other) Newstart Allowance Parenting Payment (Single) Parenting Payment (Partnered) Special benefit	50% of a person's net payment of the following is withheld: <ul style="list-style-type: none"> <li>- Youth Allowance, Newstart Allowance, Special Benefit or Parenting Payment;</li> <li>- Carer Allowance, Double Orphan Pension, Mobility Allowance, Pensioner Education Supplement, Telephone Allowance, Utilities Allowance (if any);</li> <li>- certain Assistance for Isolated Children payments;</li> <li>- Family Tax Benefit instalments;</li> <li>- ABSTUDY Pensioner Education Supplement;</li> <li>- Northern Territory CDEP transition payment;</li> <li>- Social Security Bereavement payment;</li> <li>- Lump sums of the above (except for Family Tax Benefit).</li> </ul> 100% of a person's net payment of the following is withheld: <ul style="list-style-type: none"> <li>- advance payments;</li> <li>- arrears and lump sum Family Tax Benefit;</li> <li>- Family Assistance bereavement payments;</li> <li>- Baby Bonus;</li> <li>- Maternity Immunisation Allowance.</li> </ul>
Long-term income support recipients: aged 25- aged pension age, in receipt of payment for more than a year in last 2 years	Category E – as above	50% of a person's net payment of the following is withheld: <ul style="list-style-type: none"> <li>- Youth Allowance, Newstart Allowance, Special Benefit or Parenting Payment;</li> <li>- Carer Allowance, Double Orphan Pension, Mobility Allowance, Pensioner</li> </ul>

<sup>67</sup> Table derived from information in the Government bills and by reference to the Welfare Rights document, 'Who will be subject to "income management"?'.

<sup>68</sup> Note that the table lists only the Social Security, Family Assistance and ABSTUDY payments which may be withheld. Payments from the Department of Veteran's Affairs have not been included.

		<p>Education Supplement, Telephone Allowance, Utilities Allowance (if any);</p> <ul style="list-style-type: none"> <li>- certain Assistance for Isolated Children payments;</li> <li>- Family Tax Benefit instalments;</li> <li>- ABSTUDY Pensioner Education Supplement;</li> <li>- Northern Territory CDEP transition payment;</li> <li>- Social Security Bereavement payment;</li> <li>- Lump sums of the above (except for Family Tax Benefit).</li> </ul> <p>100% of a person's net payment of the following is withheld:</p> <ul style="list-style-type: none"> <li>- advance payments;</li> <li>- arrears and lump sum Family Tax Benefit;</li> <li>- Family Assistance bereavement payments;</li> <li>- Baby Bonus;</li> <li>- Maternity Immunisation Allowance.</li> </ul>
<p>Vulnerable income support recipients: assessed by delegate as vulnerable to financial crisis, DV or economic abuse</p>	<p>Category H: Very broad category which includes social security benefit; pension; ABSTUDY allowance; <u>service</u> pension; income support supplement; or Defence Force Income Support Allowance.<sup>69</sup></p>	<p>50% of a person's net payment of the following is withheld:</p> <ul style="list-style-type: none"> <li>- Benefit, Pension or ABSTUDY payment;</li> <li>- Carer Allowance, Double Orphan Pension, Mobility Allowance, Pensioner Education Supplement, Telephone Allowance, Utilities Allowance (if any);</li> <li>- certain Assistance for Isolated Children payments;</li> <li>- Family Tax Benefit instalments;</li> <li>- ABSTUDY Pensioner Education Supplement;</li> <li>- Northern Territory CDEP transition payment;</li> <li>- Social Security Bereavement payment;</li> <li>- Lump sums of the above (except for Family Tax Benefit).</li> </ul> <p>100% of a person's net payment of the following is withheld:</p> <ul style="list-style-type: none"> <li>- advance payments;</li> <li>- arrears and lump sum Family Tax</li> </ul>

<sup>69</sup> Item 36 of the *Welfare Reform bill* inserts section 123UCA which states that for a person to be identified as a vulnerable welfare recipient they must be in receipt of a Category H payment.

		<p>Benefit;</p> <ul style="list-style-type: none"> <li>- Family Assistance bereavement payments;</li> <li>- Baby Bonus;</li> <li>- Maternity Immunisation Allowance.</li> </ul>
Child protection: referred by child protection authorities	Category H – as above. <sup>70</sup>	<p>70% of a person's net payment of the following is withheld (although up to 100% may be withheld as determined by the Minister):</p> <ul style="list-style-type: none"> <li>- benefit, pension or ABSTUDY payment;</li> <li>- Carer Allowance, Double Orphan Pension, Mobility Allowance, Pensioner Education Supplement, Telephone Allowance, Utilities Allowance (if any);</li> <li>- certain Assistance for Isolated Children payments;</li> <li>- Family Tax Benefit instalments;</li> <li>- ABSTUDY Pensioner Education Supplement;</li> <li>- Northern Territory CDEP transition payment;</li> <li>- Social Security Bereavement payment;</li> <li>- Family Assistance bereavement payments;</li> <li>- Maternity Immunisation Allowance;</li> <li>- Advance payments;</li> </ul> <p>100% of a person's net payment of the following is withheld:</p> <ul style="list-style-type: none"> <li>- lump sum and arrears payments of the above.</li> <li>- Baby Bonus</li> </ul>
Voluntary		<p>70% of a person's net payment of the following is withheld (although another percentage may be withheld as determined by the Minister):</p> <ul style="list-style-type: none"> <li>- benefit, pension or ABSTUDY payment;</li> <li>- Carer Allowance, Double Orphan Pension, Mobility Allowance, Pensioner Education Supplement, Telephone Allowance, Utilities Allowance (if any);</li> <li>- certain Assistance for Isolated Children payments;</li> </ul>

<sup>70</sup> This is contained in the existing section 123UC of the *Social Security (Administration) Act 1999*.

		<ul style="list-style-type: none"> <li>- Family Tax Benefit instalments;</li> <li>- ABSTUDY Pensioner Education Supplement;</li> <li>- Northern Territory CDEP transition payment;</li> <li>- Social Security Bereavement payment;</li> <li>- Family Assistance bereavement payments;</li> <li>- Maternity Immunisation Allowance;</li> <li>- Advance payments.</li> </ul> <p>100% of a person's net payment of the following is withheld:</p> <ul style="list-style-type: none"> <li>- lump sum and arrears payments of the above.</li> <li>- Baby Bonus</li> </ul>
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## APPENDIX 2

### ***Social Security (Administration) Act 1999 (Cth)***

#### **123TH Priority needs**

- (1) For the purposes of this Part, a person's ***priority needs*** are as follows:
- (a) food;
  - (b) non-alcoholic beverages;
  - (c) clothing;
  - (d) footwear;
  - (e) basic personal hygiene items;
  - (f) basic household items;
  - (g) housing, including:
    - (i) rent; and
    - (ii) home loan repayments; and
    - (iii) repairs; and
    - (iv) maintenance;
  - (h) household utilities, including:
    - (i) electricity; and
    - (ii) gas; and
    - (iii) water; and
    - (iv) sewerage; and
    - (v) garbage collection; and
    - (vi) fixed-line telephone;
  - (i) rates and land tax;
  - (j) health, including:
    - (i) medical, nursing, dental or other health services; and
    - (ii) pharmacy items; and
    - (iii) the supply, alteration or repair of artificial teeth; and
    - (iv) the supply, alteration or repair of an artificial limb (or part of a limb), artificial eye or hearing aid; and
    - (v) the supply, alteration or repair of a medical or surgical appliance; and
    - (vi) the testing of eyes; and
    - (vii) the prescribing of spectacles or contact lenses; and
    - (viii) the supply of spectacles or contact lenses; and
    - (ix) the management of a disability;
  - (k) child care and development;
  - (l) education and training;
  - (m) items required for the purposes of the person's employment, including:
    - (i) a uniform or other occupational clothing; and
    - (ii) protective footwear; and
    - (iii) tools of trade;
  - (n) funerals;
  - (o) public transport services, where the services are used wholly or partly for purposes in connection with any of the above needs;
  - (p) the acquisition, repair, maintenance or operation of:
    - (i) a motor vehicle; or

- (ii) a motor cycle; or
  - (iii) a bicycle;
- that is used wholly or partly for purposes in connection with any of the above needs;
- (q) any thing specified in a legislative instrument made by the Minister for the purposes of this paragraph.
- (2) For the purposes of this Part, excluded goods or excluded services are not **priority needs**.

### **123TI Excluded goods and excluded services**

#### *Excluded goods*

- (1) Each of the following goods are **excluded goods** for the purposes of this Part:
- (a) alcoholic beverages;
  - (b) tobacco products;
  - (c) pornographic material;
  - (d) goods specified in a legislative instrument made by the Minister for the purposes of this paragraph.

#### *Excluded services*

- (2) Each of the following services is an **excluded service** for the purposes of this Part:
- (a) gambling;
  - (b) a service specified in a legislative instrument made by the Minister for the purposes of this paragraph.