Submission to the

Senate Community Affairs Legislation Committee

on the

Social Services Legislation Amendment (No. 2) Bill 2015

10 June 2015

102/55 Holt St, Surry Hills NSW 2010 . P 02 9211 5389 . F 02 9211 5268 . E national@welfarerights.org.au . W welfarerights.org.au . ABN 13789701090

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1. *Introduction*

The NWRN is the peak body for community legal services which provide legal advice and representation to people about social security law including family assistance and employment assistance rules.

For over 30 years our members have assisted people experiencing social security problems and we have amassed a detailed knowledge of social security law and policy as well as its administration through the Department of Human Services. Our members also have direct, "on the ground" experience of the lives of people on low incomes who will be adversely affected by many of the measures in this bill.

2. *Overview of the Bill*

The *Social Services Legislation Amendment (No. 2) Bill 2015* (or 'the Bill') makes a number of changes to Income Management (IM) with:

- the continuation of Income Management for a further two years until June 2017 at a cost of $144.6 million;
- the removal of two "incentive payments", the Matched Savings Scheme and the Voluntary Income Management Incentive Payment that were available to people being income managed; and
- amendment of the definition of a "vulnerable welfare payment recipient" (VWPR), so that vulnerability will be determined based on whether a person falls within a class of people determined by the Minister. This empowers the Minister by legislative instrument to prescribe a class or classes of persons who are "vulnerable welfare payment recipients" instead of the current DHS social worker assessment determination process.

The submission addresses each of these changes, and concludes with an examination of the most recent evaluation of the Income Management scheme.

The Bill in Schedule 2 also makes changes in relation to measures in the Aged Care area with the cessation of the residential care subsidy to residential aged care providers and the abolition of the Aged Care Planning Advisory Committees. As these provisions are not within the area of expertise of the NWRN we will not address the implications of these changes in this submission.

3. *Extension of income management*

In January 2014, according to evidence provided to the Senate Community Affairs Committee there were 25,137 people subject to Income Management Australia-wide. Four in every five people or 20,165 people subject to income management reside in the Northern Territory (NT). Of these, 3,520 or 14 per cent were voluntary IM participants. Nine out of 10 people subject to IM in the NT are Indigenous. [1]

There were 2,691 people on IM in the five "place-based locations". Of these, the majority were young people who were conscripts to IM under the July 2013 *"Youth Triggers" – Vulnerable*

[1] Department of Social Services, *Income Management, 2 January 2015 - Summary*, provided to Senate Community Affairs Committee, at 25 February 2014.

Measure. A further 603 were voluntary participants and 73 were under the *Child Protection Measure, the Vulnerable Measure or Social Work Referrals*. Just 175 people were placed on Income Management through the community-based decision model of the the Queensland Families Responsibilities Commission, under the Cape York Model. The latest available data indicates that 187 people are subject to the *Vulnerable Welfare Payment Recipient (VWPR)* measure.

The Committee cannot consider this Bill in isolation from other Government proposals to expand income controls of social security recipients through the impending implementation of the trial of the Healthy Welfare Card (HWC), the architecture of and ideology behind which was detailed in the *Creating Parity – The Forrest Review*.

At this time the community has not been provided with information about the announced trials of the HWC. It is unknown when the trials will start, who will be impacted, how communities involved in the trial will be selected, what percentage of a person's income will be quarantined and how access to cash will be restricted.

An assessment of the Forrest Report by the Australian Bankers Association (ABA) found that the Forrest welfare card had "technology and infrastructure limitations", and that "the technology to develop the card would be costly and complicated." [2] Additionally, the peak banking lobby stated that it disapproved of the Government seeking to use the banking industry to "block access to cash or prohibit the purchase of goods and services available to other Australians". [3]

What is known is that income management, which is similar to what is being proposed by Forrest, has cost in excess of $1 billion, and after almost eight years has made no lasting or significant improvements to the lives of people who have been forced into the scheme.

The most authoritative assessment of the impacts of IM can be found in the 2014 independent report *Evaluating New Income Management in the Northern Territory* [4] commissioned by the Department of Social Services.

The evaluation, which was led by an experienced team from the Social Policy Research Centre had a major drawback: the initial evaluation framework was altered at the request of the Department of Social Services to rule out undertaking a "detailed investigation into the cost-effectiveness of the program."[5] The terms of reference were limited to evaluating the impact of income management and assessing its implementation with the aim of informing future government decision making and social policy formulation.

The most significant findings from the evaluation were:

- *The evaluation could not find any substantive evidence of the program having significant changes relative to its key policy objectives, including changing people's behaviours.*
- *There was no evidence of any overall improvement in financial wellbeing, including reductions in financial harassment or improved financial management skills.*
- *There was no decrease in reported harassment at the community level.*

[2] Australian Bankers' Association Inc. (2014). *The Australian Bankers' Association (ABA) response to the report, 'Creating Parity - The Forrest Review*, http://www.bankers.asn.au/Submissions/Accessibility, p.1.
[3] Ibid, p. 1.
[4] Bray, J. R., Gray, M., Hand, K., & Katz, I. (2014). *Evaluating New Income Management in the Northern Territory: Final Evaluation Report* (SPRC Report 25/2014). Sydney: Social Policy Research Centre, UNSW Australia.
[5] Ibid, p. xx.

- *More general measures of wellbeing at the community level show no evidence of improvement, including for children.*
- *The evaluation found that, rather than building capacity and independence, for many the program has acted to make people more dependent on welfare.*[6]

Another recent evaluation into income management has found the scheme wanting. A report into 'Place-Based Income Management' by Deloitte Access Economics found that those who volunteered for income management may have received some benefits from participating, but young people subject to mandatory triggers experienced problems as a result of their participation in the program.[7]

We note also that surveys have shown that some people currently on Income Management want to continue with the IM scheme. On further investigation, what people particularly valued about Income Management was the "fee-free" banking that is attached to income management and the BasicsCard. This is hardly surprising, as historically many Indigenous consumers had been excluded from the benefits of the modern banking system, and were often forced to pay multiple fees and charges to get account balances, and paying up to $2.50 a time to use a "foreign" ATM.

So there is some support for IM, and, after nearly 8 years, some people have "got used to it". Some, though not all of the early problems with income management, like the limited number of Basics Card retailers, have been solved to some extent. However, reports and evaluations on Income Management also evidence that it is costly, demeaning for many, it doesn't stabilise people's lives, it doesn't lift people out of poverty, and, importantly, it doesn't help people find work where they live.

Nationally, hundreds of millions of dollars have been spent on income management to date without hard evidence to suggest that income management is having a positive impact on people's lives; the evidence available is to the contrary. The cost of income managing some people is over 60% of the basic yearly rate of the Newstart Allowance. Between 2005-06 and 2014-15, Income Management will have cost $1 billion according to estimates by the Parliamentary Library.[8]

The best that can be said is that the scheme may help some people who are vulnerable and who volunteer to take part in it. It's been found to make life worse if people are compulsorily placed on the scheme.

Given the evidence of the overall ineffectiveness of income management and the high cost of administration – of up to $7,900 per person each year – there is a strong case for abolition of the scheme.[9] At the very least, this evidence should act as a constraint on moves to expand the scheme more widely.

There is no case for expanding the system of income controls. At a time when the Federal Government is taking the razor to welfare and legal assistance programs that have been of proven benefit to Indigenous and non-Indigenous communities alike, it would be wasteful to use more Commonwealth funds on this paternalistic and bureaucratic scheme.

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[6] Ibid, p. xxi and xxi.
[7] Deloitte Access Economics, *Place-Based Income Management Baseline Evaluation Report*, September 2014, here
[8] Buckmaster, L. Ey, C and Klapdor, M. *Income management: an overview, Background Note*, Parliamentary Library, June 2012, p. 40.
[9] Australian National Audit Office, ANAO Audit Report No. 19 2012–13, *Administration of New Income Management in the Northern Territory*, 2013, p. 94.

NWRN members experience is that the issue for many people living on low incomes is the inadequacy of the rates of payment rather than their budgeting skills.

The essential reason for the failure of income management is payment inadequacy along with the absence of adequate housing, employment and education opportunities and support services available to the vast majority of participants of income management.

Continuing the findings from the *First Evaluation Report*, intermediaries across the different service types noted that there were significant service gaps for people subject to Income Management – especially those who were the most vulnerable and experiencing the most difficulties.

Gaps were noted for the following types of services:

- homelessness and housing services;
- social and emotional services;
- alcohol and drug services;
- support for mental illness; and
- nutrition and home cooking. [10]

Remote communities in particular were seen to have few services available to address the needs of people subject to income management. This was seen as a barrier to longer term goals of people being able to manage their own money.

The need for additional services was echoed by Centrelink social workers who provided the following comments about the need for extra supports, particularly for people in remote locations during the course of the Evaluation of New Income Management. They said:

- *There is nothing to link people into;*
- *[For remote customers] how can you get people to a point where they can be independent where; there are no services;*
- *Sometimes all the allocations in the world aren't resolving homelessness or lack of services;*
- *It is quite frustrating when you've coaxed this person to do it [accepting a referral] and then you can't get through to anyone.* [11]

Instead of extending the life of income management and appearing to countenance an expansion of income management through the use of the vulnerable welfare payment category the Government should be carefully planning an exit strategy for income management.

This would involve:

- engagement with Aboriginal people and communities on how the delivery of social security payments can contribute to the wellbeing of individuals and communities;
- repealing the compulsory categories of income management;
- ensuring Centrepay is strengthened as a budgeting tool;
- identifying and offering existing mechanisms to support vulnerable people, such as weekly payments;
- making the BasicsCard available on a voluntary basis to all social security recipients allowing the recipient to specify the proportion of payment to be allocated to the card;
- reducing the deductable portion of voluntary income management from 70% to 50% to eliminate the disincentives of the take up of voluntary income management; and

[10] Bray, R. Et Al, *op cit*, p. 247
[11] Ibid, p. 248

- diverting expenditure on income management to address structural barriers to participation in employment, education and training and the provision of support services to communities.

4 *Vulnerable Welfare Payment Recipients*

4.1 Overview of the Vulnerable Welfare Payment Recipient scheme

The Government proposes to amend *the Social Security (Administration) Act 1999 (*Section 123TA), to change the assessment process for classifying a person as a “vulnerable welfare payment recipient”. Currently a highly qualified and experienced social worker from the Department of Human Services makes this decision. According to the Explanatory Memorandum, the vulnerable Income Management measure was “under-utilised and administratively burdensome”.[12]

Under the existing arrangements, a Centrelink social worker undertakes a considered and thorough assessment of a person’s needs and circumstances, their environment, the available supports, their family and housing situation, their capacity to manage finances, along with any barriers to money management, etc., and looks at whether income management may be appropriate for their circumstances.

This thorough assessment to determine if a person would benefit from IM will be removed under the proposals in the Bill, making it likely that people will be mandatorily placed under income management, which may do more harm than good.

Currently, for a person to be assessed as a vulnerable welfare payment recipient, the Centrelink social worker needs to consider the following factors:

- whether the person is experiencing an indicator of vulnerability;
- whether the person is meeting their priority needs and the priority needs of their partner, children or other dependants;
- whether income management is an appropriate support for the person experiencing vulnerability:
    - to meet their responsibilities,
    - to build and maintain self-care, and
    - to manage their money.

Indicators of vulnerability include:

- financial hardship;
- is experiencing financial exploitation;
- may not be undertaking reasonable self-care; or
- is homeless or at risk of homelessness.

A person can be income managed under this measure for a maximum of 12 months, before a review of their circumstances is undertaken.

[12] Minister for Social Services, The Hon. Scott Morrison, *Social Services Legislation Amendment (No. 2) Bill 2015*, p. 2.

4.2 Who is subject to the Vulnerable Welfare Recipient Measure (Social Work Referral)?

As at August 2014, 187 people were subject to the *Vulnerable Welfare Payment Recipient Measure (Social Work Referrals)*. The number of people subject to this measure is extremely small– less than 1 per cent of the entire income managed population.

As with most categories of Income Management, the majority caught under this aspect of the welfare control arrangements were of Indigenous background. Slightly more women than men were subject to this measure, with 52 per cent female. The majority of those subject to this measure were aged between 30-60 years of age (n = 125), who account for two thirds of people who are being income managed under this measure. A significant minority, (13 per cent, or 1-in-8) were aged over 70 years of age.[13]

4.3 Administrative changes to the Vulnerable Welfare Payment Recipient Measure

In the 2013-14 Budget, the Government expanded the scope of the "vulnerable" measure, significantly increasing the numbers of people or "classes" of people deemed to be needing departmental control of their income support. Under the *'Income Management – enhanced service delivery (Vulnerable Welfare Payment Recipient) Measure'*, those deemed "vulnerable" were automatically subject to income management, with some limited exceptions.

From 1 July 2013, the following people were automatically included under the "Vulnerable Welfare Payment Recipient" Income Management measure:

- people aged under 16 years granted Special Benefit;
- people aged 16 years and over granted the Unreasonable to Live at Home rate of payment; and
- people under the age of 25 who receive a Crisis Payment due to prison release.

This new policy changed the profile of those being income managed in the "place-based" locations: NWRN's assessment was that it changed from about 75 per cent in the "voluntary" category to about 90 per cent mandatory under the VWPR (Youth Triggers) Measure.

4.4 Concerns with the proposal in the Bill

Over recent years, there has been an increased use of delegated legislation via legislative instrument in the *Social Security Act*. Once again, parliament is being asked to vote on measures not knowing the scope of critical exemptions and safeguards. Without the detail on the categories that the Government is intending on including in the proposed legislative instrument regarding vulnerable welfare payment recipients, it is very difficult to provide fully informed comment on the likely effect of this change.

Ministerial instruments are only one way to ensure flexibility to respond to rapidly changing or unforeseen circumstances. In our experience, the best way to ensure that the rules operate efficiently and fairly without unintended consequences is to ensure that there is a free standing discretion available to decision makers.

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[13] Senate Community Affairs Committee, Social Services Committee, 2014-15, *Supplementary Estimates Hearings*, Question No. 500.

There are examples in the social security law of a decision maker having a free standing discretion which are sometimes followed by a provision that allows the minister to issue guidelines for exercise of the discretion. In our submission this is a better approach as parliament can be certain of the existence of a general discretion when voting on the measures.

Parliament should demand that measures in bills such as this, which result in compulsory income management, should include a clear discretion for Centrelink to exempt a person where there are special circumstances which would warrant such an exemption.

Under the proposal before the Committee, it will be easy for the Minister to decree that specific groups or classes of people be brought under the income management regime. It may include, people who:

- are homeless;
- have applied for a Crisis Payment;
- have sought an exemption for the activity test due to domestic violence of other personal circumstances;
- have a mental health condition;
- have sought assistance from a social worker; or,
- have come to the attention of state or territory child protection authorities (as a non-urgent case for example).

The danger of imposing income management on classes of people is that there is no assessment or consideration of whether income management will benefit that particular person, or assist them to overcome their vulnerability, or whether income management may in fact be detrimental to their wellbeing. This is best demonstrated by feedback and examples forwarded to us by caseworkers in our network delivering frontline services to vulnerable social security recipients:

1. *For a person that is homeless and lives on the street or in the long grass, income management may not be suitable, as the person needs ready access to cash, rather than 'support' to pay for rent or utilities. It may be that the person's inability to take reasonable self-care is not improved by changes to the delivery of their Centrelink payment.*

2. *Any inclusion of victims of domestic violence in the vulnerable category is troubling as the ability to manage money can be particularly important to a person that is seeking to escape violence, by travelling or finding alternative accommodation. Restrictions on the use of social security payments may increase the person's vulnerability.*

3. *Our client who has an acquired brain injury and is subject to a Guardianship Order. The Public Trustee, his financial guardian, has requested that income management cease in order to improve the protection afforded to the client. His caseworker at the Public Trustee explained that the BasicsCard left the client vulnerable to exploitation and the quarantining of 50% of his Centrelink payment into the income management account reduced his ability to save money for larger purchases for him. The guardian sees the client as extremely vulnerable, and did not see income management as assisting him.*

Further, there has been no detail provided regarding:

- whether a vulnerable welfare payment recipient as defined by a legislative instrument will be able to be exempted from that class;

- whether the person will be able to apply for a reconsideration of their circumstances under section 123GA (8); or
- whether the appeal rights under Part 4 of the *Social Security (Administration) Act* apply to the decision made under the legislative instrument.

As noted earlier, the number of people currently subject to this measure is extremely small being less than 1 per cent of the entire income managed population. The numbers placed under income management under the "Vulnerable Welfare Recipient Measure" have been consistently low, because, objectively, DHS Social Workers have not seen the need to place people under income management in the circumstances.

With the number of "vulnerable welfare recipients" being so few the stated rationale for this change is unconvincing. Given the small numbers, the Government's claims that it is administratively burdensome are questionable. In any case the real question is, if case by case assessments about the appropriateness of income management for a group of people would result in low numbers of people being placed on income management, how can it be appropriate to make income management mandatory for the whole group? The logical conclusion is that people will be inappropriately placed on income management.

NWRN recommends that the Government introduce an incentive based voluntary income management model, or in the alternative, introduce a genuine case-by-case income management model (rather than declared areas or targeting specific "classes" of people).

5. The Matched Savings Scheme Payment

5.1 Outline of the scheme

The Matched Savings Scheme Payment was developed with the intention of upskilling people subject to income management in financial literacy and money management skills, however it was developed without an adequate understanding of the realities of people's lives.

A one-off Matched Savings Scheme Payment is available to people who are income managed (except those on Voluntary Income Management and Cape York Income Management).

To receive the payment, a person on income management needs to complete a money management course and show a pattern of saving in their bank account for at least 13 weeks. The Department of Human Services matches the amount saved up to $500 and pays it into the person's income management account, where it can only be expended on 'priority needs'.[14]

5.2 Minimal uptake

The Matched Savings Scheme has been subject to considerable criticism. Operating since 2007, just 57 maximum payments have been made; most in the Northern Territory.[15]

One of the critical reasons for the low take up of the Matched Savings Scheme Payment is that most people are unable to save funds from social security payments due to the low rates of payment. Another aspect has been the lack of access to Money Management Services.

[14] Priority needs are defined in Part 3B of the *Social Security (Administration) Act*
[15] Senate Community Affairs Committee, Social Services Portfolio, *Additional Estimates Hearings*, 2014-15, Income Management Summary, 1 January – provided to Committee on 25 February 2015.

The low take-up comes as no surprise. Most of the people who are subject to income management are struggling to get by, and have difficulty paying bills, rent, the costs associated with raising children or dealing with their disability or health condition. Saving is often not possible, especially if they are required to pay back a Centrelink overpayment.

Survey after survey shows that most people on low incomes simply cannot save from their meagre income support payments, which are way below the poverty line. The recent report from the Australian Council of Social Services, '*Payment adequacy: a view from those relying on social security payments'* highlights the plight of people living on the lowest income support payments, Newstart and Youth Allowance, with 83% saying they don't have enough to live on, including one in five reporting they are unable to afford basic essentials like housing, food and electricity.

For example, how does a person on the Newstart Allowance of just $260 per week manage to save the $40 per week over 13 weeks to be eligible for the Matched Savings Scheme payment when they are already facing serious financial pressures?

The *Evaluation of New Income Management in the Northern Territory* stated that its interview participants identified two primary barriers to participating in the matched savings scheme:

> "*The first was that for many people, attempting to save up to $500 over 13 weeks and thus establishing a pattern of saving was not a realistic goal as they are on such low incomes that they struggle to make ends meet. The second was that as soon as people became aware that the $500 Matched Savings Scheme Payment paid upon achieving the savings goal is paid into their income management account they decided not to participate in the program. This reaction is related to the savings for the Matched Savings Scheme Payment being required to be from non-income managed funds.*"[16]

5.3 Remote cost of living

The above is exacerbated in remote communities where the cost of living is extraordinarily high; the vast majority of people who are income managed and eligible for the matched saving scheme payment live in remote communities in the Northern Territory.

- The cost of fresh food is 150% to 180% higher than in capital cities (*Havnen, 2012*) and the cost of fuel in remote communities can be double the national average (*NT News, 2014*).
- Remote households pay disproportionally more for food when shopping locally – requiring 34% of their family income to purchase the 'food basket' – and prices are rising at a higher rate than major centres. Remote households pay 50% more for the same goods when compared with a family shopping in Darwin (*NTCOSS, Feb 2015*); a recent Menzies Health study has this figure at 60% (NT News, 2015). The Market Basket Survey conducted in March 2014 by the NT Department of Health shows that it costs an average of $824 a fortnight to feed a family of 6 shopping at remote NT stores.
- People in remote areas are reliant on private vehicles for transport due to the absence of public transport; the NT is the only jurisdiction where households spend more money on transport than on food (*ACOSS, 2014*).
- Public transport is non-existent or very expensive in remote communities. Trips between communities are a large portion of remote travel; transport costs constitute a large proportion of expenditure for many people who are on low incomes. As an example a family of four could fly from Alice Springs to Melbourne return for $880 – contrasting with the $1,300 fare for a

[16] Bray, R. Et Al, op cit, p. 247.

return trip to Alice Springs from Elliott on a bus, a trip which is likely done more regularly (*NTCOSS, April 2014*).

- Compounding this, between 2012 and 2013, average household expenditure on utilities increased by $800 per year per household in the Northern Territory (*ACOSS, 2014*).

The high cost of living in remote communities is not adequately ameliorated by the Remote Area Allowance; singles receives $18.20 per week, couples $15.60 each and $7.30 for each dependent child (*DHS, 2015*).

5.4 Building financial capability

The related initiatives of improving money management skills as part of the income management scheme, have largely proved unsuccessful in the current settings. The *Evaluation of New Income Management in the Northern Territory* states that Money Management programs were found to be unsuccessful in building 'financial capabilities'.[17] Over 29,400 people having been on the compulsory measures since the start of Income Management in the NT, yet only 1,139 people (4 per cent) had completed an Approved Money Management course.

The Commonwealth Government earmarked $350,000 for Matched Savings Scheme Payments in Northern Territory which, according to Department officials at Senate Estimates, is 'undersubscribed'.[18] For the financial year 2014-15, a total of $133,000 has been put aside as an appropriation for the Matched Savings Scheme Payment for all income management sites.[19] A further $11,000 has been allocated for the five trial sites.[20] In the current fiscal environment when Government departments are cutting grants and axing funds for a range of Indigenous organisations and programs it is difficult to justify a continued budget allocation for this scheme.

The NWRN considers matched savings programs could work. However in this case the onerous requirements of the scheme acted as disincentives and rendered it an unattractive offer.

NWRN supports the proposal to abolish this payment. NWRN supports the ongoing funding of Money Management services in remote communities.

6. *Voluntary Income Management Incentive Payment*

6.1 Outline of the payment

A person is qualified to receive a Voluntary Income Management Incentive Payment if they remain subject to Voluntary Income Management (VIM) for a qualifying period of 26 consecutive weeks. At the end of each consecutive 26 weeks that a person remains on VIM a payment of $250 is automatically paid into the person's income management account.

6.2 Who will be affected?

[17] Ibid, p. xxi.
[18] Senate Community Affairs Legislation Committee, *Estimates Transcript*, 21 November 2013.
[19] Ibid, Question No. 520.
[20] See: Karvelas, P, *Only one recipient of $53m matched savings scheme*, 16 March 2011; Karvelas, P, *Matched Savings Scheme a 'dud' as only $11 welfare recipients meet $500 target*, 3 December 2011; Karvelas, P. *Matched savings plan for low-paid totals only $10k*, 6 March 2013.

Before commenting on the plans to abolish this payment, it is worth looking at who will be affected by the change.

As at January 2015, over 38,000 people had been paid the $250 Income Management incentive payment.[21] As Table 1 shows, one in six people, or around 9,300, have received more than one of these incentive payments.

One-in-five people on Income Management are voluntary participants, and in the Northern Territory, 14 per cent are voluntary participants in the scheme. There were 5,203 people on Voluntary Income Management for more than 14 weeks, at the start of 2015, many of whom would be eligible for a $250 incentive payment under the existing rules.

Across Australia, 5,300 are set to lose benefits under this measure. The largest group of income support recipients to miss out are in receipt of the Disability Support Pension, with over 3,200 set to miss out on the payments. Over 3,300 mainly Indigenous people in the NT who are voluntary participants will lose up to $500 a year if the Senate supports the removal of this incentive payment.

Voluntary Incentive Payment (VIP)	
Number of people who have received more than one VIP	9,307
People who have received more than one VIP - Indigenous	84%
People who have received more than one VIP – Non-Indigenous	16%
Total number of VIP's paid	38,832

Table 1. Number Receiving Voluntary Income Management Payments, January 2015.[22]

Disability Support Pension and Age Pension recipients account for the majority of those on VIM, with 3,277 on the Disability Support Pension and 1,060 on Age Pension as at August 2014, as Table 2 shows. The next highest number were on the Newstart Allowance, at 668, followed by Parenting Payment Single, Parenting Payment Partnered, and Youth Allowance.

Main Income Support Payments	**Number**	**%**
Disability Support Pension	3,277	56
Age Pension	1,060	18
Newstart Allowance	668	11
Parenting Payment Single	284	5
Parenting Payment Partnered	142	2
Youth Allowance	101	2
Other	333	6
Total	**5,865**	**100**

Table 2: Main Income Support Payments: Voluntary Income Management, August 2014

The second highest number of participants on VIM for more than 14 weeks by area is in Western Australia, in the Kimberley and in Metropolitan Perth. The high numbers are reflective that voluntary income management has been in operation in these locations complimentary to the Child Protection Income Management Trial since 2008.

Number of People on Voluntary Income Management for more than 14 weeks by area	
Bankstown	30
Rockhampton	65

[21] Senate Community Affairs Committee, Social Services Portfolio, *Additional Estimates Hearings, Op Cit.*
[22] Ibid, p. 2.

Logan	124
Playford	93
Greater Shepparton	177
Ng Lands	142
APY Lands	176
Northern Territory	3,303
Perth Metro	471
Kimberley	622
Total	**5,203**

Table 2. Location of Voluntary Income Management Participants, January 2015.

6.3 Comments on the abolition of the Voluntary Income Management Incentive Payment

The elimination of these payments is disappointing, particularly when the data suggests that Voluntary Income Management has some evidence of achieving positive outcomes for participants.

The extra $250, paid into a person's income management account each six months on the scheme, while modest, can make an important difference to social security recipients, most of whom survive on inadequate payments well below the poverty-line. The impact of this payment is exacerbated in remote communities, where the cost of living is high, as detailed above. Our concerns are as follows:

- the removal of this lump-sum payment is equivalent to about an additional $10 a week for a person living on just $37 a day if on the Newstart Allowance or up to $30 per day on the Youth Allowance;

- Voluntary Income Management is one of the only areas of the Income Management policy where there is some evidence of positive outcomes for individuals (particularly when a range of supports and services (including Financial Counselling and Money Management Services) are also available;

- The impact of the loss of this payment is in addition to the axing of the *Income Support Bonus*, paid to working age payment recipients, and worth nearly $110 every six months, which will not be available beyond December 2016.

- The removal of the payment will overwhelmingly impact on older Aboriginal people on the Disability Support Pension and the Age Pension,[23] and people living in remote communities with high costs of living.

The *Evaluation of New Income Management in the Northern Territory* found that the incentive payment was a popular feature of Voluntary Income Management and was used by the Department of Human Services staff to promote income management. [24]

Those who have signed up for Voluntary Income Management have done so in the expectation that they would receive the incentive payment for the duration of income management. The removal of the incentive payment may reduce the number of people on Voluntary Income Management.

[23] Bray, R. Et Al, op cit, p. 67.
[24] Ibid, p. 247.

If the change is retained, the cut-off date should be extended to 31 December 2015 to qualify for payment, to ensure that persons who have recently volunteered for Income Management receive the payment they were promised at the outset, noting that VIM cannot be terminated within 13 weeks of entering into a voluntary income management agreement under section 123UO(1A).

7 Exemptions

Item 12 revises the work test which may result in an income management exemption. Work tested exemptions should operate as rewards and incentives to undertaking work. By making the work test exemption harder to achieve this goal may be undermined. Some people in short term employment may benefit in some cases, eg a person who obtains short term work of 5 weeks, but is unemployed the rest of the year may now attract an exemption.

However, it is important to note that for others the bar is being effectively lifted from the current 26 weeks in a 12 month period to 4 weeks in a 6 week period which equates roughly to 34 weeks in a 12 month period. NWRN is unsure of the impact of this proposal which will be affected by what is as yet unknown DHS policy around reviewing exemptions and at what intervals, given the likelihood of variability in income. An unintended consequence may be people being moved on and off income management, causing disruption to regular payments and difficulties around the use of BasicsCards, if the interval is too short a duration. Another unintended consequence may be that people who work more than 26 weeks, but less than 34 weeks in a 12 month period lose access to the exemption for periods of time, depending on the timing of their employment and how the exemption is to be reviewed and implemented.

The changes in items 9 to 11 and 13 to 24 to terminology from dependent child to principal carer may have significant consequences that were not explained in the Explanatory Memorandum.

The significance of the term "principal carer" is that only one person can be the principal carer of a particular child.[25] This is to be contrasted with the current definition of dependent child which permits a child to be the dependent child of both parents[26].

In situations where care of a child is shared equally (50/50 care) only one person will be determined to be the principal carer and thus only one would be able to be exempted from compulsory income management on the basis of a financial vulnerability assessment and demonstrated evidence of responsible parenting activities. Examples of responsible parenting activities includes school enrolment and regular attendance, age appropriate child health checks and immunisations or sustained participation in structured, age appropriate social learning or physical activities. [27]

There is also effectively a change to the age of the child, as a dependent child may be up to 21 years old, whereas a person can only be a principal carer of a child if the child is under 16.

No explanation has been given as to why the Government considers that responsible parenting activities, such as ensuring attendance at school, should now only be available to principal carers and not to others with a dependent child in their care. If the policy intention is to encourage, support and reward responsible parenting activities it is hard to see what justification there could be

[25] *Social Security Act 1991 Section 5(18).* See also DSS policy http://guides.dss.gov.au/guide-social-security-law/1/1/p/412.
[26] See http://guides.dss.gov.au/guide-social-security-law/1/1/d/70
This section allows the child to be a dependent child of both parents. Also a dependent child can be over 16 years of age.

[27] *Exemptions from Income Management*, (2015) DSS,
https://www.dss.gov.au/sites/default/files/documents/12_2012/exemptions_fs_final_lr_nov2012.pdf

for closing off this exemption to people who may be providing up to 50 per cent care of these children and to all people with dependent children over the age of 16. Surely it should also be seen as important to support and reward parents who actively ensure continued participation in school in years 11 and 12.

8 Income management and indirect discrimination

The NWRN remains concerned that the income management regime is indirectly discriminatory in its practical effect. Income management has an inequitable impact on Aboriginal people, as follows:

- Aboriginal people are income managed in the Northern Territory at a much higher rate than non-Indigenous people

  "90.2 per cent of those being income managed are Indigenous. It is estimated that 1.3 per cent of non-Indigenous people and 34.0 per cent of Indigenous people aged 15 years and over living in the Northern Territory are subject to income management".[28]

- Aboriginal people spend longer durations on income management.

  "when account is taken of exemptions, only 49.5 per cent of non- Indigenous people are on income management 13 weeks after their initial proposed commencement date, compared with 91.1 per cent of Indigenous people" [29]

- Aboriginal people are also shut out of exemptions to income management.

  "Few exemptions have been granted and most exemptions have been obtained by non-Indigenous people who have an exemption rate of 36.3 per cent, compared with 4.9 per cent for Indigenous people. Indigenous people have both a low rate of application for exemptions and a high rejection rate for those who do apply. [30]

This is unlikely to change given the Government appears intent on pursuing policies that are expensive, have no benefit save to a tiny minority, and do not address the structural causes of disadvantage – access to housing, employment and educational opportunities.

9 Recommendations

NWRN makes the following recommendations to the Committee.

1. That the Matched Savings scheme (income management) be repealed.

2. That the *Voluntary Income Management incentive payment* be maintained.

3. That the current case by case social work assessment of the *Vulnerable Welfare Payment Recipient Measure* be maintained.

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[28] Bray, R. Et Al, op cit, p. xx
[29] Ibid, p 83
[30] Ibid, p. xx