



Community Sector Statement on Income Management

As community organisations working to reduce poverty and social disadvantage, we call on the Government to withdraw the compulsory income management provisions of the *Welfare Reform and Reinstatement of Racial Discrimination Act Bill 2009* ('the Bill').

We support non discriminatory policies to help people manage their finances where this is necessary. However, any such policies must respect the rights and dignity of all income support recipients.

Our experience over many decades across Australian communities is that working with people to build the skills and expertise necessary to manage their finances and relationships well is the key to long term transformation in the lives of those most disadvantaged. Quick fixes don't work. There is no evidence to suggest that micro managing people's incomes empowers them or helps them to develop the necessary skills.

We welcome the reinstatement of the *Racial Discrimination Act* in the Northern Territory albeit in twelve months time. However the Bill represents little change in policy towards Indigenous Australians in prescribed communities in the Northern Territory. Further, the extension of income management will indirectly discriminate against Indigenous Australians in disadvantaged areas across the country, who are likely to be disproportionately affected by the policy.

The proposed changes will also discriminate against income support recipients across the country on the basis of income source, duration of income support and geography. Income managed individuals will have to use a card to purchase groceries and other essentials. This card reveals an individual's income source to retailers and others and is likely to cause shame and discrimination, as it has to affected recipients in the Northern Territory.

The extension of income management to all long-term Newstart Allowance and Parenting Payment recipients in targeted disadvantaged communities takes Social Security policy backwards. It returns us to a time when unemployed Australians had to rely on rations (the 'susso'), distributed at police stations, often in return for work. The system caused much hardship and shame and led to a realisation that this approach was unsupportable. A national consensus emerged that unemployed people were entitled as citizens to adequate Social Security payments as long as they were taking reasonable steps to find work.



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We welcome other elements of the Bill that introduce more flexibility and community consultation into the administration of the Northern Territory Emergency Response (NTER) including in relation to the alcohol and pornography bans.

Based on a preliminary assessment of the Bill we have four key concerns:

1. Denial of people's ability to manage their own finances

The vast majority of income support recipients budget effectively with the inadequate payments they receive. 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 limited discretionary funds available under income management

The proposal to impose compulsory income management on recipients deemed to be 'vulnerable' seems intended to affect victims of domestic violence and other individuals who may be subject to financial exploitation. However, the compulsory nature of the measure is likely to put individuals at risk by making them more reluctant to declare problems to Centrelink and welfare agencies and therefore increasing their ongoing vulnerability.

2. The lack of a national consultation or transparent review of the system

When the Northern Territory Emergency Response (NTER) was announced many people were shocked that such drastic measures could be taken without any serious effort to consult with and engage the communities affected. We do not believe this is an appropriate or effective way to develop policies that work to achieve lasting change.

The new Government has consulted with Aboriginal communities in the Northern Territory but without offering them the option to remove income management or make it voluntary. It is clear that opinion on the ground about the NTER is still divided. 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 *Racial Discrimination Act*.

We are concerned that measures which may suit a few will be imposed on the many, without broader consultation. In extending income management nationally, there has been no broad consultation 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.

A diversity of policy approaches is needed to meet the needs of different communities. Place based approaches to social disadvantage, including different ways of delivering Social Security payments, will only work where the local community can contribute to



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identifying priorities for reform, be involved in development of measures and support implementation of these measures.

3. The lack of an evidence base for the policy

The proposed changes lack an evidence base.

The evidence that is available on income management in the Northern Territory is limited, of questionable quality and shows very mixed results. While the Government has cited evidence of increased sales in fresh fruit and vegetables in income managed communities, there is little quantitative data available on purchasing patterns or changes in health and wellbeing.

The evidence that is available is mixed, for example, suggesting that sales of cigarettes have remained unchanged, despite being prohibited goods under income management. It is also difficult to isolate the effects of income management from other NTER measures. Evidence from welfare trials overseas and in Australia shows that case management is the key factor in improving outcomes rather than income management, for example in increasing school attendance.

By extending income management to all long-term recipients of certain payments, with limited grounds for exemption, the Government appears to assume that young people, long-term unemployed people and sole parents on income support payments are either unable or unwilling to manage their finances and care for their dependants. This is an unfounded and discriminatory assumption. It is also humiliating for parents to be forced to prove that their children are enrolled in and attending school and that there are 'no indications of financial vulnerability' in order to obtain exemptions from income management. No evidence has been presented to justify these assumptions. Nor has the Government sought to address the inadequacy of income support payments, which is a major cause of poverty and deprivation among these groups.

Most long term unemployed people lack work for reasons such as a disability discrimination, chronic health problems, inadequate skills, age discrimination, or because they live in an area where there are few low skilled jobs and limited employment assistance. A minority of Social Security recipients also have problems with alcohol or other substances or live in families facing multiple challenges. But this last group cannot be identified merely by where they live.

4. A lack of investment in the supports required to overcome disadvantage

Substantial resources are being directed to meet the administrative costs of income management, despite the lack of evidence. The Government has committed \$352 million over 4 years to income management in the Northern Territory and estimates that it will affect 20,000 people. 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. 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.

The single rate of Newstart Allowance is \$228 per week and has not increased in real terms for over 15 years. Anyone living on this payment will struggle to make ends meet, however carefully they budget. Employment services receive just \$500 to assist the average long term unemployed person to overcome barriers to work. Many Indigenous people still live in overcrowded housing. Health and support services in disadvantaged communities are often inadequate.

It is reasonable to expect people to engage with services to overcome economic and social disadvantage, but the services must be available and appropriate. Increasing the Newstart Allowance and other allowances is also a key part of any realistic strategy to reduce poverty, deprivation and exclusion in Australia.

The Bill implies that income management would make a major difference to the lives of disadvantaged people across Australia. The limited evidence from the NTER to date suggests otherwise. The high administrative cost of rolling out income management across the country would be better spent on measures which are clearly supported by evidence.

Recommendations

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.
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.

This joint statement is supported by :

- ANTaR
- Australian Financial Counselling and Credit Reform Association
- Australian Association of Social Workers
- Australian Council of Social Service
- Australian Nursing Federation
- Catholic Social Services Australia
- People with Disability Australia
- Family Relationship Services Australia
- Jobs Australia
- National Council of Single Mothers and their Children
- National Ethnic Disability Alliance
- National Shelter
- St Vincent de Paul
- The Salvation Army – Australia Southern Territory
- UnitingCare