Submission to Senate Standing Committee on Community Affairs

Inquiry into the 'Social Security Legislation Amendment Bill 2011'

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Introduction

Good Shepherd Youth & Family Service provides for and advocates on behalf of those at the very fringes of society. Each year we directly support over 12,000 women, families and young people in Victoria. We have also provided innovation and leadership to the microfinance movement throughout Australia for over three decades.

Central to our work is the strong belief that everyone deserves a stake in their community and the conditions of life that make participation in community possible, whether that means access to an adequate income, fair credit, affordable housing, quality education or safe and healthy relationships. We advocate for the human rights and dignity of the people we work with to be upheld.

The communities in and around Melbourne in which Good Shepherd Youth & Family Service operates experience financial disadvantage, and our programs directly address this and many of the accompanying challenges. These programs include financial counselling, microfinance, family support, foster care, youth emergency housing, family violence support services and refuge accommodation, and community education.

Our inheritance of the mission and vision of the Good Shepherd Sisters directly informs our advocacy and direct service work, especially where it impacts on the lives of disadvantaged women and girls. Recent research projects conducted by the organisation (in partnership or independently) include investigations into fringe lending, emergency relief, microfinance, bankruptcy and mental illness, women's financial capability, and family violence.

This practice experience and research combine to give us an understanding of how the income management measures may impact on low income Victorians, and it is from this evidence base that we draw in making this submission. Good Shepherd Youth & Family Service submitted to the earlier Senate Standing Committee looking into the three Bills before it in 2009, and we thank you for the opportunity to again make a submission for the Senate's consideration of this Social Security Legislation Amendment Bill 2011.

We believe that the Bill should be opposed on the grounds that:

- Indigenous self-determination is undermined by lack of consultation
- Self-determination as an effective principle of practice with vulnerable and disadvantaged people is ignored
- There is a lack of legal process
- Unclear and non-evidence-based program design
- Paternalism
- Negative side-effects.

Compulsory income management discriminates on the basis of low income and undermines the dignity of the person. It removes, without proper safeguards and processes, the widely accepted right to financial autonomy.

We do, however, support the widening of access to voluntary income management as we see this as a useful tool when individuals, families and communities wish to use it to gain greater control over their finances.

Indigenous self-determination undermined through lack of community consultation

We believe the Bill should be opposed on the basis that it undermines self-determination for both Indigenous communities and other Australians.

While striving for inclusiveness as a generic agency, Good Shepherd Youth & Family Service supports Aboriginal organisations to deliver services to their own communities as this supports the principle of self-determination. We do not work directly with or in Aboriginal communities but as a public agency and a member of civil society we are encouraged that the Australian Government chose to formally support the United Nations Declaration on the Rights of Indigenous Peoples in 2009.

In the United Nations Declaration on the Rights of Indigenous Peoples, self-determination is upheld as a right of indigenous peoples. Article 3 states:

> "Indigenous peoples have the right to self-determination. By virtue of that right they freely determine their political status and freely pursue their economic, social and cultural development".

Consistent with this, the United Nations Declaration on the Rights of Indigenous Peoples also proclaims the importance of indigenous peoples "participating in decision-making in matters which would affect their rights" (Article 18). This places a responsibility on governments to "consult and operate in good faith with the indigenous peoples concerned through their own representative organisations in order to obtain their free and informed consent before adopting and implementing legislative or administrative measures that may affect them" (Article 19).

It also proclaims that a standard for any intervention should be "the right to determine and develop priorities for exercising their right to development" and "the right to be actively involved in developing and determining health, housing and other social and economic and social programmes affecting them" (Article 23). It follows that such community consultation should occur throughout the process: in developing, testing, implementing, and evaluating the strategy.

Whatever the type of community, the over-arching principle should be a proper consultation process, so that:

- the community has the opportunity to define its own problems and determine its own solutions, and even if that is not considered necessary, so that
- the policy is designed with the relevant information and expertise and therefore is an effective and cost-efficient use of public funds.

The more intrusive the policy the more important it is to have consultation. This is not only a matter of rights, but also of the effectiveness of an intervention.

Self-determination ignored as a principle for effective rights-based practice

Self-determination is a pivotal principle of effective social work practice. Supporting disadvantaged and vulnerable individuals and families to improve their social and financial circumstances is the social work domain. This is also the stated aim of this Bill, yet the design of compulsory income management appears to take no account of decades of evidence, gathered from across the globe, that a person needs autonomy and personal agency in order to make lasting positive changes in their life.

The exception is where protection of the person or of other people makes it necessary to make decisions about that person or for them, without their consent. This is, rightly, a sensitive area of practice that is bound not just by professional ethics but also by legal frameworks. Legislation is provided to ensure that individuals and organisations making decisions that over-ride self-determination do so within a strict ethical and legal framework, for example, child protection measures, guardianship applications, and involuntary mental health treatment.

Protective measures such as those listed above are already in place and available to address situations of potential harm. Compulsory income management should be a last resort, as these are intended to be, and could be linked to these mechanisms rather than delivered through a new administrative structure that lacks the customary ethical and legal safe-guards. Vulnerability may be a warrant for protection only when human and civil rights are safeguarded through legislation.

The extension of compulsory income management to geographical areas imposed by government decree proposed in this Bill, rather than to individuals on the basis of a legal process, side-steps the fundamental principle of self-determination as a key to effective rights-based practice.

Lack of legal process

As indicated in the discussion above about the limits to self-determination, there is a strong requirement for legal safeguards to ensure any restriction on individual rights is justified, proportionate to the risk, and able to be challenged. There seems to be currently no adequate appeals process or regular review process included in the compulsory income management regime. This marks a low point in our progress towards a rights-based social welfare system. The broad progressive quest to continually improve on defining and protecting the individual freedoms and obligations of our citizens is not aided by this Bill.

The Bill is aimed at providing support to vulnerable Australians, defining vulnerable using one of four indicators. Each of these indicators is problematic as a trigger for compulsory income management although they are very appropriate triggers for an offer of *voluntary* income management (see discussion below re voluntary income management). One of these, the *failure to take reasonable self care*, is particularly relevant to this discussion about the limits to self determination. Concerns about a damaging lack of self-care could readily be dealt with under existing legal and protective frameworks such as guardianship.

Unclear program logic and lack of evidence-base

In relation to *financial hardship* as a trigger for compulsory income management, the implied links between cause and effect used to underpin the program design are not empirically supported.

Financial hardship is defined as resulting from “a lack of skills or ability to manage limited [financial] resources” resulting in ‘priority needs’ not being met. This definition attributes hardship to the person’s ability and ignores the much more common and likely reason for hardship: inadequate income in relation to basic costs of living.

Recent research conducted by Good Shepherd Youth & Family Service as part of the national roll-out of microfinance programs funded in part by FaHCSIA, ‘Microfinance and the Household Economy’ (2011), found that microfinance borrowers pay very close attention to the incomings and outgoings of the household budget, and have numerous skills and strategies to meet their obligations. The participants were all on income security payments: 3 on Newstart Allowanace, 13 on Disability allowance, 7 on Parenting Payments, 3 on Carer Payments, and 2 on the aged pension.

The research found that the mechanism of Centrepay is extremely useful as an existing tool for people to manage to meet priority needs on a low income. Twenty-seven of the 28 participants used Centrepay to assist them to manage fortnightly financial pressures; sometimes varying these Centrepay arrangements as costs are not uniform from one fortnight to the next.

The participants consistently prioritise the essentials of rent and utility bills. They also ensure loans to family and friends are repaid: while this may not at first glance seem an ‘essential’ to an outsider, it clearly maintains the family and social relationships which are critical to wellbeing and inclusion. Ensuring there is food in the cupboard often involves bulk-buying ‘specials’, and juggling other bills with part-payments. With very little or no room for error, maintaining the household is a juggling act.

These quotes illustrate some of the economising strategies as well as the hardship that occasions them:

> *“When I go shopping I buy things on special and I'll buy lots of them ... I've always got tinned food and pasta and rice [so I can miss a shop if needed]... The only thing sometimes I can get by with is just getting the fresh fruit and vegies.” - Lucy*

> *“I just listed all my bills, I had ten, and I’ve gone down, I am down to three already. I have cleared the decks before Christmas so the next few pensions are actually free. Well free because November is always utilities month, they always come in in November, just before Christmas, expecting about $250 out of that pension, the money I want to give [housemate] … I want to know that my whole January pension is going to (son’s) needs. Until he is in school, and has everything he needs on the first day of school, I don’t do anything.” - Dina*

> *“I pay what I can afford to pay; they all get paid it's just my phone bills are the two easy ones because my mobile phone is on a $19 cap - actually it's discounted to $17. I very rarely use it, the most my mobile phone, at any one time, is $25 on average. My landline bill is basically the same, it's around about the $20, $24 mark. So like for those two bills I pay them like 20 bucks each - $24, $25 each which I used to just pay ... Then I leave it and the other two bills are [the heavy] ones, fine, they get it the following fortnight. I've tried paying them all together, it doesn't work, leaves me without and stressed out. So the easy ones first, the dearer ones last but they get paid and I've got a good record with them so they're fine…I just find that's the easiest way to go. If I've got a light bill happening, then I'll pay like the Internet bit and then the following fortnight I'll pay the cable bill.” - Kristy*

Yet many participants also prioritised saving, and were clearly debt-averse:

> *“I probably have a good credit rating, but I am sort of like, if I can’t afford something, I can’t have it” – Julie*

> *“I just believe you should only spend money that you’ve got. If you haven’t got the money then you really shouldn’t be spending ... My sister’s got [a credit card], and then she went and got another one because she couldn’t control the first one. It’s just too easy to get yourself into a hole” – Carla*

There is no doubt many experienced financial hardship, for example:

> *"If I see it on special or anything I'll buy a few of them ... I don't ... buy any new clothes like until the middle … when they have the end of financial year sale ... and that's when everyone gets their bonuses from the government so that's when I buy them new socks, underwear, if somebody needs new shoes."* - Sharon
>
> *"none of us have ever got more than two pairs of shoes, ever, that's actually something that I couldn't actually afford, something that will throw me is if somebody's, especially my teenage son, if his shoes fall apart he can't go to school with no shoes on, and I've never ever got the money to have a couple of pairs of joggers, especially if their foot's hard to fit, their shoes might cost eighty or a hundred dollars and even then you're getting off light ... I've had situations before where my ten year old has had to miss like a couple of days of school until I get paid again so I can go and buy him a pair of shoes because he's lost a shoe at swimming ... to go and get another pair of shoes, for him its only about thirty, forty dollars but I didn't have any money until I got paid so I just said 'you can't go to school with no shoes on your feet.'" – Sally*

This in-depth longitudinal study of household financial management practices amongst income security recipients confirmed what anecdotal evidence from the agency's financial counsellors and microfinance workers has long indicated: it clearly calls into question the assumption that it is a lack of skills or ability that creates financial hardship.

The logic of the compulsory income management program design seems to be that withdrawal of a level of financial autonomy will encourage an individual to develop new financial abilities. Since there is no evidence-base for this as a form of support, it is hard not to conclude that this is a punitive measure, an incentive to change behavior: people are apparently being punished for their poverty.

Paternalistic and potentially dangerous

In relation to the second definition of vulnerability as a trigger for compulsory income management, *financial exploitation,* there are different and perhaps even greater concerns.

For a victim of family violence, including of financial exploitation, regaining a sense of power and control over her own life is the key to recovery and rebuilding. It is hard to see how having financial autonomy removed by the government will, in the long term, assist this process. We understand the logic of inoculating some income from being appropriated by a violent partner or family member, but we would argue that this is a very clumsy instrument when applied without the person's consent, a judicial process or intervention to address the root cause of the problem.

Limiting the perpetrator's access to income may actually increase the victim's vulnerability to violence not decrease it: what will the perpetrator do when he can no longer access the expected funds? Any income management applied to this type of situation needs to be considered very carefully as part of a holistic approach that addresses the causes of the problem.

Furthermore, for women who experience domestic violence, economic capacity is commonly eroded over time through economic abuse, health costs, moving house, replacing furniture, and so on. Having a reduced capacity to save and manage her personal finances is not suggested as an effective strategy in any of the literature we have seen in our work on the links between family violence and financial capability.

Negative side-effects likely

It is difficult to imagine how removing or severely limiting their shopping options will assist households under such difficult circumstances as those described by the microfinance recipients above.

What is easier to predict is the struggle they will have to make healthy cheap food choices if they are restricted to large supermarkets and cannot use small local traders or markets to buy fresh and cheap food. Increased food security is one of the intended goals but it may well work in the opposite direction. One of the microfinance research participants articulates this:

> *"I usually budget $100 a fortnight for groceries, but ... I'm content to wander from here to here to here to here to get deals, to get something cheaper. I'm real picky too. Any small business…is probably going to give you a good deal if they're like fruit and veggie joints ... I know how easy it is to get people to drop the price and throw something in, I would have happily travelled around Melbourne, just to even look to see if it was worth it" Daniel*

Another negative side-effect that is likely to emerge is the use of fringe lenders. A recent research project on fringe lending, 'Caught Short' (2011), conducted by RMIT University and University of Queensland in partnership with Good Shepherd Youth & Family Service and the NAB, provides relevant evidence of how people manage in financial hardship. This research showed that about half of all such loans were taken out to meet day-to-day expenses. Furthermore, it shows that large numbers of borrowers get caught in a cycle of repeat and often overlapping loans, sometimes descending in a vicious cycle of spiralling debt.

Under an income management regime, if money runs short and a person cannot access mainstream credit or microfinance, they may well be driven to use payday lenders ('fringe lenders'). The increased use of fringe lenders could therefore be an unfortunate side-effect of compulsory income management. Worse, the lack of discretionary spending will limit the borrower's capacity to repay a payday loan, and risk falling into spiraling debt.

The reduced amount of discretionary spend in the fortnightly budget may also reduce the capacity to save. As the 'Microfinance and the Household Economy' research showed, reinforcing other national financial literacy research, saving is a valued if challenging goal for most people on low incomes.

Voluntary income management welcomed

Finally we turn to the one exception to our response to this Bill. We believe, based on our empirical knowledge of the ways low income households economise, that *voluntary* income management should be offered to all income security recipients. When entered into voluntarily, this type of arrangement is indeed supportive.