

**Inquiry into the Social Security Legislation
Amendment (No. 2) Bill 2015
ACTU Submission to the Senate Community
Affairs Legislation Committee**

12 June 2015

Introduction

1. The Australian Council of Trade Unions is the peak body representing almost two million working Australians. The ACTU and its affiliated unions have a long and proud history of representing workers' industrial and legal rights and advocating for improvements to legislation to protect these rights.
2. Whilst unions have been able to achieve significant gains through our campaigning and advocacy efforts, many Aboriginal and Torres Strait Islander workers remain without basic rights and are usually employed in vulnerable work, or struggle to find decent work in their communities.
3. The ACTU welcomes the opportunity to make this submission to the Senate Community Affairs Legislation Committee.

About the Bill

4. The Social Services Legislation Amendment (No. 2) Bill 2015 ('the Bill') proposes a number of changes to social security. In particular, it extends the operation of the BasicsCard and income management for a further two years whilst abolishing most incentive payments.
5. The Bill also makes some changes to payments for carers and aged care; however, this submission will focus primarily on the proposed amendments to income management.

Background

6. Income management was first introduced by the Howard Government in 2007 as part of the Northern Territory Emergency Response (NTER), and signaled a major departure from existing welfare policy, which placed conditions on eligibility for payments but not on how that payment was spent, on the implied basis that jobseekers themselves were in the best position to know what they needed to spend on.

7. The original iteration of income management applied to jobseekers who had been on welfare for at least two years and who lived in particular Northern Territory communities, with 50% of the payment quarantined and funds accessible via a BasicsCards. Quarantined funds may only be spent or used at participating stores and outlets. The BasicsCard is expensive to administer given that it requires the participation of various stores and financial institutions, which must be contracted out by the government.
8. Because the legislation applied to particular geographical locations, mostly populated by Aboriginal and Torres Strait Islander communities, the measures are inherently discriminatory. The legislation provided an exemption from the *Racial Discrimination Act (Cth) 1975*; if this carve-out had not been provided, it is likely that income management would have been in breach of Australia's racial discrimination laws. This fact in and of itself is quite concerning, because it indicates that compulsory income management serves to negatively discriminate against Aboriginal and Torres Strait Islander people and communities.
9. In 2009, the income management scheme was wound back and applied only to individuals deemed to be 'vulnerable' and 'at risk'. This was certainly an improvement on the original scheme, which essentially had discriminated on people based solely on their ethnicity and postcode, rather than their actual circumstances. However, even this more targeted scheme should be subject to criticism on the basis that research into income management has generally found it to be an ineffective way of meeting jobseekers' needs.
10. The scheme was expanded once again to include most people in the Northern Territory in 2014.

The ACTU's Position

11. Repeated studies have demonstrated that compulsory income management simply does not work. Although the Department of Social Services fact sheet on income management states that “evaluations showed that income management had a positive impact on people”¹, the Parliament’s own evaluation of the data, commissioned in 2012, refutes this claim. In particular, the 2012 report on income management criticized the lack of evidence and data collection and said that “the overall picture is one in which positive changes have been uneven and fragile”.²

12. A more recent evaluation of income management, commissioned by the government and conducted by the University of New South Wales in 2014, found that compulsory income management was generally ineffective and counterproductive. The report stated that “rather than building capacity and independence, for many the program has acted to make people more dependent on the welfare system.”³ The report stated that there was no evidence that income management had any positive effect on the people it purported to try to help.

13. It could also be argued that compulsory income management actually has a negative impact on the lives of those to whom it applies. This is because it does not generally leave individuals with enough cash for emergencies and extra, unexpected expenses. Centrelink does provide one-off emergency payments on a case by case basis, but these payment are capped.

¹ Australian Government, Myths and facts about income management.
https://www.dss.gov.au/sites/default/files/documents/07_2014/mythsfacts_b_0.pdf

² L. Buckmaster, Carol Ey and Michael Klapdor, 21 June 2012, Income management: an overview. Parliamentary Library,
http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BN/2011-2012/IncomeManagementOverview.

³ J. Rob Bray, Kelly Hand, Ilan Katz, Matthew Gray, 2014, Evaluation of income management in the Northern Territory, Social Policy Research Centre (UNSW), <http://apo.org.au/node/52234>.

14. There have also been some news reports that suggest that income management, particularly in remote or regional communities with little in the way of market competition, merely serves to drive up prices in those stores or outlets where the BasicsCard is able to be used. This is counterproductive and can lead to higher cost of living in those communities where income management is in operation.
15. One of the few good features of the income management scheme is the introduction of financial counselling services and training courses to educate jobseekers on budgeting. Such courses are a good idea, and should be extended on a voluntary basis to all jobseekers who request or require it, with a particular emphasis on access to such services by the long-term unemployed. There is no reason why such services need to be linked to a compulsory income management scheme. It is disappointing that the current government has stripped funding from these essential programs. Without financial training and counselling, there is a risk that jobseekers may become overly reliant on the compulsory income management scheme, without ever learning important budgeting skills.
16. Compulsory income management is an expensive white elephant that serves to redirect much-needed funds away from more effective welfare programs. But more than that, it actually makes the lives of jobseekers, particularly Aboriginal and Torres Strait Islander jobseekers, more difficult and expensive.
17. We do, however, believe that there may be a limited role for income management schemes in promoting social and financial development in individuals and communities, *but only if these schemes are voluntary, and developed jointly and consensually with the communities concerned.*

Conclusion

18. In conclusion, the ACTU does not support compulsory income management of any kind, on the basis that imposing this wholesale on vulnerable individuals and communities is ineffective at best, and directly harmful and counterproductive at worst. A limited form of voluntary income management may be useful, but only if requested by the jobseeker and/or their community.

19. All jobseekers, whether on income management or not, should have access to money management courses and financial counselling if required. Financial training of this kind would be a much more effective way of educating jobseekers on budgeting, and could greatly improve the financial stresses that jobseekers regularly face.

20. The ACTU opposes this Bill.

ADDRESS

ACTU
365 Queen Street
Melbourne VIC 3000

PHONE

1300 486 466

WEB

actu.org.au

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