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State of Play: Income Management in 2014

A briefing paper by the National Welfare Rights Network, March 2014

What's happening with 'place-based' income management?

Place-based income management became operational on 1 July 2012 in five 'disadvantaged' locations: Logan (QLD), Rockhampton (QLD), Shepparton (VIC), Bankstown (NSW) and Playford (SA).

In these trial sites, income management applies to three groups of people who are:

- referred by State or Territory child protection authorities;
- 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; and
- volunteers for income management.

'Vulnerable' young people and income management

On 1 July 2013 the 'place-based' model of income management was further expanded, despite the absence of any recommendations or advice to do so in the first official evaluation of New Income Management in the Northern Territory.[1]

Under the 'Vulnerable Welfare Payment Recipient' measure young people are automatically income managed just because they happen to be on certain payments, not because there is any evidence that they are unable to manage their affairs or are being abused or are ' otherwise "at risk".

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

As of 27 December 2013 a total of 2,204 people were income managed in the five trial locations, up from just 423 people in in May 2013 and 501 on 30 June 2013.[2]

[1] Bray, et al, *Evaluating New Income Management in the Northern Territory: First Evaluation Report*, July 2012.

In May 2013, 92% of those on income management in the five trial sites were voluntary. On 1 July 2013, the previous Government extended income management in the trial sites. The changes involved the introduction of a new “trigger” based vulnerable income management measure targeting young people deemed to be “at risk” This has dramatically changed the face of income management in the five locations where “place-based” income management has operated since 1 July 2012.

According the data released at Senate Estimates, there were 535 income management volunteers in the five ‘place-based’ locations.

At 27 December 2013, 1,597 young people were subject to “vulnerable income management” – the so-called “Youth Triggers” income management in the five trial sites. The majority of these young people are receiving the ‘unreasonable to live at home’ rate of Youth Allowance.

In total, 72% cent of people in ‘place-based locations who are subject to income management are young people placed on income management by the youth “triggers” that started on 1 July 2013.

Location	**Voluntary Income Management Dec 2013**	**Involuntary Income Management, Dec 2013**	**Total 27 Dec 2013**	**Total 23 May 2013**
Bankstown NSW	52	119	171	61
Shepparton VIC	201	143	344	161
Logan QLD	119	679	798	77
Playford SA	92	403	495	71
Rockhampton QLD	71	325	396	53
Total	**535**	**1,597**	**2,204**	**423**

Table 1: Location and type of ‘place-based’ income management, 2013[3]

[2] Senate Community Affairs Legislation Committee, *Income Management Summary*, *27 December 2013*, Tabled 27 February 2014.

[3] Data from Senate Community Affairs legislation Committee, Hansard Transcript, 27 February 2014 and Income Management Summary, May 2013 and 27 December 2014, various dates.

What's happening with the evaluation of 'place-based' income management?

The Government, through the Minister for Social Services, Kevin Andrews, has asked his Department whether there has been scope to "fast-track" the evaluation of place-based income management, which is being undertaken by Deloitte Access Economics.

The Department of Social Services has been provided with a "baseline report" from Deloittes. At Senate Estimates on 27 February 2014, the Department explained the process as follows:

"We are endeavouring to provide the minister with advice out of that report to satisfy his particular interests and questions that arose. They have undertaken interviews with 812 clients as part of their work and also 632 people in comparison sites. The baseline report does not include a lot of analysis of those interviews because they have only been conducted fairly recently."[4]

The "baseline report" was developed from field interviews in August 2013. The thinking behind the evaluation is: "Because income management has been progressively in these locations for the last couple of years, what they have done is try and interview people at the beginning of their experience with income management. They are people on income management but they have not been on for very long. It is in order to get a baseline, I guess, of where they are at, what their circumstances are. The idea will be to go back and reinterview them in a few months to be able to provide some sense of how their lives have changed over the course."

The evaluation will not consider longer-term impacts, with DSS staff noting that it "cannot make a comment about long-term impacts... It can ask their immediate impressions and views of their experience."

The cost of the evaluation of place based income management is $2.239 million. The report was provided to the Minister in late January 2014. The release of the report is a decision for the Minister for Social Services.

What about Income Management in the Northern Territory?

There are currently 19,109 people on income management in the Northern Territory. In November 2007, there were 15,100 Indigenous income recipients being income managed in 73 locations in the Northern Territory. The number of people under voluntary income management in the Northern Territory continues to decline, falling from 4,560 in April 2011 to 3,785 by December 2013. The numbers volunteering to participate in income management is at its lowest, at just 19.8%. The majority of those voluntary are Indigenous

[4] Senate Community Affairs Legislation Committee, Income Management Summary, Tabled, 27 December 2013 and Transcript, 27 February 2014, p. 108.

income support recipients. Over six years since the initial intervention, just 1 in ten of those subjected to income management are non-Indigenous Territorians.

A longer-term evaluation is also taking place in the Northern Territory, following on from the July 2012 study, *Evaluating New Income Management in the Northern Territory: First Evaluation Report* by the Australian National University and the Social Policy Research Centre.

The researchers have completed the second wave of field work, with 920 interviews, and follow up with people who were interviewed in the first report. A final report is due in June 2014.

How many people have qualified for the 'matched savings' payment?

A one-off Matched Savings Payment is available to people who are income managed (except those on Voluntary Income Management and Cape York Income Management). To receive the payment, which matches savings dollar for dollar up to $500, a person on income management must complete a money management course and show a pattern of saving for at least 13 weeks. The matched savings amount can only be paid into the person's income managed account and can only be expended on "essential items".

The matched savings scheme has been subject to considerable controversy and criticism.[5]

Operating since 2007, just 34 maximum payments have been made; 33 in the NT and 1 in a place-based location!

The Government has earmarked $350,000 for matched savings payments in the Northern Territory which, according to Department officials at Senate Estimates, is "undersubscribed". A further $11,000 has been allocated for the five trial sites.[6]

In the current fiscal environment when Government departments are cutting grants and axing funds for a range of Indigenous organisations, it is difficult to justify a continued budget allocations for this scheme.

What does NWRN think of Income Management?

The NWRN's position is that Compulsory Income Management is fundamentally flawed. As a compulsory measure, it is counter-productive with respect to building decision-making capacity and is unnecessary given the guardianship laws available in states and territories.

[5] 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.

[6] Senate Community Affairs Legislation Committee, Estimates Transcript, 21 November 2013,

Income management applied on a voluntary basis can be a useful money management tool, albeit a very expensive one.

There is limited evidence of significant improvements in the social and economic health of those targeted by the regime.

Main problems with income management:

- Is incredibly expensive to deliver and administer;
- It will not achieve its intended outcome;
- It involves disempowering and demeaning effects that will likely cause long term damage to those subjected to it;
- It undermines an individual's capacity to learn to manage their finances;
- It can be embarrassing for users and leaves people in situations of public humiliation;
- It remains indirectly racially discriminatory and creates situations of inequality and unfairness in its practical application; and
- It diverts funds away from legitimate purposes such as addressing inadequate levels of income support, or programs and services which, with community consultation, could be used to better help overcome chronic health conditions, accessibility to housing, and underfunded education provision.

Income Management and the National Commission of Audit

The National Welfare Rights Network urged the Government to abandon income management in its submission to the *Commission of Audit*. The discussion of income management can be found below.

Income Management

Under income management half of a person's Centrelink payments are generally only accessible through the use of Basics Card. The Basics Card can only be used to purchase a prescribed list of goods and services that are authorised by Centrelink. Compulsory income management are on most occasions imposed on the basis of what sort of payment the person receives as opposed to any particular triggers.

Hundreds of millions of dollars has 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 cost of income managing some people is over sixty per cent of the basic yearly rate of the Newstart Allowance.

Despite recent changes to income management, its use is still largely confined to the Northern Territory, where 18,632 people are subject to the policy. Over 9 in 10 of people subject to income management are Aboriginal income support recipients, and there is little change in the patterns with granting of exemptions from income management (where 10% of non-Indigenous recipients obtain three quarters of all income management exemptions).

Since 2008, there has been a string of reputable reports and critiques of income management arrangements. These include the Yu Report in 2008, the Australian Doctors' Association, the survey by the Equal Rights Alliance, and even the Parliamentary Library. Each of these reports has been equivocal as to whether there were any tangible benefits from the policy of income management.

Critically, no evidence has been presented that quarantining half of a person's income support reduces unemployment or long term reliance on Social Security payments.

In July 2012, the then Government extended income management to five locations, Bankstown (NSW), Shepparton (VIC), Playford (SA) and Logan and Rockhampton (QLD). At 1 July 2013 there were 501 people on income management in the five 'place-based' locations. Ninety-two per cent were 'voluntary' recipients, and just two were under the child protection category.

The benefit of this has yet to be determined, yet income management was further extended on 1 July 2013 to groups of mainly vulnerable young people.

The group most affected by the 1 July 2013 extension of income management was young people on Youth Allowance receiving the Unreasonable to Live At Home (UTLAH) rate. Over 1,550 of these young people, many who may be experience family violence or abuse, have had their meagre income support payments quarantined since 1 July 2013.

Ninety young people have applied for 'exceptions', claiming that income management would psychologically harmful or would impact of the accommodation, and just 25 were successful in avoiding the imposition of income management.

Between 2005-06 and 2014-15, Income Management will cost $1 billion according to estimates by the Parliamentary Library. The current lack of evidence of any sustained and meaningful improvements in people's lives as a result of compulsory income management makes is difficult to see how the new Federal Government can justify further expanding this expensive program in the tight fiscal climate.

The lack of evidence regarding the effectiveness of income management and the high cost of administration – of up to $7,900 per person each year – should act as a constraint on moves to expand the scheme more widely.

Compulsory income management should be promptly repealed. It should be replaced with a genuinely voluntary scheme of income management.