

Policy Paper: Alternatives to Compulsory Income Management

Compulsory income management does not work. A substantial body of peer-reviewed research exists on both the Cashless Debit Card (CDC) and Basics Card which, along with government-commissioned evaluations, demonstrates numerous in-built issues with compulsory income management (CIM) and an overall absence of valid changes to participant and community wellbeing attributable to these schemes.

As recently reported by the Auditor-General in a follow-on audit investigating the implementation and performance of the CDC, the Department of Social Services (DSS) and Services Australia under the Morrison government have repeatedly failed to demonstrate that the CDC meets its intended objectives.¹ This has been compounded by DSS' ineffective approach to monitoring and evaluation and lack of robust cost-benefit analysis. Independent research has showed clear signs of harm associated with CIM, including the exacerbation of financial hardship, experiences of stigma and discrimination and evidence of disproportionate targeting of Indigenous communities.² The failures of the CDC are consistent with longer standing concerns about the imposition of CIM under the BasicsCard, which also disproportionately targets Indigenous communities and has had demonstrated detrimental impacts on child and family wellbeing.³

The negative impacts of these schemes are accompanied by government failure to invest in much-needed and often promised – but not delivered – social support services, leaving CIM as the sole measure implemented. Most people subject to the CDC have expressed negative views about the scheme, with statements in support coming primarily from organisations and elite individuals.⁴ The administrative costs of the CDC have been exorbitant, and any continuation or expansion of the scheme would be a waste of money that could be spent on more effective programs and strengthening the social security net.

We outline six proposals for social security policy initiatives that will build strong communities and allow all Australians to lead dignified, self-determined and healthy lives. None of these initiatives can work in isolation: they must be implemented together in order to comprehensively address identified issues of socioeconomic disadvantage.

1. Presenting income management as a voluntary-only option.

If income management is to be retained as a policy measure, it should only continue as a voluntary approach. Support for voluntary as opposed to compulsory income management has been

¹ Australian National Audit Office, *Implementation and Performance of the Cashless Debit Card Trial – Follow-on*, Auditor-General Report No. 29 2021-22 (Canberra, ACT, 2022), https://www.anao.gov.au/sites/default/files/Auditor-General_Report_2021-22_29.pdf.

² For CDC, see *Hidden Costs: An Independent Study into Income Management in Australia* by Greg Marston, Phillip Mendes, Shelley Bielefeld, Michelle Peterie, Zoe Staines and Steven Roche (2020), "[Income Management of Government Payments on Welfare: The Australian Cashless Debit Card](#)" by Luke Greenacre, Skye Akbar, Julie Brimblecombe, and Emma McMahon (2020), [University of Adelaide Future of Employment and Skills research centre's impact evaluation](#) (2021), and [ORIMA evaluation reports](#) (2014). For Basics Card, see '[Evaluating New Income Management in the Northern Territory: Final Evaluation Report](#)' by J Rob Bray, Matthew Gray, Kelly Hand and Ilan Katz (2014) and "[Measuring the social impact of income management in the Northern Territory: An updated analysis](#)" by J Rob Bray (2020).

³ <https://lifecoursecentre.org.au/news/drop-in-birth-weights-and-school-attendance-could-be-linked-to-nt-welfare-restrictions/>.

⁴ Kostas Mavromaras, Megan Moskos, Stéphane Mahuteau and Linda Isherwood, *Evaluation of the Cashless Debit Card in Ceduna, East Kimberley and the Goldfields Region: Consolidated Report*. (Adelaide, SA: The University of Adelaide, 2021), 4 https://www.dss.gov.au/sites/default/files/documents/02_2021/fac_evaluation-cdc-ceduna-east-kimberley-and-goldfields-region-consolidated-report_012021.pdf.

demonstrated in several evaluations of its application in the Northern Territory and beyond. In the Northern Territory, evaluators identified that voluntary income management (VIM) participants, the majority of whom were Indigenous, “were much more likely than those on compulsory income management to report feeling that income management had made things better for them, and to express a desire to remain on the program.”⁵ A review of voluntary income management in South Australia on Anangu Pitjantjatjara Yankunytjatjara (APY) Lands found that community acceptance of the scheme was directly related to a) the community’s request of income management as a measure and their perception of adequate processes of consultation, and b) the fact that the vast majority of participants volunteered to be income-managed.⁶

We identify several threshold conditions for the operation of VIM. First, a clear definition of ‘voluntary’ participation in any program relating to social security payments must be developed in accordance with notions of individual and community consent and a clear emphasis on dignity, agency and consumer choice. Second, a program should not be considered voluntary if there is an implicit threat of compulsory enforcement, or the offer of an incentive payment to participate. Finally, a program should not be considered voluntary if there is an inability for participants to exit at will, or if there are structural disincentives to exit. Rather than an exhaustive list of considerations, these three requirements are presented as minimum standards for the implementation of VIM as a policy measure.

2. Sustained investment in local support services

Though the stated aims of the CDC have broadly been to reduce ‘welfare dependence’ and social harm caused by the misuse of alcohol and other drugs (AOD) and gambling products, forcibly restricting the funds of social security recipients has not produced these outcomes. The targeting of a generalised cohort of social security recipients over the protracted trial period represents a failure to develop appropriate and fit-for-purpose policy initiatives to address social harm, with an emphasis on welfare deterrence rather than individual and community wellbeing.

As part of a larger study on the impacts of CIM in Australia and New Zealand, researchers found that conditional welfare under both the CDC and Basics Card proved ineffective in reducing recipients’ access to AOD. In fact, the vast majority of cardholders interviewed did not struggle with AOD use or gambling, with the cards instead exacerbating stigma and compounding socioeconomic deprivation.⁷ Further, no rationale has been provided for failing to properly fund support services to assist those people who were struggling with AOD or gambling prior to the introduction of CIM.

AOD related harms are a significant issue across the Australian community and are not exclusive to those regions targeted by the CDC. A large and robust body of literature outlines tried-and-tested interventions for reducing alcohol-related harm at the community level.⁸ These include volumetric alcohol taxation, reducing alcohol availability, random-breath testing and low legal limits, and ‘brief

⁵ Bray et al., *Evaluating New Income Management in the Northern Territory: Final Evaluation Report*, 259.

⁶ Ilan Katz and Shona Bates, *Voluntary Income Management in the Anangu Pitjantjatjara Yankunytjatjara (APY) Lands*. (Sydney, NSW: Social Policy Research Centre, University of New South Wales, 2014), 41, https://www.dss.gov.au/sites/default/files/documents/09_2014/voluntary_income_management_in_the_apy_lands_final_report_2014.pdf.

⁷ Phillip Mendes, Steven Roche, Greg Marston, Shelley Bielefeld, Michelle Peterie, Zoe Staines and Louise Humpage, “Is conditional welfare an effective means for reducing alcohol and drug abuse? An exploration of compulsory income management across four Australian trial sites,” *Australian Journal of Political Science* 56, no. 2 (2021), <https://doi.org/10.1080/10361146.2021.1884646>.

⁸ See Babor, T., Caetano, R., Casswell, S., Edwards, G., Giesbrecht, N., Graham, K., ... Rossow, I., *Alcohol: No ordinary commodity: Research and public policy*, 2nd ed. (New York: Oxford University Press, 2010), xv, 360.

interventions' from primary health care professionals. The Alcohol and Drug Foundation also notes the importance of resourcing and up-skilling grassroots community prevention programs to reduce AOD harms in a way that simultaneously empowers local communities.⁹ Unlike the CDC, these measures have been repeatedly shown to reduce alcohol-related harm in a variety of contexts, and some, like increased alcohol taxation, result in revenue that can be redirected to the other measures outlined in this brief. At the individual level, persons engaging in harmful substance use should be provided with a range of appropriate health and social supports that centre dignity, agency and wellbeing. This also requires addressing the detrimental role of AOD stigma – such as that associated with the imposition of CIM – in reducing the quality of life of individuals either struggling with or perceived to be struggling with AOD use.¹⁰

Gambling is another important issue that can have detrimental impacts on Australians' health and wellbeing. Welfare quarantining under the CDC failed to reduce gambling revenue generation – and by extension, gambling behaviours of concern – in Ceduna since the trial commenced in 2016.¹¹ Gambling support in Australia is typically delivered through counselling and peer-support, which identify problem gambling as a health issue requiring specialised intervention at the level of the individual.¹² At the consumer level, Australian banks including ANZ, Bank of Melbourne, Commonwealth Bank, NAB and Westpac have begun to offer customers with the ability to voluntarily block a range of electronic gambling transactions.¹³ This is one example of an intervention which, if coupled with counselling support, has the potential to reduce gambling issues while centring individual agency.

As outlined above, issues of AOD and gambling-related harm purportedly targeted by the CDC and CIM under the BasicsCard require a reorientation of policy rationale to focus on health and community wellbeing, rather than individual punishment. A genuine commitment to reducing social harm will involve long-term investment in social support services which promote individual and community wellbeing. These include supports addressing harmful AOD use (rehabilitation and in-community), mental health, legal assistance, financial management, parenting and childcare, and housing and homelessness. Determining the relevant supports required by any community can only be achieved through broad-based consultation with communities, prioritising the voices of those most affected.

3. Supporting community-driven alternatives.

Indigenous community organisations have developed comprehensive and targeted solutions to address concerns about local job availability, financial management and social wellbeing which overlap with the purported aims of income management programs. For example, Aboriginal Peak Organisations Northern Territory's *Fair Work and Strong Communities* proposal for a Remote Development and Employment Scheme “seeks to increase the number of jobs in communities, drive community participation and development, and reduce the role that the welfare system plays in

⁹ Australian Drug Foundation, *Preventing alcohol and drug problems in your community: A practical guide to planning programs and campaigns*, (Melbourne, VIC, 2014), https://cdn.adf.org.au/media/documents/ADF-PreventionResearch-Jun14.pdf?_ga=1*11otk8d*_ga*NiY1OTg2NTcxLjE2NTQ1NTY4ODQ.*_ga_LPQGPFW1NL*MTY1NDU1Njg4NC4xLjEuMTY1NDU1Njk1Ni41MA..

¹⁰ Alcohol and Drug Foundation, *Alcohol and other drugs: Stigma. A background paper*, (Melbourne, VIC, 2019), https://cdn.adf.org.au/media/documents/ADF_Stigma_background_paper.pdf?_ga=1*1axxqiu*_ga*NiY1OTg2NTcxLjE2NTQ1NTY4ODQ.*_ga_LPQGPFW1NL*MTY1ODE5MDk1Ny4yLjEuMTY1ODE5MTU5Ni41Mg..

¹¹ Greenacre et al., “Income Management of Government Payments on Welfare: The Australian Cashless Debit Card.”

¹² <https://www.gamblinghelponline.org.au>

¹³ <https://gamblershelp.com.au/lets-talk-gambling/blocking-gambling-transactions-credit-and-debit-cards/>

people's lives" through local, community-controlled initiatives in partnership with government.¹⁴ On a smaller scale, the Arnhem Land Progress Association developed a successful voluntary Foodcard program through community consultations in Gapuwiyak in 2004, which has been designed as a "family budgeting tool" to "help families to regularly eat healthy meals throughout the whole pay cycle."¹⁵ Resourcing and supporting these and similar programs will open the possibility for a more comprehensive approach to tackling identified areas of concern regarding community wellbeing and financial insecurity while supporting Indigenous self-determination.

Further to this, any proposed changes to the delivery of social security must involve broad, representative and timely consultation with Indigenous communities, and must be inclusive of people who will be subject to these changes. Approaches to both policy development and supporting Indigenous community-driven alternatives must be conducted in accordance United Nations Declaration on the Rights of Indigenous Peoples, which Australia has endorsed but not yet implemented into law, policy or practice.¹⁶ These actions represent a first step towards working in genuine partnership with Indigenous communities, community-controlled organisations and representative bodies, rather than imposing top-down, paternalistic and discriminatory CIM regimes.

4. Improving and promoting voluntary engagement with money management mechanisms.

Centrepay is a government service developed to support people receiving social security payments to pay for regular bills, rent and other ongoing expenses. Centrepay has the ability to function as a financial management tool that enhances rather than diminishes participants' control over their spending by allowing them to enter into voluntary payment agreements. While there is a need to strengthen consumer protections by banning business practices such as predatory consumer leasing,¹⁷ voluntary engagement with Centrepay can function as a valuable tool to assist people to keep up with rent and bill payments.

The government-commissioned review of VIM on APY Lands identified several voluntary arrangements that people chose to enter into to support payment of bills and essential expenses. These included the use of a Key Card and associated direct debit payments to either transfer funds to a store or make bill payments, the Centrepay system, and the use of store accounts or store cards.¹⁸ Investing in and promoting voluntary engagement with Centrepay and other similar money management mechanisms is an opportunity to build financial literacy and support individuals' wellbeing without undermining choice and agency.

5. Investing in local job creation.

Investment in job creation in regional and remote communities is an important complement to social support measures, as a lack of suitable job availability has been reported across all CDC sites. This is compounded by the issue of underemployment, where in the Hinkler region for example, many people have their finances controlled by the CDC while also being technically employed. The issue is

¹⁴ Aboriginal Peak Organisations Northern Territory, *Fair Work and Strong Communities: Proposal for a Remote Development and Employment Scheme*, (Darwin and Alice Springs, NT, 2017), 4, http://www.amsant.org.au/apont/wp-content/uploads/2017/07/RDES-Report_Online.pdf.

¹⁵ <https://www.alpa.asn.au/health-and-nutrition>

¹⁶ See the [AIMN's submission](#) to the Senate Legal and Constitutional Affairs Committee's [inquiry](#) into the application of the United Nations Declaration on the Rights of Indigenous Peoples in Australia.

¹⁷ <https://consumeraction.org.au/parliament-must-kick-rent-to-buy-products-off-centrepay-for-good/>

¹⁸ Katz and Bates, *Voluntary Income Management in the Anangu Pitjantjatjara Yankunytjatjara (APY) Lands*, 19-20.

not that people are ‘unwilling to work’ but that they are ‘experiencing a shortage of adequately paid employment opportunities in the region,’ as well as a shortage of sufficient available hours of work.¹⁹

Labour market concerns are linked to the need for an expanded definition of work. Policymakers must recognise that not all people can be in formal paid work due to, for example, caring responsibilities, illness and or disability, and that dominant conceptions of ‘work’ in Australia do not adequately account for the labour involved in cultural and community responsibilities. All forms of work (whether formally integrated into the market or informally supporting it) should be compensated fairly - including care work, study, and caring for Country, to ensure a liveable income for all.

Policy development must also target identified barriers to labour force participation, foremost of which relate to childcare access and costs.²⁰ Further, while Australia’s seasonally adjusted unemployment rate has fallen 0.4 percentage points to 3.5 per cent in June 2022, the underemployment rate rose by 0.3 percentage points to 6.1 per cent over the same period.²¹ These issues are particularly pressing given the new federal Labor government’s goals to increase employment security and fair remuneration.

6. Raising the rate of welfare payments and removing mutual obligations.

We support calls by welfare and community organisations to raise the rate of all social security payments above the Henderson Poverty Line, as well as to reflect the higher poverty line for people with disability.²² We also support community sector calls to remove punitive mutual obligations requirements more broadly, and in particular to address the disproportionately high rates of mutual obligation non-payment penalties for Aboriginal people in regional and remote communities. High rates of disengagement from the social security system in these communities must also be urgently addressed.²³

CIM further restricts people’s ability to manage their own money - something which Australians receiving social security payments are particularly adept at, given that it has been over 20 years since the last appreciable permanent rise in payment rates. The Australian Council of Social Service has called for an increase in the rate of all social security payments, and grassroots organisations such as the Australian Unemployed Workers Union and Antipoverty Centre advocate for this increase to fall above the Henderson Poverty Line.²⁴ An increase to payments must also reflect the higher poverty line for people with disability and chronic health issues, given the additional costs accrued in order to achieve an equivalent standard of living to other Australians.²⁵ This includes disability-related costs such as health care, medications and functional modifications.²⁶

¹⁹ <https://news.griffith.edu.au/2020/06/02/community-and-the-cashless-debit-card-in-the-hinkler-region/>,
<https://www.abs.gov.au/statistics/labour/employment-and-unemployment/underemployed-workers/latest-release>

²⁰ <https://www.abs.gov.au/statistics/labour/employment-and-unemployment/barriers-and-incentives-labour-force-participation-australia/2018-19>

²¹ <https://www.abs.gov.au/media-centre/media-releases/unemployment-rate-falls-35>

²² <https://melbourneinstitute.unimelb.edu.au/publications/social-indicator-reports>

²³ See Economic Justice Australia’s 2020 report [Community Development Program – The impact of penalties on participants](#).

²⁴ For Australian Council of Social Service campaign, see: <https://raisetherate.org.au>; for Australian Unemployed Workers’ Union campaign see: <https://www.80aday.org>

²⁵ <https://www.80aday.org/demands>

²⁶ Binh Vu, Rasheda Khanam, Maisha Rahman and Son Nghiem, “The costs of disability in Australia: a hybrid panel-data examination,” *Health Economics Review* 10, no. 6, (2020), <https://doi.org/10.1186/s13561-020-00264-1>.

Disproportionately high rates of mutual obligation non-payment penalties for Aboriginal people in regional and remote communities must also be addressed, along with high rates of disengagement from the social security system – including among people with disability and chronic health issues.²⁷ This disengagement, which occurs as a result of the prohibitive system in place to access welfare payments, needs to be addressed as a matter of urgency, especially in very remote communities burdened with endemic poverty and chronic health issues. However, the need to enhance social security access in remote communities has been largely ignored in a social security policy environment that has focused on income management.

We know that it is not possible to income-manage people out of poverty and deprivation. Further, income management is irrelevant for people who have no income at all, and its imposition entrenches poverty for family and community members responsible for supporting people who find the current system too difficult to engage with.

Conclusion

Labor's election commitment to end the CDC represents a welcome shift away from the previous government's development of increasingly punitive social security policy. However, this commitment should be expanded to ending all types of compulsory income management, including both the BasicsCard and the privatised CDC, and should be situated within a broader raft of changes to the delivery of social security. The six proposals outlined above should be collectively implemented in order to strengthen communities, reduce social harm and centre the dignity and self-determination of all Australians.

²⁷ See Economic Justice Australia's 2020 report [Community Development Program – The impact of penalties on participants](#).