



# Australian Council of Social Service

## Compulsory Income Management: A flawed answer to a complex problem

Policy analysis: Updated September 2014

Income management has operated since 2007 in Australia and has been implemented in a number of different locations and forms. Several evaluations of income management programs have now been conducted and final or interim reports issued. This paper draws on these reports to critically analyse the impacts and effectiveness of income management. The paper finds that compulsory income management, in its broad form, is poor policy because:

- There is no evidence it results in widespread or long-term benefit.
- It is poorly targeted.
- It is not cost-effective.
- It can result in strong negative subjective experiences.
- It can damage financial management skills.
- It can discourage vulnerable people from seeking assistance.
- There are better and more effective alternative approaches.

### What is income management?

Income management works by quarantining a proportion of social security payments - both income support payments such as Newstart Allowance and Family Tax Benefits - which is directed to a special account. The model seeks to limit spending to the purchase of 'essentials'. In practise, the model works by prohibiting funds from being spent on certain designated items, including alcohol, tobacco, gambling and pornography. The proportion of funds that are subject to income controls is generally 50%, but may be up to 70% in some cases (for example, child protection). Generally, 100% of any lump sum payments is quarantined.

### Why income management?

A number of different policy objectives have been linked to income management, not all of these consistent. These objectives have been variously described as:

- to reduce expenditure on alcohol and gambling;
- to ensure funds are directed toward meeting the needs of children;
- to end 'welfare dependency';
- to 'foster individual responsibility'<sup>1</sup>;
- to provide a 'useful tool' to assist people to manage their finances;
- to increase the amount of money spent on priority needs;
- to improve food security;
- to reduce harassment for money; and

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<sup>1</sup> The Hon J Macklin MP (2009), Social security and other legislation amendment (Welfare reform and reinstatement of Racial Discrimination Act) Bill 2009, Second Reading Speech.



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- to improve money management.<sup>2</sup>

Governments have also directly or indirectly linked income management with school attendance in explaining the policy rationale.

## What is a Basics Card?

A proportion of a person's income managed funds will generally go to their Basics Card account. The Basics Card can be used as an EFTPOS card to buy groceries, clothes, health and other items from approved stores using income managed funds. The Basics Card cannot be used to buy prohibited goods or gift vouchers. The card can only be used in approved vendors but can be used through existing EFTPOS facilities once these have been activated. Individuals are not able to withdraw cash using the card.

## What about income managed funds not on the Basics Card?

Participants may request that Centrelink make regular payments from their income management account for expenses such as rent and utilities. Participants may also request Centrelink to make one-off payments to stores. If priority needs have been met, participants may use remaining income managed funds to save for more expensive items, such as whitegoods and motor vehicles, however participants are not able to access any proportion of their income managed funds as cash.

## What are the different models of income management?<sup>3</sup>

### 1. *The 'New Income Management' in the Northern Territory*

The most widespread model is known as 'New Income Management' and applies in the Northern Territory ('NIM'). It is known as *New Income Management* because in 2010 it replaced the less targeted model introduced in 2007 as part of the Northern Territory Emergency Response ('NTER').

Under the NTER, income management applied only to specific Aboriginal communities in the Northern Territory (NT). In contrast, the NIM applies to the following groups throughout the Northern Territory:

- People aged 15 to 24 who have been receiving specified income support payments for three months and people aged 25 years and older who have been receiving payments for more than a year (the 'Parenting/ Participation' measure)<sup>4</sup>;

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<sup>2</sup> The Hon J Macklin, MP and the Hon W Snowdon, MP, (9 June 2010) Media Release, Northern Territory Emergency Response progress.

<sup>3</sup> See generally Department of Families, Housing, Community Services and Indigenous Affairs (2013) materials at <http://www.dss.gov.au/our-responsibilities/families-and-children/programs-services/income-management> and linked pages, accessed on 21 November 2013.

<sup>4</sup> Specified payments include Youth Allowance, Newstart Allowance, Special Benefit, Parenting Payment Partnered or Parenting Payment Single.



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- People who are in financial hardship, experiencing financial exploitation, not undertaking reasonable self-care, homeless and / or at risk of homelessness, as assessed by a Centrelink social worker (the 'Vulnerability Measure');
- Carers of children where a child protection worker has determined that income management would be appropriate in light of the circumstances of the child (the 'Child Protection Measure');
- People who choose to be subject to income management ('Voluntary Income Management'); and
- People referred by the NT Alcohol and Other Drugs Tribunal.

Although these groups are not defined directly according to racial or cultural group, Aboriginal people represent 91% of people of those affected.<sup>5</sup>

Exemptions can be sought only where income management is applied on the Parenting / Participation Measure. Exemption applications are determined in light of the following considerations:

- Where the person has children of compulsory school age:
  - whether the person is financially vulnerable or has been financially vulnerable in the past 12 months
  - whether the person can demonstrate that each child in their care is enrolled in and regularly attending school
- Where the person has children under the compulsory school age:
  - whether the person is financially vulnerable or has been financially vulnerable in the past 12 months
  - whether the person satisfies certain health criteria. Health criteria include:
    - all age appropriate immunisations being complete
    - regular health and developmental checks having been undertaken
    - participation in speech therapy and physical therapy
  - whether the person can demonstrate that their child is engaged in structured, age appropriate, social, learning or physical activities, such as preschool, child care or playgroup
- Where the person does not have children:
  - whether the person is participating in full-time study or an apprenticeship
  - whether the person has been engaged in employment for 15 hours per week for 26 weeks in the past 52 weeks.

Participants are able to receive financial counselling and training and participate in savings incentives programs. Those under the Child Protection Measure may also be eligible for the 'Intensive Family Support Services'.

## 2. *Place based trials*

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<sup>5</sup> Bray J, Gray M, Hand K, Bradbury B, Eastman C and Katz I (2012) Evaluating New Income Management in the Northern Territory: First Evaluation Report, at p xvii.



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Income management trials are currently being conducted in five local government areas identified as 'disadvantaged'. The areas are Playford (SA), Greater Shepparton (Vic), Bankstown (NSW), Rockhampton (Qld) and Logan (Qld).

The Vulnerability Measure, Child Protection Measure and voluntary income management are being used in these locations.

A 'Youth Triggers Vulnerability Measure' is also being used. This measure applies where a person is:

- under 16 years of age and receiving the Special Benefit;
- receiving the unreasonable to live at home independent rate of payment for Youth Allowance, Disability Support Pension, or ABSTUDY; or
- under the age of 25 and receiving a Crisis Payment due to prison release; and
- an exemption does not apply.<sup>6</sup>

### 3. *Western Australian model*

Income management has been implemented in Perth and the Kimberley Region since 2008. This model only involves voluntary income management and the child protection measure.

### 4. *Cape York model*

This model applies in four Aboriginal communities in Cape York. Compulsory income management under this model is imposed in a much more restricted way than under the NIM and the place based trials, with the Families Responsibilities Commission playing a unique role in case management, assessment and referral to income management.

A person may be referred to the Family Responsibilities Commission where they are an income support recipient and:

- a child in the person's care is absent three times in a school term without reasonable excuse or is not enrolled in school without a lawful excuse;
- the person is the subject of a child safety concern or notification report;
- a magistrates court convicts the person of an offence; or
- the person breaches a public housing tenancy agreement.

Referred people are required to attend a conference with the Family Responsibilities Commission and an attempt is made to reach agreement on what action the person will take. The Commission attempts to link referred people with case managers, financial counsellors and counsellors for substance abuse, domestic violence and mental health, where appropriate. As part of this process, the Family Responsibilities Commission may impose compulsory income management. However, in

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<sup>6</sup> Australian Government (2013) Guide to Social Security Law, section 11.4.2.10 Decision-making Principles for Identifying a Vulnerable Welfare Payment Recipient, [http://guidesacts.fahcsia.gov.au/guides\\_acts/ssg/ssguide-11/ssguide-11.4/ssguide-11.4.2/ssguide-11.4.2.10.html#](http://guidesacts.fahcsia.gov.au/guides_acts/ssg/ssguide-11/ssguide-11.4/ssguide-11.4.2/ssguide-11.4.2.10.html#), accessed on 10 December 2013.



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practice, the Commission relies mainly on case management and counselling and only uses income management as a last resort.<sup>7</sup>

Another difference between the Cape York model and the other models is that it was negotiated between the affected communities and the Queensland and Australian Governments.

### ***Comments on targeting of income management***

The Parenting / Participation Measure under the NIM and the Youth Triggers Vulnerability Measure under the place based trials are extremely poorly targeted. This is because the criteria are based on length of time on income support payments (Parenting / Participation Measure) and benefit received (Youth Triggers Vulnerability Measure) rather than inability to manage one's finances. Unemployment and receipt of income support payments are often unrelated to an individual's financial management skills and discipline. Unemployment and receipt of income support payments are often due to:

- poor education and lack of skills;
- jobs being unavailable in the remote communities in which many NIM participants live;
- jobs not being flexible enough to fit with parenting duties;
- unacceptable family arrangements; and
- poor health.

By way of example, a large number of people subject to the Parenting /Participation Measure report that they do not have alcohol, drug or gambling problems and do not have consequent problems managing their money. This is consistent with ABS and other data.<sup>8</sup> While the Aboriginal and Torres Strait Islander population does have higher rates of alcohol and drug problems than the general population, the rates are nowhere near the rate which would be needed to justify the blanket approach of the NIM.

The leading evaluation found:

*'A substantial proportion of people who are subject to Compulsory Income Management appear to be competent in managing their finances, are not subject to financial harassment, and live in families where alcohol, drugs and gambling are not seen as major problems.'*<sup>9</sup>

The poor targeting of the Parenting / Participation Measure is particularly concerning because 77% of participants in the NIM are income managed under this measure.<sup>10</sup>

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<sup>7</sup> Buckmaster, Ey and Klapdor (2012), Income management: an overview, pp 12-14; Department of Families, Housing, Community Services and Indigenous Affairs, Limerick M, Social Policy Research Centre, Colmar Burton Social Research, Reynolds K, Subasic E, Jones B and Putt J (2012) Cape York Welfare Reform Evaluation 2012, p211.

<sup>8</sup> See Bray et al (2012) at p xix.

<sup>9</sup> Bray et al (2012) at p250.



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## *Comments on implementation of income management*

There have been various problems implementing income management. These include practical and logistical issues, problems with the application of exemptions and ways that retailers and individuals are 'getting around the system'. There are also a number of practical problems with the Basics Card, with a limited number of retailers supporting it, balance check difficulties and poor troubleshooting support.<sup>11</sup> Reports also suggest that people can and do 'get around the system', for example, by converting Basics Card credit to cash.<sup>12</sup> In 2011-2012 in the NIM, 34% of Basics Card merchants reviewed were non-compliant e.g. by allowing the purchase of prohibited items and failing to keep receipts to evidence the goods purchased.<sup>13</sup>

There are also problems with the design and implementation of the exemption scheme for the NIM. Proper operation of the exemption scheme is critical given the broad application of the Parenting / Participation Measure and Youth Triggers Vulnerability Measure. Criteria for exemption are not linked to responsible money management.<sup>14</sup> Little assistance and information is available for people making an application for exemption.<sup>15</sup> To date, Centrelink decisions to refuse exemption applications have not addressed all of the legislative criteria and have lacked a sound evidence base<sup>16</sup>, rules have not been applied consistently<sup>17</sup> and there has been a lack of transparency in the decision making process.<sup>18</sup>

## **Evaluating the impacts of income management**

The leading evaluation has found there are no clear and consistent benefits of income management, as applied under the most widespread income management model (the NIM). It has found:

- Taken as a whole there is not strong evidence that the program has had a major impact on outcomes overall;
- A majority of participants reported little change for the range of outcomes examined;
- It has not had an impact on the time people spend on income support;
- The majority of Aboriginal people affected will remain income managed for a significant period of time, with very low exit rates';

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<sup>10</sup> As at 18 October 2013 – see Department of Human Services Administrative Data as at 18 October 2013 as reported in document entitled Income Management Summary – 18 October 2013 provided to the Estimates (Community Affairs Legislation Committee) on 22 November 2013 by the Department of Social Services, at [http://www.aph.gov.au/~media/Estimates/Live/clac\\_ctte/estimates/sup\\_1314/DSS/Additional\\_Info/Tabled\\_doc\\_7.ashx,a](http://www.aph.gov.au/~media/Estimates/Live/clac_ctte/estimates/sup_1314/DSS/Additional_Info/Tabled_doc_7.ashx,a) accessed on 25 November 2013.

<sup>11</sup> See Bray et al (2012) at 265.

<sup>12</sup> Bray et al (2012) at p229.

<sup>13</sup> (110 of 323 reviewed). Australian National Audit Office (2013), p17 [21], p22 [37]

<sup>14</sup> Bray et al (2012), p xviii.

<sup>15</sup> Bray et al (2012), p xviii.

<sup>16</sup> Commonwealth Ombudsman (2012), p1.

<sup>17</sup> Australian National Audit Office (2013), p20 [32].

<sup>18</sup> Australian National Audit Office (2013), p20 [32].



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- Although many individuals report some gains, others report more negative effects; and
- Non-Indigenous people have higher exit rates from income management (around half exiting within a year).<sup>19</sup>

Importantly, the evaluation also found little evidence of widespread behavioural change:

*'There is little evidence to date that income management is resulting in widespread behaviour change, either with respect to building an ability to effectively manage money or in building 'socially responsible behaviour' beyond the direct impact of limiting the amount that can be spent on some items. As such, the early indications are that income management operates more as a control or protective mechanism than as an intervention which increases capabilities.'*<sup>20</sup>

There are significant methodological difficulties in analysing evidence as to the effectiveness of income management.<sup>21</sup> There have been difficulties determining whether improvements are due to income management or other measures.<sup>22</sup> While evaluations of the Cape York model and the Western Australian model have been more positive, these models are extremely targeted.<sup>23</sup> As noted above, the Cape York model only applies compulsory income management through the Family Responsibilities Commission process and as a last resort. The Western Australian model only involves the Child Protection Measure and voluntary income management.

The evaluation of the Western Australian model has been criticised due to its heavy reliance on surveys of people who were income-managed and service providers, which were largely subjective. It is unlikely that parents who are being closely monitored by child protection authorities will express a negative view about the effects of Income Management or other programs on the wellbeing of their children. Unlike the evaluation of New Income Management in the Northern Territory, the Western Australian evaluation did not attempt to systematically measure trends in objective measures of child, family or community well-being.

### **Cost effectiveness**

The development and implementation of income management measures from 2005–06 to 2014–15 will cost the Commonwealth in the range of \$1 billion.<sup>24</sup>

The Government has estimated that the NIM will cost \$6,600 - \$7,900 per person per annum for people in remote areas, \$3,900 - \$4,900 per person per annum in rural areas and \$2,400 - \$2,800 per person per annum in urban areas.<sup>25</sup>

<sup>19</sup> Bray et al (2012) at pp. xvii – xxiv.

<sup>20</sup> Bray et al (2012) at p xix.

<sup>21</sup> See, for example, Mendes P, Waugh J & Flynn C (2013) The Place-based Income Management Trial in Shepparton: A best practice model for evaluation, p19.

<sup>22</sup> See, for example, FAHCSIA et al (2012), at pp38, 50 and 206.

<sup>23</sup> See ORIMA Research (2010) at pp 9 – 18 and FAHCSIA et al (2012) at 34.

<sup>24</sup> Buckmaster, Ey & Klapdor (2012), Income management: an overview, p34.



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The most concerning figures relate to the place based trials. At 18 October 2013 there were 1,915 participants.<sup>26</sup> The allocation for 2013 – 2014 is \$25.7 million.<sup>27</sup> Based on these figures, the place based trials are costing about \$13,420 per person per annum. The cap on participants per site is 1,000.<sup>28</sup> If the maximum number of participants is achieved in the last year (given the allocation for the last year is \$25.8 million)<sup>29</sup>, the cost will still be \$5,160 per person per annum.

To put these figures in perspective, the maximum Newstart Allowance for a single person without children is currently \$13,405 per annum. The amount provided to employment service providers to provide work experience and training for long-term unemployed people is \$500 per annum. Thus, in the case of a single adult, New Income Management in remote areas costs around half the annual value of the benefit that is being managed. Yet, as indicated, its effectiveness is very uncertain.

### ***Child welfare***

While there have been subjective reports of improving child welfare by Centrelink workers and participants as a result of income management, there is no robust objective data to support this conclusion.

As discussed above, an evaluation of the Western Australian model reported that participants and other stakeholders generally believed income management had improved child welfare, but these subjective views can be interpreted in different ways. In any event, this model was tightly targeted towards parents who were engaged with child protection authorities.

The leading evaluation of the NIM in the Northern Territory conducted surveys in which participants reported that income management made things better for their families. The same evaluation also found that Aboriginal people subject to income management, especially those living in NTER areas, reported improvements in the wellbeing of children. It also found that Centrelink staff were of the view that children had access to more food and better clothing and were more likely to attend school as a result of income management.<sup>30</sup>

However, the leading evaluation of the NIM also urged caution in relation to these findings. The evaluation noted that these subjective perceptions are inconsistent with objective data (to the

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<sup>25</sup> Australian National Audit Office (2013) *Administration of New Income Management in the Northern Territory*, Audit Report No. 19 2012-13, Performance Audit, at p94.

<sup>26</sup> Department of Human Services Administrative Data as at 18 October 2013 as reported in document entitled *Income Management Summary – 18 October 2013* provided to the Senate Community Affairs Legislation Committee on 22 November 2013 by the Department of Social Services, at [http://www.aph.gov.au/~media/Estimates/Live/clac\\_ctte/estimates/sup\\_1314/DSS/Additional\\_Info/Tabled\\_doc\\_7.ashx,a](http://www.aph.gov.au/~media/Estimates/Live/clac_ctte/estimates/sup_1314/DSS/Additional_Info/Tabled_doc_7.ashx,a) accessed on 25 November 2013

<sup>27</sup> Budget Paper No. 2 (2011-2012) at p183.

<sup>28</sup> Budget Paper No. 2 (2011-2012) at p183.

<sup>29</sup> Budget Paper No. 2 (2011-2012) at p183.

<sup>30</sup> Bray et al (2012) p xviii, 174 and 203.





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extent objective data is currently available). For example, administrative data suggests no real change in school attendance rates. The evaluation also noted that the NTER involved other significant measures and they may be responsible for the perceived improvement, rather than income management. Contrast sites also reported improvements at similar rates.<sup>31</sup> Furthermore, the health of indigenous children under five living in remote areas in the Northern Territory improved steadily over the period 2004 – 2010, but income management was first introduced in 2007.<sup>32</sup>

Income management under the Cape York model has demonstrated success in ensuring the needs of families and children are met, but as noted above, this model is distinctive in its emphasis on intensive case management.<sup>33</sup> An evaluation of the Western Australian model also found that participants and other stakeholders generally believed income management had improved child welfare, but this model is highly targeted to child protection cases and voluntary participants.<sup>34</sup>

### *Spending on priority needs*

There is a statistically significant perception that income management improves people's ability to afford food and other priority needs in the NIM<sup>35</sup> and the Western Australian models.<sup>36</sup> Merchants are of the view that participants have more money for priority needs.<sup>37</sup> Other stakeholders have reported improvements in financial management skills.<sup>38</sup> However, again, this subjective perception often does not accord with objective evidence.<sup>39</sup>

The NIM evaluation found that relative to the control group, there was no reduction in the extent to which people subject to income management reported running out of money for food.<sup>40</sup> Furthermore, the perceptions are inconsistent with many people reporting that income management made various budgeting tasks more difficult.<sup>41</sup> Again, it is possible that any improvements are not due to income management but due to other measures.<sup>42</sup>

There is evidence that income management may be effective in managing the finances of people with substance abuse problems and that it has probably reduced gambling but this is once again based on subjective perceptions, rather than objective data and should be interpreted with

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<sup>31</sup> Bray et al (2012) p 214.

<sup>32</sup> Buckmaster L and Ey C (2012) Is income management working? p13.

<sup>33</sup> FAHCSIA et al (2012) at 34.

<sup>34</sup> ORIMA Research (2010) Evaluation of the Child Protection Scheme of Income Management and Voluntary Income Management Measures in Western Australia – Report, at pp10 – 11.

<sup>35</sup> Bray et al (2012) pp xviii and 195.

<sup>36</sup> ORIMA Research (2010) p11.

<sup>37</sup> Bray et al (2012) p174.

<sup>38</sup> ORIMA Research (2012) p14.

<sup>39</sup> See Bray et al (2012) at p196.

<sup>40</sup> Bray et al (2012) p xviii.

<sup>41</sup> Bray et al (2012) at p194.

<sup>42</sup> Bray et al (2012) at p255.



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caution.<sup>43</sup> The relevant evaluation also noted that access to support services to deal with underlying issues is the crucial factor in achieving long-term changes in people's lives.<sup>44</sup>

## ***Accessing support***

It is important that those with in vulnerable situations feel able to discuss the seriousness of their position with Centrelink social workers in order to obtain the best support available (for example, in cases of domestic violence or homelessness). However, as explained above, there are a number of reasons why a person may not wish to become subject to income management. As the vulnerable income management measure is applied by Centrelink social workers, the possibility of referral to income management may discourage people from disclosing fully the severity of their position to Centrelink and them not receiving the assistance they require.<sup>45</sup> By limiting access to cash, income management may in fact be a barrier to people leaving abusive or unsafe situations.<sup>46</sup>

## ***Financial harassment***

There is evidence that the NIM has reduced the adverse outcomes of financial harassment. For example, across Aboriginal participants surveyed, the incidence of financial problems as a consequence of giving money to others declined from around 50% to 38%.<sup>47</sup> This appears to be a major reason for support for Income Management in some communities in the NT, but as discussed below, opinion among different communities there is divided on compulsory income management. This suggests that policy makers should engage with individual communities (as occurred in Cape York) and tailor the delivery of social security payments and other financial and social supports to their needs, rather than implementing schemes such as income management in blanket fashion to categories of income support recipients living in certain areas.

## ***Subjective experiences***

Income management creates strong feelings of embarrassment, discrimination and unfairness in many participants. Specific examples include embarrassment and stigma in using the Basics Card, finding Centrelink's involvement in one's life intrusive and finding compulsory income management restrictive, complicating, time-consuming and limiting of one's ability to engage in community life.<sup>48</sup>

More generally, under the NIM, only 36% per cent of Aboriginal people subject to compulsory income management felt that income management had made things better for them and 33% would recommend it to others. Only 20% of non-Indigenous people subject to compulsory income management felt that income management had made things better and 32% would recommend it to

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<sup>43</sup> Bray et al (2012) at pp257 and 260.

<sup>44</sup> Bray et al (2012) at p 258.

<sup>45</sup> Mendes et al (2013), at 28.

<sup>46</sup> Mendes et al (2013), at 28.

<sup>47</sup> Bray et al (2012) pp xviii and 255.

<sup>48</sup> See Bray et al (2012) at pp. xviii, xxii, 93 and 234.



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others.<sup>49</sup> Unsurprisingly, voluntary participants reported more positive experiences, with 65% of Aboriginal voluntary income management participants reporting feeling more in control of their lives most of the time or all of the time and 71.9% reported their family was better off most of the time or all of the time. A majority of Aboriginal compulsory income management participants in NTER communities reported feeling more in control of their lives most of the time or all of the time and that their family was better off most of the time or all of the time.<sup>50</sup> However, these responses are similar to the responses of those in contrast sites and therefore caution needs to be expressed in attributing the results to income management.<sup>51</sup>

Members of the Cape York communities are generally more positive about the form of income management used in their communities. Seventy-eight per cent of respondents reported that the Basics Card made their life better, while 12% thought that it made their life worse. Sixty-nine per cent agreed that if people cannot pay for rent and food because they spend their money on other things, then they should be put on the Basics Card.<sup>52</sup> This is likely to reflect the tailoring of income management to local community circumstances and the fact that it is used as a last resort in cases where case management has not been successful.

In the Western Australian scheme – limited to child protection and voluntary groups - six in ten participants thought that income management had made their lives better. Thirty-four per cent of child protection measure participants and 51% of voluntary income management participants thought it had made their life a lot better and 28% of child protection measure participants and 9% of voluntary income management participants thought that it had made their life a little better.<sup>53</sup> Again, these results reflect the circumstances in which people were surveyed and the lack of control for biases arising from their situation as child protection service clients. Similarly, it is not surprising that many voluntary participants found income management useful.

### *Financial management skills*

Although financial management skills are the very things compulsory income management seeks to encourage, there is a risk that participants may not improve their financial management skills and / or lose financial management skills under the scheme.<sup>54</sup> Specifically, there is a risk that income management will cause participants to become reliant on income management and the processes involved in it, such as credit being put on a Basics Card and bills being automatically paid. This would mean that participants do not develop skills of earmarking money for various purposes, prioritising different needs and determining how much can be spent on different items.

This problem is expressed neatly in the following extract from the leading evaluation:

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<sup>49</sup> Bray et al (2012), p xxiii.

<sup>50</sup> Bray et al (2012) at 203.

<sup>51</sup> Bray et al (2012) at 209 and 219.

<sup>52</sup> FAHCSIA et al (2012) at p34.

<sup>53</sup> ORIMA Research (2010) at p9.

<sup>54</sup> See generally Australian National Audit Office (2013) at pp 20-21 and ORIMA Research (2012) at p12.



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*'From the evidence we have collected it appears that income management seldom in itself motivates people to develop the skills to manage their finances (where these are lacking), obtain paid employment or parent more adequately. There is little evidence that it is bringing about the behavioural change necessary to generate the intended long-term effects. The program logic for NIM indicates that income management is only one of a range of interventions which are necessary to change behaviour, and the evaluation has found that many of those subject to income management have not accessed appropriate services or interventions which, according to the program logic, are necessary to facilitate longer term change.'*

A related point is that Centrelink has offered 'Centrepay' facility for some time. The Centrepay facility allows bill payments to be deducted directly from Centrelink payments before they reach the income support recipient.<sup>55</sup> Centrepay offers the capabilities of income management in relation to bill payment without the additional cost of administration.

### **What are the alternatives?**

ACOSS recognises the deeply seated social and economic problems in many impoverished communities across Australia, especially the effects of neglect, alcohol and drug abuse, and family violence on children. It is because we take these problems seriously that we want to properly understand their causes. Simplistic views – that the main underlying problem is 'welfare dependency' (that is, entitlement to social security payments are causing these problems) – are likely to lead to simplistic solutions that are costly, ineffective, and bring shame on those affected.

These social problems are not simply caused by inadequate incomes, either, though this is an important factor. For example, overcrowded housing leads to conflict within families and people who have to constantly worry about where they will find a home or their next meal are not able to participate fully in the labour market or the community.

The origins of these social problems are more complex. The lack of a viable labour market in many parts of the country, and entrenched long term unemployment among people with limited education and skills or severe health problems, are key drivers. This can deprive people, especially young people, of a sense of purpose in life, leading over time to an increase in addictions and anti-social behaviour. Where parents are affected in these ways, the problems can be transmitted to their children through family violence and neglect.

These issues cannot be properly understood by reducing them to simplistic slogans such as 'intergenerational welfare dependency'. Research into the causes of greater reliance on income

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<sup>55</sup> See Department of Human Services (2013)

<http://www.humanservices.gov.au/customer/services/centrelink/centrepay> accessed on 10 December 2013.



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support among people whose parents received these payments points to factors other than the social security system itself. While it is often suggested that Australia has a problem with long-term reliance on income support across two or three generations, there is no hard evidence to support this and the incidence of this problem is likely to be very low.

ACOSS has made a number of recommendations to address the specific problems facing deeply disadvantaged communities, including Aboriginal and Torres Strait Islander communities, and to reduce poverty and social exclusion more broadly. Our proposals are informed by evidence about what works. We recommend:

- The application of 'sunset rules' to existing compulsory income management schemes and progressive replacement with an opt-in model, which can be adopted on an individual or local community basis.
- In the interim, negotiation of a package of solutions to entrenched social problems with affected communities themselves:
  - This is likely to include a greater emphasis on case management and reforms to governance arrangements in communities where appropriate, as well as support services to deal with personal and family crises, violence, alcohol and other drug problems, and financial management issues.
  - Any controls over the use of social security payments should be embedded in a comprehensive system of case management, so that these are used as a last resort, not a first resort and agreed to by the individual or community.
  - Consideration of changes to the way in which social security payments are 'delivered' in communities that lack a functioning labour market, without removing individual entitlements. This should not be limited to the current administratively 'heavy' models of income management but could include the pooling of income support to provide employment in local services (as has been done in many years in some Aboriginal and Torres Strait Islander communities) or the pooling of provision of essential services.
- Improving flexibility in funding arrangements for local community services for individuals or communities facing complex and entrenched disadvantage, so that these services can work together more effectively and the cost of compliance with multiple funding rules is reduced.
- Reforming employment assistance to strengthen investment in paid work experience, training and individual career support for people who are unemployed long term or at risk of this.
- Reforming social security payments for people of working age to ensure payments are adequate to prevent poverty and remove the counterproductive and complex distinctions between payments for people who are deemed 'able and 'unable' to undertake paid employment (pensions and allowances) and replace them with an adequate base rate of payment for all in financial need, together with supplements for additional costs.



## Australian Council of Social Service

- As a first step, increasing the single rates of Newstart Allowance and other Allowance payments substantially, index these payments together with Family Tax Benefit for low income families to movements in wage rates, and substantially increase Rent Assistance for those paying the highest rents. These measures would alleviate the worst poverty and ease transitions to paid employment.
- Ensuring access to affordable and culturally appropriate housing which is a foundation for social and economic participation.
- Better integrating early childhood education and care, and family support services, with an emphasis on community-controlled services for Aboriginal and Torres Strait Islander people.
- Improve integration of schools with communities, employers and social services.