Combined Pensioners & Superannuants Association OF NEW SOUTH WALES INC

CPSA

Submission to the Senate Community Affairs Committee Inquiry

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Welfare Reform and Reinstatement of Racial Discrimination Act Bill 2009 and other Bills

Combined Pensioners & Superannuants Association of NSW Inc (CPSA)

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Introduction

CPSA represents pensioners of all ages, superannuants and low-income retirees. CPSA has 148 Branches and Affiliated Organisations, with a combined membership of 33,000 people. CPSA appreciates the opportunity to comment on the Australian Government's *Welfare Reform and Reinstatement of Racial Discrimination Act Bill 2009.* .

Compulsory income management presents a dramatic shift in Australia's welfare policy. Income management restricts 50% of a recipient's base rate of pension or allowance and 100% of their supplement payments to be spent on items other than alcohol, tobacco, and pornography.

CPSA questions the utility and benefit of such an overhaul to Australia's income support system. It will have a major impact on the lives of more than one million Australians potentially subject to the reform. CPSA supports the reinstatement of the Racial Discrimination Act in the Northern Territory, but this should be done without extending compulsory income management nation-wide. This merely extends income management for the initial targeted group (without qualification) and imposes it (without qualification) on others regardless of the way they manage their Centrelink payments.

The bill proposes the use of income management to act as a tool to "support the most vulnerable and disengaged people and encourage those on welfare payments to develop the skills and capabilities to engage in productive social activities". In CPSA's view, these desired outcomes are not dependent on whether an individual's income is managed. Rather, these outcomes depend on a combination of factors such as whether suitable education and employment opportunities exist, strong social networks are in place, and individuals have secure and affordable housing, access to healthcare, transport, and last but not least, an adequate income.

The proposal to make income management compulsory for a large group of income support recipients assumes that these recipients cannot manage their money 'responsibly' and therefore need income management to participate meaningfully in society. CPSA strongly disputes this notion, and objects to the welfare reform's implication that income support recipients are 'guilty until proven innocent' with regard to their management of their finances.

Justification of income management

The evidence used to support the claim that compulsory income management has improved the lives of income support recipients is flimsy at best. The Australian Institute of Health and Welfare's (AIHW) review of the Northern Territory Emergency Response admitted that the evidence it had based its report on sat "towards the bottom of an evidence hierarchy." There was a major deficiency in the sample size, with only "76 [people] from 4 locations" participating, "who were not randomly selected for interview."[1]

At 31 March 2009, there were 15,125 people subject to income management. The 76 people interviewed about their experience under income management represent 0.5% of this group. Despite the obvious flaws in the research, it is safe to say that this review formed a large basis of the Government's claims that income management was delivering better outcomes for communities affected by the policy. Minister for Families, Housing, Community Services and Indigenous Affairs stated:

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[1] Australian Institute of Health and Welfare, 'The Evaluation of income management in the Northern Territory' August 2009, available at: http://www.fahcsia.gov.au/sa/indigenous/pubs/nter_reports/Documents/nt_eval_rpt/3_mgt_funds.htm#tbl_34

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> "While the consultations revealed a variety of views about income management, many participants reported that income management had delivered discernible benefits, particularly to children, women, older people and families.
>
> More money was being spent on food, clothing and school related expenses; people were saving for large purchases such as fridges and washing machines; less money was being spent on alcohol, gambling, cigarettes and drugs; and 'humbugging' had decreased."[2]

AIHW admitted that the review was flawed because there was no base sample group to compare the findings with, making it difficult to assess changes in behaviour as a result of income management. The significant finding that there was reduced expenditure on alcohol and drugs is also considered to be unsound. The review found that three-quarters of those interviewed claimed to not have spent money on alcohol and drugs before income management came into effect, so therefore the claim that expenditure on these items had reduced is based on a total of 19 participants (three-quarters of the 76 surveyed).[3]

Compulsory income management was not supported by the Northern Territory Emergency Response Review, which recommended that compulsory income management cease. It stated that income management should only be offered on a voluntary basis, unless there are child protection and school enrolment issues.[4] It is clear that the 'evidence' supposedly warranting such drastic reform to the welfare system is insufficient. It also stands in stark contrast to the Rudd Government's agenda of formulating evidence-based policy.

Age Pensions, Disability Support Pensioners and Carers

Age Pensioners, Disability Support Pensioners and Carers will not be subject to income management, unless they have appointed a nominee whose income is managed, or they are the victim of financial abuse. They will also have their income managed if a social worker at Centrelink considers them to be mishandling their finances.

CPSA is concerned about the unintended consequence of Age and Disability Support Pensioners with nominees who are subject to the policy having their income managed. This could have a substantial impact, possibly leading to individuals losing control over their income entirely because they cease management of payments by their nominee, yet are unable to manage their payments themselves. Age and Disability Support Pensioners are most likely to be affected by this anomaly because of the high proportion within these groups requiring assistance with their Centrelink payments.

If the Age Pension age rises to 67, Australia will witness a higher incidence of long-term unemployment among older people beneath Age Pension age because of the difficulty of finding adequate employment, yet not be able to access a pension. Ageism in the workplace will exist

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[2] Minister for Families, Housing , Community Services and Indigenous Affairs Jenny Macklin, Hansard, Wednesday, 25 November 2009, Page: 12783

[3] Australian Institute of Health and Welfare, 'The Evaluation of income management in the Northern Territory' August 2009, available at: http://www.fahcsia.gov.au/sa/indigenous/pubs/nter_reports/Documents/nt_eval_rpt/3_mgt_funds.htm#tbl_34

[4] NTER Review Board, 'Northern Territory Emergency Response Review Board Report' October 2008, available at: http://www.nterreview.gov.au/docs/report_nter_review/summrec.htm

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regardless of what the Age Pension age is and older workers will continue to face barriers to employment as a result. This is especially the case in areas where there are limited employment opportunities. Consequently, long-term unemployed older people who today would qualify for an Age Pension (between the ages of 65 and 67), may well be subject to income management because of their need to claim Newstart Allowance for 52 weeks or more.

Incentive payments

CPSA disagrees with the claim that incentive payments rewarding saving will improve financial literacy of income support recipients. Income support by definition delivers a very low standard of living. Successive Australian Governments have considered income support a tool to discourage unemployment (because of the lowly rates paid to recipients), rather than a payment to support those unable to support themselves.

The idea that income support recipients are able to save money does not reflect the reality of living on income support. Australia has the lowest rate of unemployment benefit in the OECD and it has been widely criticised for not delivering an acceptable standard of living to those trying to live on it. The single rate of Newstart Allowance is now $108 a week less than the single Age Pension. In addition, the rate of Sole Parent Pension was not raised in the Federal Government's recent pension reform, despite the broad acknowledgement that pension payments were inadequate. Although Sole Parents Pensioners are entitled to Family Tax Benefits, these payments are to assist with the cost of raising children, rather than assisting the individual to achieve a modest standard of living, reflected in its means-test that allows a Sole Parent to earn over $40,000 per annum before their Family Tax benefit is reduced. As such, anyone living on the abovementioned payments with no or little additional income has enormous difficulty covering essential living expenses let alone being able to save.

CPSA fears that financial incentives to save whilst under income management will lead to poor health and welfare outcomes due to under-spending on food, healthcare, and transport, and higher rates of debt in order to save for the incentives. Rather than the policy leading to better financial literacy among income support recipients (if indeed it was lacking in the first place), it may well lead to individuals being in a worse financial position than before, as well as taking its toll on the individual's/household's health and welfare.

Ethics

CPSA believes that there has been inadequate consideration of the potential humiliation caused when income support recipients use their BasicsCard at points of purchase. CPSA also considers it unacceptable that shop keepers may update individuals on their card balances. It is akin to every supermarket check-out assistant having information about one's account balance following an EFTPOS transaction.

This breaches the individual's privacy, not only knowing how much money one has, but that he or she is in receipt of an income support payment AND has potentially failed to prove that they spend their money 'responsibly' (and thus been exempt from having their income managed). CPSA fundamentally opposes such an invasion of an individual's privacy and violation of an individual's dignity.

The other problem with the BasicsCard is that it prevents the use of cash, which for many is the only trusted method of payment for all goods and services. Cash is often the only method of payment for goods and services sold at markets, small stores (especially in rural and regional areas) food outlets, trade services, small businesses, etc. Individuals should not be prevented from using cash because they have been placed under income management.

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Other possible implications of income management
The Government's review of income management in the Northern Territory showed that 9,486 people under income management had their payments suspended because of failures to communicate properly with Centrelink. The major reasons were failure to contact Centrelink within 13 weeks of first being subject to income management, imprisonment, failure to reply to correspondence, and failure to sign an activity agreement.

These numbers are troubling. It appears that the added layer of bureaucracy and administration resulted in recipients having their payments cut-off because of poor communication. Secondly, the claim that income management 'supports' vulnerable income support recipients to better engage with their communities is undermined by the relatively high rate of incarceration (although, CPSA acknowledges that data on imprisonment before income management was introduced would be needed to substantiate this claim). CPSA is concerned that income management is seen as an easy solution to incredibly complex problems affecting disadvantaged communities, and as such, waters down government responsibility to work with, and support, vulnerable communities.

Alternative
CPSA supports voluntary income management. This would allow those income support recipients who believe they would benefit from the program to have their income managed while ensuring that all others potentially subject to the reform are not disadvantaged.

Voluntary income management would reduce the stigma associated with receiving income support, and not penalise individuals and households for claiming an income support payment. CPSA acknowledges that the proposed reform will not impose income management on households that are deemed to be 'doing the right thing' with their payments. However this, at the very best, imposes another administrative burden on that household (as they would have to apply to be exempt from income management) and assumes that payments are not being spent 'appropriately' in the first place. In any case, CPSA presumes that their income would be managed for a period of time before Centrelink exempts the individual/household from the policy.

CPSA considers voluntary income management as a more cost-effective solution as it will reduce administration, which compulsory income management will necessitate. Furthermore, it will ensure that recipients do not lose their benefits because of poor communication with Centrelink, as was witnessed under the NTER, where a large number of eligible recipients lost their payments because of failures to communicate with Centrelink. The consequences of losing income support are widely acknowledged resulting in poorer health and wellbeing outcomes for the individuals concerned.

Summary
CPSA opposes compulsory income management and recommends that income management be implemented on a voluntary basis only. Compulsory income management furthers the divide between the underprivileged and privileged in our community whilst failing to address the more challenging areas that shape disadvantage, such as lack of employment and education opportunities, inadequate incomes, poor health and lack of secure housing and access to transport. CPSA is far from convinced that compulsory income management has improved the lives of citizens subject to it under the NTER and does not support a national roll-out of the scheme.

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