



## Income management and national welfare reform

### The story so far

Income management is stated to be the “key tool in the Government’s broader welfare reforms designed to deliver on (the) commitment to a welfare system based on principles of engagement, participation and responsibility”.<sup>1</sup>

Income management was introduced as one of a range of measures to reduce disadvantage in prescribed areas in the Northern Territory (NT). Its aim was to ensure that welfare payments were spent on priority needs such as food, housing, and utilities. It currently applies to most welfare recipients here, due to the high Indigenous population.

As part of the Northern Territory Emergency Response (NTER) more broadly, the Government has stated that income management is only one tool. Other measures include alcohol and pornography restrictions, five-year leases, community store licensing, controls on the use of publicly-funded computers, law enforcement powers and business management areas powers.<sup>2</sup>

The Government also cites the NTER as only one component of their commitment to ‘close the gap’, listing their investment of \$1.2 billion in resources and their \$572 million commitment to indigenous housing through the Strategic Indigenous Housing and Infrastructure Program as significant other components.<sup>3</sup> However, a recent report written for this program found that of the \$572 million, \$45 million has been spent without a single house actually being built.<sup>4</sup>

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<sup>1</sup> Australian Government. (2009). (p.1) Policy Statement. *Landmark Reform to the Welfare System. Reinstatement of the Racial Discrimination Act and Strengthening of the Northern Territory Emergency Response*. See [http://www.fahcsia.gov.au/SA/INDIGENOUS/PUBS/NTER\\_REPORTS/POLICY\\_STATEMENT\\_NTER/Pages/default.aspx](http://www.fahcsia.gov.au/SA/INDIGENOUS/PUBS/NTER_REPORTS/POLICY_STATEMENT_NTER/Pages/default.aspx)

<sup>2</sup> Australian Government. (2009). (p.4) Policy Statement. *Landmark Reform to the Welfare System. Reinstatement of the Racial Discrimination Act and Strengthening of the Northern Territory Emergency Response*. See

[http://www.fahcsia.gov.au/SA/INDIGENOUS/PUBS/NTER\\_REPORTS/POLICY\\_STATEMENT\\_NTER/Pages/default.aspx](http://www.fahcsia.gov.au/SA/INDIGENOUS/PUBS/NTER_REPORTS/POLICY_STATEMENT_NTER/Pages/default.aspx)

<sup>3</sup> Ibid. (p.3)

<sup>4</sup> See [http://www.jennymacklin.fahcsia.gov.au/internet/jennymacklin.nsf/content/indig\\_housing\\_9sept09.htm](http://www.jennymacklin.fahcsia.gov.au/internet/jennymacklin.nsf/content/indig_housing_9sept09.htm)

This shows the complexity and scope of disadvantage that Indigenous Australians face, and strengthens WACOSS' call for a greater investment in support services and other infrastructure, especially if measures are taken to control people's finances compulsorily.

Across the country, various other income management trials have been implemented by the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) in partnership with Centrelink and State Governments.

Compulsory income management trials in WA have been undertaken under the auspice of the Minister of Child Protection; Communities. Under this scheme, families identified by the Department for Child Protection as abusing or neglecting their children (or at risk of doing so) can have 70% of their income managed by Centrelink.

Income management for child protection is considered by the State Government as a way to assist in providing a safe environment for children; for the provision of food, clothes, rent, electricity, medicine, and basic household goods.<sup>5</sup> It is intended to be just one tool as part of a case management model for families. This represents somewhat of a disconnect with the Federal Government's statement that income management is their key tool in welfare reform.

On the 25 November 2009, The Australian Government announced its intent to extend compulsory income management in the NT to all welfare recipients, beginning on 1 July 2010. It is expected to be fully implemented there by 31 December 2010. After collection and evaluation of evidence from the NT scheme, it is expected to be extended to other disadvantaged regions across Australia.

Expanding the scheme in the Territory is expected to cost \$350 million over four years, and will see some 20,000 Territorians affected. Under the scheme, a person has 50% of their regular payments and 100% of their lump sum payments income managed. The funds can be spent on priority items by using the BasicsCard, Centrepay or other arrangements through Centrelink.<sup>6</sup>

The new measures aim to "tackle intergenerational passive welfare", by:

- quarantining income;
- offering 'evidence-based' exemptions to individuals who "demonstrate responsible parenting, and to young people and long-term unemployed who take personal initiative through participation in education and training"<sup>7</sup>; and
- offering matched savings incentives and access to financial management support services.

They include the 50% quarantining provisions, and will apply to the following recipients in declared income management areas:

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<sup>5</sup> Centrelink. Fact Sheet. *Income Management for Child Protection*. See <http://www.centrelink.gov.au/internet/internet.nsf/publications/co497.htm>

<sup>6</sup> Minister Macklin's media release (November 2009). See [http://www.jennymacklin.fahcsia.gov.au/internet/jennymacklin.nsf/content/welfare\\_reforms\\_protect\\_children\\_25nov2009.htm](http://www.jennymacklin.fahcsia.gov.au/internet/jennymacklin.nsf/content/welfare_reforms_protect_children_25nov2009.htm)

<sup>7</sup> Ibid. (p.1).

- Disengaged youth;
- Recipients of Youth Allowance, Newstart, special benefits or parenting payments aged 15-25 who have been on the benefit for 13 out of 26 weeks in declared areas, and long-term recipients over the age of 25 and younger than the pension age; and
- Individual 'vulnerable' welfare recipients.<sup>8</sup>

A shift to conditional welfare for all welfare recipients raises a number of social justice concerns. WACOSS maintains its opposition to compulsory income management. Even as a child protection tool, as it is being used in WA, income management is not a solution on its own. We recognise that it may be a useful circuit breaker, but it risks stigmatising and further isolating disadvantaged families.

Struggling families at risk of neglecting their children need access to parenting and health services, financial support, and affordable, good quality childcare. Especially in rural, regional and remote locations, there are a lack of services and programs to deal with the underlying issues that lead to neglect and abuse.

We know that wrap around services - family centres, safe houses, drug and alcohol treatment, and early intervention programs do help to prevent neglect. All the national and international research provides a clear evidence base to support that. Therefore, we must increase the level of support and services available to at-risk families, and indeed to all families.

We must invest in strengths-based community development models – that are sustainable, accessible, well-managed and appropriate to need. We must make these services work for the people who need them.

WACOSS outlined its concerns in its submission to the Community Affairs Legislation Committee, and gave evidence at the hearing that took place in February 2010.

### **Recent developments**

In March 2010, the Committee tabled its Senate Committee Report. It made four recommendations, in essence offering its broad support for the Government's proposed legislation by recommending that the Senate pass the Government's bills. Dissenting reports by Senator Rachel Siewert (Australian Greens), and Coalition Senators Judith Adams and Sue Boyce followed.

The Committee's recommendations are detailed as follows:

#### **Recommendation 1**

2.76 The committee recommends that the government maintain its commitment to increase the capacity of Indigenous interpretative services in the Northern Territory and in Indigenous communities across Australia.

#### **Recommendation 2**

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<sup>8</sup> Ibid. (p.1).

3.17 The committee recommends that, should the government's proposed legislation be passed, the Department of Families, Housing, Community Services and Indigenous Affairs should consult with relevant non-government organisations, peak advocacy groups and other stakeholders in developing the legislative instruments associated with the legislation.

### **Recommendation 3**

3.57 The committee recommends that the evaluation of the proposed income management measure in the Northern Territory be well-resourced, include community consultation in the design of the evaluation, feature the collection of baseline data prior to implementation, include robust quantitative data analysis and be undertaken by an independent research organisation.

### **Recommendation 4**

4.19 The committee recommends that the Senate pass the government's bills.<sup>9</sup>

Community service organisations have continued to oppose the proposed legislation and the recommendations to pass the bills. ACOSS maintains that the cost per head to implement the scheme (\$4,400) is ill-targeted and should be directed instead to deliver assistance to people who are at risk and who need intensive interventions. WACOSS maintains the same position from a Western Australian perspective, where approximately \$65,000 per family is being spent on the 280 families being income managed by the Department for Child Protection.

### **Where to from here**

WACOSS is very concerned by the prospect of a likely national roll-out of the scheme after a review of the Northern Territory scheme has taken place in 2011.

We will continue to work with the national COSS network, the community sector, State and Federal Government Departments, and members of Parliament in the lead up to the Northern Territory rollout, as well as through the evaluation phase.

A WACOSS social policy event to brief the sector is planned to take place in June 2010, before the Northern Territory scheme takes effect.

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<sup>9</sup> Senate Committee Report. Social Security and Other Legislation Amendment. March 2010. See [http://www.aph.gov.au/Senate/committee/clac\\_ctte/soc\\_sec\\_welfare\\_reform\\_racial\\_discrim\\_09/report/report.pdf](http://www.aph.gov.au/Senate/committee/clac_ctte/soc_sec_welfare_reform_racial_discrim_09/report/report.pdf)