CSSA Position — Income management and the Healthy Welfare Card

In January 2010 Catholic Social Services Australia (CSSA) outlined a position on income management. CSSA opposed the imposition of compulsory income management on entire groups of income support recipients without considering their individual circumstances (CSSA, 2010).

In response to recent developments in the debate over income management, national office staff consulted with members and reviewed CSSA's position.

Developments in income management since 2010 include:

- The Forrest Review's proposal to replace income management with a new nationwide Healthy Welfare Card that covers all income support recipients except those on age and veterans' pensions.
- The introduction of New Income Management (NIM) in the Northern Territory, allowing the reinstatement of the *Racial Discrimination Act 1975.*
- The introduction of Place-Based Income Management in five trial sites across Australia, a measure that expanded income management beyond its original focus on Indigenous Australians.
- The release of a series of evaluation reports on Child Protection Income Management, the Cape York Welfare Reform Trial, Place-Based Income Management, and Voluntary Income management in the APY Lands.

With the recent completion of a number of evaluation reports Kevin Andrews, Minister for Social Services, is likely to make a decision about expanding income management to new areas.

This paper outlines CSSA's current position on income management. It also suggests than instead of simply opposing a broader roll out of income management or introduction of a Healthy Welfare Card, CSSA should continue develop positive positions on how to respond to the underlying problems of concentrated and entrenched disadvantage.

1 CSSA and income management

1.1 CSSA's position

1.1.1 Income management is not a substitute for measures that promote self-reliance

At best, income management is a stop-gap measure to prevent harm while an individual, family or community works to overcome underlying problems such as alcohol or drug addiction, poor budgeting skills, or financial harassment. It is not effective, as a stand-alone solution to these problems.

The aim should be to enable individuals and families to take control of their own lives. Measures should be designed to build individual capabilities and strengthen families and communities. One option in areas of entrenched disadvantage is to adopt a place-based approach that brings together mental health, drug and alcohol, employment, parenting, school attendance, child protection, housing and other services.

1.1.2 Blanket application of income management to recipients who do not need it is wasteful and counterproductive

CSSA opposes applying income management to entire categories of recipients or entire communities without considering their individual circumstances or obtaining their consent.

Imposing income management on individuals and families who are not experiencing problems such as addiction, financial harassment, or poor budgeting skills wastes resources that could be directed into other, more effective, programs and services. It can make it more difficult for people to manage their limited incomes and risks stigmatising entire categories of income support recipient.

CSSA opposes the Forrest Review's Healthy Welfare Card proposal. The proposal would apply a form of income management in a blanket way to a large number of income support recipients who would not benefit from it.

1.1.3 Circumstances when income management could be justified

Income management could be considered as an option in three circumstances:

- ***As a bottom-up community initiative:*** In some cases local Indigenous leaders or organisations may want to include income management as part of package of measures to address disadvantage in their communities. For example, in 2012 the NPY Women's Council took a position in favour of some forms of income management (NPYWC, 2012). Income management may be appropriate in a community where it embodies the principle of subsidiarity.

- ***As a voluntary measure:*** Some individuals may want the option of income management while they seek help with problems such as gambling or drug addiction or want to manage demands for money from family members with these problems. In these cases income management may be appropriate. However, the models of income management currently in place may not be the most cost effective for government. It may be worth considering alternatives.

- ***On a case by case basis:*** In some cases income management may help an individual stabilise their circumstances while they receive help to deal with problems such as drug or alcohol addiction or problem gambling. In these cases it would need to be part of a package of assistance.

To be worth considering in each of these cases, income management would need to achieve the same or better results when compared to *alternative* measures, not just better results than *existing* measures.

1.1.4 CSSA opposes measures that discriminate against Indigenous people

CSSA opposes any income management measures that discriminates, or has the potential to discriminate, against Indigenous people. For example, if income management was imposed without consultation in remote Indigenous communities in the same way it was during the initial Northern Territory Emergency Response.

1.2 History of CSSA’s position

Since 2010, Catholic Social Services Australia (CSSA) has consistently opposed applying income management to entire categories of recipients or entire communities without considering their individual circumstances or obtaining their consent.

CSSA argued that income management disadvantages people by depriving them of the ability to manage their income support payments and risks stigmatising people by labelling them as dysfunctional (Catholic Archdiocese of Melbourne, 2010) (CSSA, A stronger, fairer safety net? Income management and the future of Australia’s income support system , 2010). CSSA has also raised concerns about racial discrimination (CSSA, 2007a) (Quinlan, 2009) and the high cost of administering income management when alternative policies may be more cost effective (Quinlan, What welfare policies?, 2010).

However, CSSA has acknowledged that income management could be an acceptable option in cases where an individual or family needed support to deal with problems such drug addiction and child neglect. In these cases income management would need to be part of broader package of services.

CSSA has also acknowledged that, in some circumstances, income management can be consistent with principles of Indigenous self-determination. Leaders in some remote Indigenous communities have approached government asking for income management as a tool to deal with problems such as alcohol and drug abuse and ‘humbugging’. If members of a community want to include income management as part of a broader package of measures, CSSA would not oppose this on principle (CSSA, 2010).

1.3 Position of political parties

The current Coalition government has not made any recent announcements about the future of income management. However Social Services Minister Kevin Andrews has flagged that the government may make a decision about longer term directions and this decision will take recent evaluation findings into account (Andrews, 2014).

During its most recent term in government, the Labor Party expanded income management across the Northern Territory and introduced Place-Based Income Management (Buckmaster, Ey, & Klapdor, 2012). The party has not shifted its position on this issue.

The Australian Greens oppose income management and have called on the government to abandon it (Siewert, 2014).

No major political party has committed to implementing the Forrest Review’s Healthy Welfare Card proposal.

2 About income management

According to the Department of Social Services, income management “is a tool that helps people better budget their welfare payments and ensure they are getting the basic essentials of life, such as food, housing, electricity and education” (DSS, 2014c). For some recipients income management is compulsory, while others use it voluntarily.

2.1 How income management works

Income management sets aside a proportion of a recipient's income support payment to pay for necessities such as food, housing, utilities, clothing and medical care. The amount of a person's payment that is set aside is not determined by how much they need to spend to cover their basic needs, but by the type of income management scheme in which they participate. Depending on the scheme and their individual circumstances, the income managed share of a person's payment can range from 50 to 90 per cent.

Spending income managed funds

Recipients are able to spend their income managed funds in a number of ways:

- ***BasicsCard:*** Recipients can allocate money to a BasicsCard. Recipients can only use the BasicsCard in approved stores and they cannot use it to buy excluded goods such as alcohol, tobacco or lottery tickets. Recipients cannot use the card to withdraw cash or buy gift cards.
- ***One-off payments to stores:*** Recipients can ask Centrelink to make a one-off payment to a store (for example, to buy furniture or whitegoods from a store that does not accept BasicsCard).
- ***Regular payments from their income management account:*** Recipients can ask Centrelink to make payments for expenses such as rent, utilities and school meals programs (DSS, 2014b).

Recipients can also transfer money between their income management account and their BasicsCard if they have had a 'priority needs' discussion with Centrelink within the past 12 weeks (DHS, 2014b).

The BasicsCard

The BasicsCard is a PIN protected stored value card that uses the EFTPOS system. Key features include:

- ***Readily identifiable appearance:*** The BasicsCard is easy for merchants to identify. It is bright green with 'BasicsCard' printed on the front.
- ***Preventing the sale of excluded goods is the merchant's responsibility:*** It is up to merchants to prevent recipients from buying excluded goods using the BasicsCard[1]. The card does not do this automatically.
- ***Retailers have to opt-in:*** Unlike a bank issued debit card, the BasicsCard can only be used at stores that have applied to the Department of Human Services and have been

[1] Excluded goods and services are: alcoholic beverages, tobacco products, pornographic material, gambling products, home brew kits and home brew concentrate, and any other goods or services specified by the Minister in the relevant legislative instrument (Centrelink).

approved. To be eligible, a merchant's main area of business must be priority goods and services.[2]

2.2 History of income management

Income management policies emerged from concerns about alcohol and drug abuse and the neglect of children in Indigenous communities. Some early proposals for income management came from within the Indigenous community from people like Lionel Quartermaine of the Aboriginal and Torres Strait Islander Commission (ATSIC) and Noel Pearson of the Cape York Institute (Mazzocchi, 2003) (Pearson, 2005).

The Arnhem Land Progress Aboriginal Corporation (ALPA) developed the ALPA FOODcard, an early, local type of income management. The FOODcard was a smart card designed to help community members deal with financial harrassment ('humbug') and reduce spending on non-essential items such as alcohol. The card could be used to pay for most grocery and baby items but not soft drinks, confectionary, tobacco products or toys (ALPA, 2009). Community members did not have to be receiving income support to have a card as they could top it up a number of ways including payroll deductions and direct debit from a bank account.

The Commonwealth Government's income management scheme was first introduced as part of the Northern Territory Emergency Response (NTER). The NTER was focused on prescribed areas of the territory which included 73 remote communities (and associated outstations) and 10 town camp regions (Buckmaster, Ey, & Klapdor, Income management: an overview, 2012).

The legislation for the scheme also enabled income management for a number of Queensland Indigenous communities as part of the Cape York Welfare Reform Trial as well as an Australia wide measure that, if it had been implemented, would have placed both Indigenous and non-Indigenous parents on income management if they failed to send their children to school (Brough, 2007).

The next income management measure introduced was a trial of the child protection measure in Perth and the Kimberly region in Western Australia. This measure began in 2008 and was not restricted to Indigenous people.

Legislation enabling income management in the NT and Cape York included provisions to limit the application of the *Racial Discrimination Act 1975*. In 2010 the government removed those provisions and modified the NT scheme so that it was not restricted to Indigenous communities.

The Place-Based Income Management trials began in 2012 and expanded income management to the broader community (Buckmaster, Ey, & Klapdor, Income management: an overview, 2012).

2.3 Locations and measures

There is no single model of income management. The scheme operates in a number of locations around Australia and different income management measures apply in different locations (see Attachment A).

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[2] Priority goods and services include: food and non-alcoholic drinks, clothing and footwear, personal hygiene items, basic household items such as whitegoods, health and pharmacy items, child care, education and training, items needed for employment, transport, and short-term accommodation (eg hostels, boarding houses). A full list appears on the Merchant Application form (Centrelink).

Income management targets recipients in three ways:

- ***Group targeted:*** In some locations income management is applied based on group membership rather than personal circumstances. For example, in the Northern Territory 15 to 24 year olds who have been on certain payments are subject to income management if they have been on payment for three of the last six months. Over 25 year olds are subject to income management if they have been on payment for more than 12 of the last 24 months (DHS, 2014a). In some circumstances individuals can receive an exemption.

- ***Case by case:*** In Cape York the Family Responsibilities Commission refers people to income management on a case by case basis (FaHCSIA, 2012). In some other locations people can be referred to income management by a Centrelink social worker, child protection authority or other authority.

- ***Voluntary:*** Income support recipients can volunteer for income management if they live in an area where it is available.

Different sites have different mixes of group-targeted and case by case income management (all include voluntary income management). The Northern Territory site has the strongest focus on group targeted measures. These include measures for young people and long term welfare recipients that are based on age, payment type and time on payment.

The sites in Western Australia are strongly focused on a single case by case measure — a child protection measure where state child protection authorities refer people to income management.

The ‘place-based’ trial sites in Bankstown, Greater Shepparton, Logan, Playford, and Rockhampton have a mix of measures that include case by case measures for child protection and people identified as vulnerable by Centrelink social workers, as well as a group targeted measure for certain categories of young people (see Attachment A for a more detailed description).

In locations such as the Northern Territory, APY Lands, Perth, Kimberly, and Cape York, the majority of income management participants are Indigenous. In the place-based trial sites of Bankstown, Greater Shepparton, Logan, Playford, and Rockhampton, the majority are non-Indigenous (DSS, 2014d).

Table 1: Targeting method by income management site (see Attachment A for more detail)

Income management sites	**Group targeted**	**Case by case**	**Voluntary**
Northern Territory	Yes	Yes	Yes
Western Australia Perth Metropolitan, Peel region and the Kimberley region	No	Yes	Yes
Cape York Welfare Reform trial (Queensland)	No	Yes	Yes
Place-based sites Bankstown (NSW), Logan, Rockhampton, Livingstone (QLD), Playford (SA) and Greater Shepparton (VIC)	Yes	Yes	Yes
APY Lands (South Australia)	Yes	Yes	Yes

NG Lands and Laverton Shire (Western Australia)	Yes	Yes	Yes
Ceduna LGA and surrounding locations (South Australia)	Yes	Yes	Yes

2.4 Conditionality

In recent decades political leaders and thinkers have challenged the idea that there should be a right to needs-based income support for people of working age.[3] Rather than eligibility based on need, they argue that payments should be conditional on recipients meeting certain obligations. Initially this amounted to little more than insisting that unemployment benefit recipients should be unemployed rather than just jobless (to be unemployed a person needs to be actively looking for work and willing to accept suitable job offers). But more recently the conditions on payments have become broader to include activities such as participation in Work for the Dole (CSSA, 2007b, pp. 12-13). In some cases participation requirements may be designed to deter recipients from continuing to claim income support rather than helping them find paid work (ANAO, 2005, pp. 114-117) (OECD, 2005, p. 117).

While income management is part of this shift away from a right to support, it is a mistake to confuse the shift to income management with the shift to greater conditionality. Conditionality is about *how recipients must behave* to remain eligible for support. The shift away from cash assistance towards in-kind assistance is about *the form that support takes*. Assistance lies on a continuum with cash at one end and in kind assistance like education and health care at the other. Vouchers and the BasicsCard lie somewhere in between.

While income management does not have to be associated with conditionality, it can be used as a tool within a conditional system. Rather than denying a recipient access to income support, the government can use income management to deny them access to income support in the form of cash. For example, the Cape York Welfare Reform Trial's Conditional Income Management model uses the denial of cash support to "create a deterrent against dysfunctional behaviour: people try to behave in responsible ways when they know there are consequences if they do not" (FaHCSIA, 2012).

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[3] For example, in 2000 Peter Saunders (who would later work at the Centre for Independent Studies) wrote:

> The newly emerging policy consensus, not only in Australia but in the other Anglo countries too, is that welfare should wherever possible be made conditional upon some input from recipients – what the Australian government calls 'mutual obligation' (Saunders, 2000, p. 33).

Sociologist Alan Deacon interprets the shift to conditionality as a challenge to welfare rights:

> The abolition of the "right to welfare" has been at the heart of welfare reform in the United States. Entitlement is no longer determined by an assessment of financial needs, but is instead conditional on the willingness of claimants to meet specific requirements regarding their behaviour. Such conditionality has also been a central theme of the New Labour government's attempts to restructure the British welfare state (Deacon, 2005, p. 127).

2.5 The Forrest Review's Healthy Welfare Card proposal

In late 2013 the government commissioned Andrew Forrest to undertake a review of Indigenous training and employment programs. Going well beyond its terms of reference the Forrest Review recommended a new cashless welfare scheme — the Healthy Welfare Card — that would apply to all income support recipients across Australia except those on age and veterans' pensions (Forrest, 2014a).

Forrest's plan is to create a system that completely blocks access to cash and prevents recipients from spending their payments on alcohol, drugs and gambling. Recipients would access funds using the Healthy Welfare Card.

The Healthy Welfare Card proposal relies on the cooperation of financial services providers and retailers. Currently Centrelink electronically transfers income support payments to recipients' bank, building society, or credit union accounts leaving them free to withdraw funds as cash or spend them using a card, direct debit, cheque or other method. Under Forrest's plan recipients would only be able to access funds using a debit-type card. As well as preventing cash withdrawals, the Healthy Welfare Card would block purchases at certain merchant categories such as pubs, taverns and bars, and bottle shops. The Review also suggests that retailers such as supermarkets might be able to automatically block purchases of prohibited goods such as alcohol at point of sale.

How the Healthy Welfare Card differs from the BasicsCard

Forrest argues that his cashless welfare proposal is different from income management or welfare quarantining (Forrest, 2014b). It differs from the BasicsCard in a number of ways:

- ***No access to cash:*** Under income management recipients continue to have access to a proportion of their payments as cash. The Healthy Welfare Card would completely eliminate access to cash.

- ***Restrictions are permanent:*** Most people are placed on income management temporarily with the expectation they can leave when they no longer need help with budgeting. The Healthy Welfare Card would permanently replace the current system for all recipients except those receiving age and veterans' pensions.

- ***An Australia wide system:*** Income management only operates in certain areas of Australia. The Healthy Welfare Card proposal is for an Australia wide system.

- ***Merchants do not have to opt-in:*** The Healthy Welfare Card would automatically work at any store or online merchant "that accepts Visa and Mastercard with electronic and EFTPOS payment facility, with the exception of alcohol and gaming outlets" (Forrest, 2014a, p. 108). In contrast, the BasicsCard uses a system where the department screens and approves merchants after they apply to accept the card.

- ***The range of excluded goods and services is narrower:*** The Healthy Welfare Card has a narrow range of excluded goods and services —alcohol and gaming (and possibly pornography). The BasicsCard excludes other goods such as tobacco. The department's opt-in process also limits what recipients can buy. The department will not approve merchants such as takeaways, restaurants or cafes (Centrelink).

- ***The Healthy Welfare Card relies on existing commercial systems:*** The BasicsCard relies on a bespoke system and uses a unique and easily recognisable card. In contrast

> the Forrest Review's proposal is to use existing systems and privately issued debit cards. Forrest argues that this will reduce stigma (Forrest, 2014b).

Because the Healthy Welfare Card system would be permanent and without exemptions, it could not be used to support the kind of conditionality that operates in Cape York. The Cape York system uses Conditional Income Management as a stick to deter unwanted behaviour (FaHCSIA, 2012).

Forrest's proposal revolves entirely around the Healthy Welfare Card. Income management includes a number of other measures including referrals to financial management services.

A possibility that the Forrest Review does not discuss is making the Healthy Welfare Card available to people who are not on income support. In remote Indigenous communities where avoiding 'humbug' is an important concern for some people, those on wages could choose to opt-in to the system.[4] In 2012, the NPY Women's Council suggested that a future model of income management should be available to everyone in the NPY Lands including those in paid work (Mason, 2012). In the broader community, people who use income management because of problem gambling or an alcohol or drug addiction (either theirs or another family member's) may want a way to restrict their spending after they move into paid work.

3 Does income management work?

Whether or not income management works depends on what it aims to achieve. Outside of the Cape York scheme, income management is focused on helping people achieve financial stability and meet their basic needs for goods and services such as food, clothing, utilities, and housing.

The Cape York scheme of Compulsory Income Management is part of a broader approach that focuses on rebuilding social norms (FaHCSIA, 2012). Because this approach is unique to Cape York and is unlikely to be expanded elsewhere in Australia, this paper discusses it only in passing.

Aims and rationale for income management

According to a recent evaluation report on Place-Based Income Management:

> The purpose of income management is to assist people on welfare payments with financial stability, and to help them to direct their funds to meeting priority needs such as food, housing, clothing and utilities (Deloitte, 2014, p. 1).

The Department of Social Services' website provides a more detailed list of aims. Income management aims to:

- ensure that priority needs of the individual, their children and other dependents are met
- strengthen participants' financial capability and skills to reduce risk of hardship and crisis
- provide stability to enable disadvantaged people to better engage with the community, employment and education
- promote socially responsible behaviour, particularly in relation to children

[4] 'Humbugging' refers to aggressive demands for things such as money, food, alcohol, help with transport. Humbug is a negative form of the broader Indigenous practice of demand sharing. See: (Altman, 2011).

- reduce the amount of funds available to be spent on excluded goods, including alcohol, home brew kits, home brew concentrates, tobacco products, pornographic material and gambling goods and activities (DSS, 2012).

The government has promoted income management as part of a set of reforms designed to “tackle the destructive, intergenerational cycle of passive welfare” (Australian Government, 2009). The department’s list of aims for income management reveals policymakers’ assumptions about the nature and cause of disadvantage, and about how government can use income management to break cycles of disadvantage. These assumptions include:

- ***Deprivation:*** recipients targeted by income management (or their dependents) are those who are deprived of basic necessities such as food, clothing or secure access to housing and utilities.

- ***Deprivation is due to poor spending decisions:*** The reason recipients (or their dependents) are deprived is that recipients are making poor spending decisions. These poor spending decisions are likely to be the result of a lack of financial capability or spending on potentially addictive goods and services such as alcohol, tobacco or gambling.

- ***Spending on goods and services such as alcohol and gambling further entrenches disadvantage:*** The lifestyles associated with chronic abuse of alcohol, problem gambling or widespread use of pornography may lead to family violence, the neglect or abuse of children, or make it more difficult for people to pursue education, training and employment.

- ***Limiting access to cash can help break the cycle of disadvantage:*** By limiting access to cash, recipients will be better able to meet their basic needs and less likely to engage in behaviour such as alcohol abuse or problem gambling. This will make it more likely that they will be able to find and keep employment and move off welfare. It will also make it more likely they will support their children and that the children will be less likely to be disadvantaged as adults.

Another rationale for income management that policymakers see as more applicable in Indigenous communities than elsewhere, is to prevent deprivation due to ‘humbug’. ‘Humbug’ is a situation where recipients are obliged to share resources with relatives (Katz & Bates, 2014).

Evidence from evaluations

The strongest evidence of benefit for individuals and communities has arisen in situations of voluntary income management. There is little evidence that compulsory group-targeted income management has had the beneficial effects policymakers anticipated. The main reason for the lack of benefit from group-targeted income management is that many of those targeted were not experiencing deprivation due to poor spending decisions.

Who has benefited from income management?

There is evidence that income management may be beneficial for:

- ***Voluntary participants:*** An evaluation report on the place-based trials found that voluntary participants appear to have had improvements in their management of money (for example, a reduction in the proportion of people running out of money before payday) and reductions in tobacco and alcohol consumption (Deloitte, 2014, p. 103).

- ***Compulsory participants referred on a case by case basis:*** A recent review of the Child Protection Scheme of Income Management in Western Australia reported evidence that recipients were better able to meet their own, and their children's, priority needs. Further, intermediaries (including staff from Child Protection and Human Services) saw it as a useful tool for helping recipients with housing problems and those at risk of homelessness. Intermediaries also reported that stabilising the client's housing arrangements enabled them to deal with other issues such as substance abuse (DSS, 2014a, p. 13).

- ***Communities that have requested income management:*** In the APY Lands, the NPY Women's Council asked for income management and community members were consulted about how it was introduced. A recent evaluation reported that income management appeared to reduce financial harassment ('humbug') and that the main beneficiaries were Community Elders, particularly women (Katz & Bates, 2014).

Little evidence of benefit for compulsory group-targeted income management

In contrast, there is little evidence from evaluations that group-targeted income management is beneficial.

In the place-based trial sites, evaluators failed to find evidence that income management led to reductions in financial stress or reductions in spending on alcohol and tobacco for group-targeted compulsory participants (Deloitte, 2014, p. 96). The evaluation looked at two groups, voluntary participants and a compulsory group termed 'vulnerable'. This compulsory 'vulnerable' group comprised:

- ***Social worker assessed recipients (case by case):*** These recipients were assessed as vulnerable on a case by case basis by a Department of Human Services social worker using decision making principles set out in a legislative instrument.

- ***Automatic trigger (group targeted):*** These recipients were referred to income management because they were:

    - under 16 years of age receiving the Special Benefits Payment;

    - on the Unreasonable to Live at Home independent (UTLAH) rate of payment for Youth Allowance (YAL), Disability Support Pension (DSP), or ABSTUDY; or

    - under the age of 25 years and receiving the Crisis Payment due to prison release.

The automatic trigger sub-group dominated the sample. The evaluators concluded that it is not possible to say whether the results for the whole 'vulnerable' group apply to the smaller case by case sub-group of social worker assessed recipients (Deloitte, 2014).

In the Northern Territory there is evidence that income management was applied to many recipients who did not experience deprivation due to poor spending decisions or financial harassment:

> The evaluation evidence is that there are a large number of people subject to Compulsory Income Management who 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. Thus there appears to be a large number of people subject to Compulsory Income Management who are unlikely to benefit from this measure, and for whom the restrictions of income management can create frustrations and challenges. This raises questions about the application of income management to people who do not need it (Bray, Gray, Hand, Bradbury, Eastman, & Katz, 2012, p. 250).

The problem of applying income management to recipients who do not need it, was the result of group-based targeting.

The risk of entrenching dependence

A number of the evaluations discussed the problem of some recipients becoming dependent on income management and failing to develop the capability to manage spending on their own.

According to the Northern Territory evaluation report:

> Taken as a whole, the data collected for the evaluation to date indicates that income management can reduce control over financial management for some people and provides some indications of the possibility that it may encourage passivity and a loss of self-reliance in the longer term for a proportion of income support recipients. The data suggests that the majority of those subject to income management will continue being income managed for an extended period of time (Bray, Gray, Hand, Bradbury, Eastman, & Katz, 2012, p. 258).

The 2010 Western Australia evaluation raised a similar concern (Orima Research, 2010, pp. 14–15) as did the evaluation of place-based evaluation:

> There were some concerns amongst DHS staff that VIM could increase the dependency of customers on [the Department of Human Services], and that for it to be effective and empowering for the customer it needed to be combined with other interventions such as Financial Counselling and Case Coordination. Additionally the view was expressed that VIM should be used as a short-term measure rather than something which is applied indefinitely, to ensure that dependency did not occur (Deloitte, 2014, pp. 134–135).

The risk that recipients will circumvent restrictions on spending

While income management makes it more difficult for recipients to buy goods such as alcohol or drugs it cannot prevent clients accessing such goods. A Child Protection staff member in Perth gave this example to evaluators:

> I read one case file where they were buying, spending all their BasicsCard on petrol … after hearing the mum's version of the story, she was unable to use any money to buy food, clothing and stuff for the children, so we put them on income management so she had a card, he had one … And then she had some kind of control over, and then I was starting to get reports that he was using, you know, buying fuel for people and getting cash back, and I think it was eighty per cent, so he was getting eighty per cent return on what he would spend for people. But tracking it through Centrelink [Human Services], he used that at Woolworths and Big W, and all those kinds of places so he was probably even buying some clothing and stuff for friends and they were paying him. (Child Protection staff member, Perth metropolitan region) (DSS, 2014a, p. 39).

It is possible that recipients may also be able to obtain cash by engaging in black market activities such as selling drugs or stolen goods or by financially harassing family members.

Stigma and embarrassment

In the Northern Territory, where there is a large number of group targeted recipients on income management, evaluators reported evidence that recipients reported feeling stigmatised when using the BasicsCard:

> Many stakeholders spoke about people feeling embarrassed or shamed by having to use the BasicsCard for shopping. This was seen as a particular issue for people in more urban areas. In Darwin some women were reported as doing their shopping away from their local area because they don't want to be seen with their BasicsCard. It was suggested that some single mothers see it as providing a visible marker of being a bad parent. Similarly, some stakeholders reported that older women felt ashamed by the implications they cannot manage money or that they misuse alcohol or gamble. This problem was seen to be further exacerbated by some of the very negative media portrayals in Northern Territory about income management and the people who are on it, making it very shaming for many people (Bray, Gray, Hand, Bradbury, Eastman, & Katz, 2012, p. 169).

In the 2014 Western Australian review, stigma and shame did not seem to be as common as in the Northern Territory (DSS, 2014a, p. 53). In the place-based evaluation, compulsory participants in income management were more likely to report feeling judged or embarrassed when using the BasicsCard than voluntary participants (Deloitte, 2014, pp. 71–72).

The problem of adequacy

There is reason to think that low rates of payment, particularly for Newstart Allowance, is entrenching disadvantage for some groups. For example, in 2012 the Business Council of Australia argued that: "Trying to survive on $35 a day is likely to erode the capacity of individuals to present themselves well or maintain their readiness for work" (BCA, 2012, p. 3).

Income management is designed to help recipients with deprivation due to poor spending decisions. However it is of little use if the cause is deprivation due to inadequate income. This issue was raised by a financial counsellor as part of the evaluation of income management in the Northern Territory:

> I mean we're talking about people that are on welfare. So their payments are normally promised every fortnight to rent, living and so forth…that was one of the things that shocked me the most about this budgeting. The assumption that you're probably struggling because you just don't know how to budget rather than it's inadequate to live off (Bray, Gray, Hand, Bradbury, Eastman, & Katz, 2012, p. 107).

The limits of evaluation evidence

A 2012 paper from the Parliamentary Library warned that methodological problems with evaluations of income management make it difficult to draw firm conclusions about its effectiveness and widespread application. For example, in discussing the income management in the Northern Territory, the researchers observe:

> … it is virtually impossible to isolate the various elements (such as income management, alcohol prohibitions and increased policing) in a way that would allow reasonable conclusions to be drawn about the relationship between particular policy inputs and particular outcomes (such as improved health and education outcomes and reductions in crime) (Buckmaster & Ey, 2012).

The government operates several different models of income management (for example, the place-based model), and each community where income management has been implemented exhibits distinct local conditions. Even if it was possible to measure the impact of a particular model of income management in a particular place with a particular client group, it would be difficult to generalise the findings (Katz, From the Director, 2009).

4 How recent developments strengthen CSSA's position

In consultation with the network, CSSA reviewed its policy positions on income management in light of the Forrest Review's proposal for a Healthy Welfare Card and changes to the Australian Government's income management policy and practices since 2010.

4.1.1 Implications of recent evaluations

Recent evaluation findings do not provide support for the imposition of compulsory income management on entire groups of income support recipients without considering their individual circumstances. However there is some support for income management that is targeted in a case by case way and for measures in Indigenous communities where community members have requested income management as part of a broader package of assistance.

4.1.2 The Healthy Welfare Card

The Forrest Review recommends setting up a Healthy Welfare Card scheme to prevent income support recipients from accessing cash (see section 2.4). The review recommends applying this approach to all income support recipients except those on age or veterans' pensions.

Unlike current systems of income management which allow recipients access to between 10 and 50 per cent of their income support entitlements as cash, the Forrest Review's proposal would not allow any access to cash.

The Forrest Review's proposal shares some of the same negative features as existing systems of income management. It disadvantages people by depriving them of the ability to manage their income support payments and it stigmatises an entire category of people. By preventing any access to cash at all the proposed scheme would make it extremely difficult for many recipients to manage their income effectively. For example, it could be difficult for a person in shared accommodation to pay their share of the rent or contribute to a household grocery shopping trip (housemates or relatives are unlikely to accept BPAY). Having access to cash makes it much simpler and easier for people to do everyday activities such as catch a bus or train, pay for parking or use a laundromat.

Extending the card to all income support recipients except those on age or veterans' pensions, would severely inconvenience a large number of people who do not need help with their budgeting. For this group it would result in significant inconvenience without producing any real benefit.

While the review's Healthy Welfare Card proposal may be flawed, the idea of using bank issued cards to help families with problems such as drug and alcohol abuse is promising. A voluntary scheme that allowed participants to use a cashless account while they move in and out of paid work may be worth considering.

4.1.3 Concerns about racial discrimination and self-determination

In 2007 CSSA raised concerns about suspending the *Racial Discrimination Act 1975* in order to implement income management in the Northern Territory. While the government reinstated the Act when it introduced New Income Management, income management still disproportionately affects Indigenous people. In practice, the measure may still be discriminatory (Buckmaster, Spooner, & Magarey, 2012).

CSSA has not objected to income management when a particular community has requested it as part of a broader package of assistance. The issue is about subsidiarity. Decision making about measures like income management should be made at the local level by members of the community. In 2007, Frank Quinlan (then CSSA Executive Director) said:

> I think there are some particular problems with having programs in place for one group of people and not for another, but what we've seen in the Northern Territory, at least in some places, is that communities have adopted these sorts of initiatives on a voluntary basis.
>
> And I think that's an entirely different set of circumstances to having a system imposed from the outside without explanation and possibly without the right sorts of backups (Quinlan, 2007).

4.1.4 The need for investment in services and better coordination

One of the problems with income management is that it has not always been accompanied with investments in services that deal with underlying problems. For example, some CSSA members report unmet demand and long waiting lists for financial counseling services offered independently of income management. This is supported by a report commissioned by the Australian Financial Counselling and Credit Reform Association (AFCCRA):

> … the Australian system [of financial counseling] has traditionally been chronically underfunded, lacks career pathways, has limited training opportunities, and is hampered by a relative lack of upstream and midstream activity, including a coherent whole of government approach to financial stress, lack of research and evaluation support, and incoherent data systems and collection (Livingstone, Bruce, Kotnik, & King, 2009).

Greater investment in financial counselling services may be a more effective way of dealing with poor budgeting skills than encouraging dependence on income management.

In some communities where income management is operating, the problems are much deeper and more pervasive that a lack of budgeting skills. In some areas the problem is how to deal with entrenched and concentrated disadvantage. In the 2007 report *Dropping Off the Edge*, researcher Tony Vinson argued that:

> … when social disadvantage becomes entrenched within a limited number of localities the restorative potential of standard services in spheres like education and health can diminish. A disabling social climate can develop that is more than the sum of individual and household disadvantages and the prospect is increased of disadvantage being passed from one generation to the next. In such cases general social and economic policies need to be supplemented by locality specific ones (Vinson, 2007, p. ix).

There is no simple remedy for entrenched disadvantage. It is not just a matter of cutting off access to alcohol and drugs or ending ‘passive welfare’ with employment assistance and work for the dole. Lack of local job opportunities, weak or impoverished social networks, lack of support for parents, poor mental and physical health and low levels of skill, and chronically low incomes all contribute to the persistence of disadvantage. These problems need a comprehensive, whole of government approach.

In 2007, Tony Vinson argued that disadvantage “entrenched over decades cannot be turned around in a few short years”. He argued that interventions need to last seven or eight years rather than two to three. He also argued for greater investment in programs and services for families with young children (Vinson, 2007). These could include post-natal outreach services, parenting support programs and children’s diagnostic services. In consultations, CSSA members have stressed the need for more emphasis on prevention and early intervention and a ‘wraparound’ or joined-up approach that coordinates services to meet the needs of individuals and families.

5 Next steps

Rather than simply opposing a broader roll out of income management or introduction of a Healthy Welfare Card, CSSA should develop positive positions on how to respond to concentrated and entrenched disadvantage. This approach would dovetail with two of CSSA’s current research projects:

- Dropping Off the Edge 2 which will update Tony Vinson’s work on identifying areas of concentrated disadvantage;
- Budget standards research with the Social Policy Research Centre (SPRC) that will inform judgements about income support adequacy.

In consultations on income management, CSSA members have spoken about the need to identify underlying problems and develop strategies for dealing with them. As part of our work with Dropping Off the Edge 2 and the budget standards research with the SPRC, CSSA should work with the network to develop policy positions on entrenched disadvantage and place-based solutions.

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Australian Government

Income Management Locations

Northern Territory

Income management applies to:

- people referred for income management by **child protection** authorities
- people assessed by a **Centrelink** social worker as being **vulnerable to financial crisis**
- people who are granted the **Unreasonable To Live At Home** rate of income support by a Centrelink social worker
- people who are under the age of 16 and are granted **Special Benefit** by a Centrelink social worker
- people under the age of 25 and receive a crisis payment due to **prison release**
- people who are:
  - aged 15 to 24 and have been receiving one of the following payments for three of the **last six months:**
    - Youth Allowance
    - Newstart Allowance
    - Special Benefit
    - Parenting Payment Partnered or Parenting Payment Single
- people who are:
  - aged 25 years and above and have been receiving one of the following payments for more than one of the **last two years:**
    - Youth Allowance
    - Newstart Allowance
    - Special Benefit
    - Parenting Payment Partnered or Parenting Payment Single
- people referred by the **Alcohol Mandatory Treatment Tribunal**
- people who **volunteer** for income management

Cape York

Income management applies to:

- people referred for income management by the **Family Responsibilities Commission**
- people who **volunteer** to the Family Responsibilities Commission for income management

Logan (Qld), Rockhampton (Qld), Bankstown (NSW), Greater Shepparton (Vic) & Playford (SA)

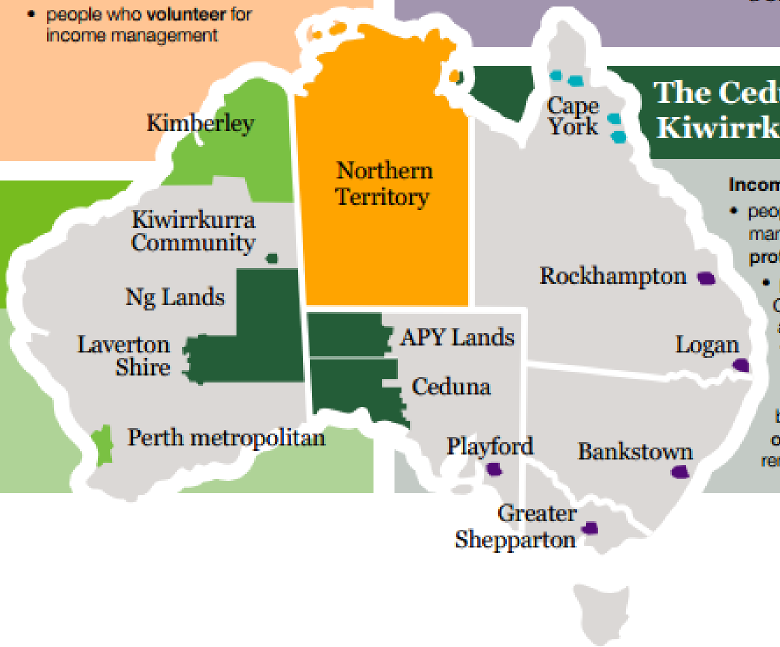
Income management applies to:

- people referred for income management by state **child protection** authorities
- people assessed by a **Centrelink** social worker as being **vulnerable to financial crisis** which could include people referred by state housing authorities because they are **at risk of homelessness** due to rental arrears
- people who are granted the **Unreasonable To Live At Home** rate of income support by a Centrelink social worker
- people who are under the age of 16 and are granted **Special Benefit** by a Centrelink social worker
- people under the age of 25 and receive a crisis payment due to **prison release**
- people who **volunteer** for income management

Perth metropolitan, Peel and Kimberley regions

Income management applies to:

- people referred for income management by **child protection** authorities
- people who **volunteer** for income management



The Ceduna region, APY and Ng Lands, Kiwirrkurra Community and Laverton Shire

Income management applies to:

- people referred for income management by state **child protection** authorities
  - people assessed by a Centrelink social worker as being **vulnerable to financial crisis**, which could include people referred by state housing authorities because they are **at risk of homelessness** due to rental arrears
- people who are granted the **Unreasonable To Live At Home** rate of income support by a Centrelink social worker
- people who are under the age of 16 and are granted **Special Benefit** by a Centrelink social worker
- people under the age of 25 and receive a crisis payment due to **prison release**
- people who **volunteer** for income management

As at 1 July 2014