

Chapter 2

Key issues

2.1 Most submissions did not support the extension of compulsory income management and associated measures outlined in schedule 1.¹ Submissions expressed particular concerns about the following measures:

- extending compulsory income management for two years;
- removal of incentive payments; and
- changing the process for determining vulnerability.

2.2 The committee did not receive any submissions on schedule 2 (ceasing the pre-entry residential care subsidy) or schedule 3 (abolishing the Aged Care Planning Advisory Committees).

2.3 The Department of Social Services (department) advised the committee it did not wish to submit any additional materials or documentation in relation the Bill.² However, the committee notes that a number of issues relevant to the Bill were addressed by the department at the 2015 Budget Estimates hearings.³

Extension of income management

2.4 Most submissions expressed broad opposition to compulsory income management and did not support extending current programs for two years.⁴ The Australian Council of Social Service (ACOSS) noted it has expressed strong opposition to compulsory income management since it was introduced in 2007, and recommended existing programs should be phased out.⁵

2.5 Submissions expressed concerns about a lack of evidence to demonstrate that compulsory income management is effective.⁶ Drawing from a range of studies, UnitingCare noted:

1 See: Australian Council of Social Service, *Submission 1*; UnitingCare, *Submission 2*; National Council of Single Mothers and their Children, *Submission 3*; National Welfare Rights Network, *Submission 6*; Anglicare Australia, *Submission 7*; Australian Council of Trade Unions, *Submission 8*.

2 Mr Finn Pratt (Secretary, Department of Social Services) to Ms Jeanette Radcliffe (Committee Secretary, Senate Community Affairs Legislation Committee), 3 June 2015.

3 See: Community Affairs Legislation Committee, *Estimates Hansard*, 4 June 2015, pp 41 – 50.

4 See: *Submission 1*, p. 2; *Submission 2*, p. 1; *Submission 3*, p. 1; *Submission 6*, pp 3–4; *Submission 7*, p. 9; *Submission 8*, p. 5.

5 *Submission 1*, p. 2.

6 *Submission 1*, pp 2–3; *Submission 2*, pp 1–3; *Submission 3*, p. 1; *Submission 6*, pp 4–5; *Submission 8*, pp 4–5.

[T]here is no substantive evidence to demonstrate that compulsory income management has resulted in any measurable reduction in social harm through its implementation to date.⁷

2.6 ACOSS drew the committee's attention to its 2014 report *Compulsory Income Management: a flawed answer to a complex question* that concluded compulsory income management was 'poor policy' due to a number of factors, including the lack of 'evidence it results in widespread or long-term benefit'.⁸ Similarly, the National Welfare Rights Network (NWRN) noted there is 'no case for expanding the system of income controls'.⁹

2.7 The National Council of Single Mothers and their Children (NCSMC) expressed concerns about how evidence on the efficacy of income management is collected. NCSMC noted anecdotal evidence indicates compulsory income management has not reduced, and in some cases has exacerbated, social harm:

[W]e hear from women who report that they are more unsafe, endure stigma, have less control within their family and feel that they must be complicit in this social security policy. They are keen not to 'rock the boat' and do not want to risk a suspension, reduction or removal from income.¹⁰

2.8 UnitingCare expressed concerns income management diverts funds from alternative programs 'for which there is evidence of efficacy in fostering sustained changes in behaviour' and argues:

the funding prioritised for income management could be better directed to support services in the early intervention and prevention spheres (at lower unit costs), or towards more intensive interventions to address the underlying causes of financial disadvantage or entrenched unemployment, such as alcohol or substance misuse, poor mental health or homelessness.¹¹

2.9 UnitingCare recommended that the committee seek:

evidence demonstrating improved outcomes that have been measured and are attributable to involuntary income management; and evidence of improved outcomes that have been measured and are attributable to the BasicsCard.¹²

2.10 Following the 2015–16 Budget, the Minister for Social Services, Minister the Hon Scott Morrison MP, announced the government would be investing \$147 million to deliver 'more streamlined and cost-effective income management' to assist the approximately 25,000 Australians receiving income management. The government

7 *Submission 2*, p. 1.

8 *Submission 1*, p. 3.

9 *Submission 6*, p. 5.

10 *Submission 3*, p. 1.

11 *Submission 2*, p. 4.

12 *Submission 2*, p. 4.

further noted it would be investing \$25.6 million to provide financial counselling and money management skills to 'help improve the capacity and resilience of families and individuals to manage their finances, avoid the risks of poor financial literacy and help people move out of debt'.¹³

Removing incentive payments

2.11 Several submissions expressed concerns about removing the Voluntary Income Management Incentive Payment (incentive payment) and Matched Savings Scheme Payment (matched savings) schemes which provide payments for remaining on voluntary income management for periods of six months or more, or for accumulating savings of income managed funds.¹⁴

2.12 While opposing compulsory income management, UnitingCare, NCSMC and Anglicare Australia supported retaining these payments for voluntary income management. UnitingCare noted that 'if income management is to be used as a policy instrument, then incentives to support it should be encouraged'.¹⁵ Similarly, NCSMC noted the payments are:

a small compensation of the addition cost and the limitations of compulsory income managements such as not purchasing food from a local market, travelling to the large participating outlets and not capitalising on 'sale items' from stores than do not accept the basis [sic] card.¹⁶

2.13 NCMSC recommended 'administrative corrective action' be taken to address concerns about the low 'take up rate' of voluntary income management, rather than ceasing incentive payments.¹⁷

2.14 In contrast, ACOSS expressed support for abolishing income management incentive payments, noting 'these payments were poorly designed and administratively inefficient to administer'. ACOSS recommended the savings from this measure be diverted to strengthening financial counselling and support services to build people's capacity to manage finances.¹⁸

2.15 NWRN supported abolishing the matched saving scheme as 'the onerous requirements of the scheme acted as disincentives and rendered it an unattractive

13 Minister for Social Services, the Hon Scott Morrison MP, 'Welfare integrity, fairness and sustainability for all Australians,' 12 May 2015, <http://scottmorrison.dss.gov.au/media-releases/welfare-integrity-fairness-and-sustainability-for-all-australians> (accessed 11 June 2015).

14 See: *Submission 2*, p. 3; *Submission 3*, p. 3; *Submission 7*, p. 9.

15 *Submission 2*, p. 3.

16 *Submission 3*, p. 3.

17 *Submission 3*, p. 3.

18 *Submission 1*, p. 3.

offer'.¹⁹ However, NWRN recommended maintaining the incentive payment, noting those people who have already signed up for voluntary income management:

have done so in the expectation that they would receive the incentive payment for the duration of income management. The removal of the incentive payment may reduce the number of people on Voluntary Income Management. If the change is retained, the cut-off date should be extended to 31 December 2015 to qualify for payment.²⁰

2.16 The Explanatory Memorandum noted these payments are being abolished as they are 'no longer needed'.²¹ The department further indicated during Budget Estimates that the very low take up of these initiatives was the reason for their removal.²²

Vulnerability assessments

2.17 A number of submissions expressed concerns about proposed changes to empower the Minister to prescribe classes of people as vulnerable. ACOSS expressed strong opposition to any proposal that would 'reduce the capacity for social workers to make assessments about whether or not an individual meets the vulnerability criteria and would benefit from compulsory income management'.²³ ACOSS expressed concerns that:

instead of moving towards careful individual assessment, this Bill will make the imposition of compulsory income management an administrative decision exercised by Centrelink officers without social work qualifications, against rigid external criteria, not focussed on the best interests of the individual affected.²⁴

2.18 Similarly, NWRN notes the risk of prescribing classes of vulnerable people is: there is no assessment or consideration of whether income management will benefit that particular person, or assist them to overcome their vulnerability, or whether income management may in fact be detrimental to their wellbeing.²⁵

2.19 The Commonwealth Ombudsman (Ombudsman), responsible for independent oversight of income management programs, also expressed concerns:

19 *Submission 6*, p. 12.

20 *Submission 6*, pp 14 – 15.

21 Explanatory Memorandum (EM), p. 2.

22 Mr Philip Brown, Acting Group Manager, Department of Social Services, *Estimates Hansard*, 4 June 2015, p. 42.

23 *Submission 1*, p. 3.

24 *Submission 1*, p. 3.

25 *Submission 6*, p. 9.

the sole use of an automated decision-making process to determine that a person is a vulnerable welfare payment recipient creates a risk that vulnerable customers might be further disadvantaged through the application of income management in their particular circumstances.²⁶

2.20 The Ombudsman noted it is currently preparing a report on a similar measure used by Centrelink, called the 'vulnerable youth' measure, that automatically applies income management to young people who live in an income management declared area and are classed as 'vulnerable youth' based on age and qualification for a particular Centrelink payment.²⁷ The Ombudsman highlighted:

the subjective consideration of an individual's circumstances when applying income management is important, both to ensure that the individual is afforded natural justice, and that the application of income management will be consistent with its intended purpose of supporting and assisting the individual.²⁸

2.21 The Ombudsman expressed further concerns about the proposed streamlining measure to limit exemptions from income management for vulnerable welfare payment recipients to refer solely to a person's rate of income payment, rather than also require a subjective assessment. The Ombudsman noted limiting the exemption:

may also mean that some customers will be stuck in a system that could potentially exacerbate their disadvantage.²⁹

2.22 Similarly, Ms Patricia Lucas expressed concerns about the lack of restrictions on who may be defined as vulnerable and that, over time, the measure may 'lead to increasing numbers of welfare recipients being subjected to income management without sufficient public consultation or parliamentary oversight'.³⁰

2.23 NWRN recommended the introduction of an incentive based voluntary income management model, or alternatively, a genuine case-by-case income management model (rather than declared areas or targeting specific classes of people).³¹

2.24 The Explanatory Memorandum noted the current vulnerable income management measure was 'under-utilised and administratively burdensome' and that prescribing the class by legislative instrument will 'allow continuing flexibility about who this measure covers'.³²

26 Commonwealth Ombudsman, *Submission 5*, p. 4.

27 *Submission 5*, p. 3.

28 *Submission 5*, p. 4.

29 *Submission 5*, p. 9.

30 *Submission 4*, p. 1.

31 *Submission 6*, p. 10.

32 EM, p. 2.

2.25 During Budget Estimates on 4 June 2015, the department indicated that current vulnerability assessment processes detracted from the support social workers could provide. The department further noted that removing the vulnerability assessments:

is not changing the person's ability to access a social worker or social workers being able to make assessments. It was specifically set out, intense mechanism in addition to the other triggers. It was not being utilised to the degree expected in the original design.³³

Committee view

2.26 The committee acknowledges concerns raised by submitters about extending compulsory income management for a further two years. However, the committee notes income management programs have been in place since 2007 and have assisted around 25,000 Australians. The committee is satisfied the proposed changes, together with the government's additional investment in financial wellbeing, will deliver more streamlined and cost-effective income management programs.

2.27 The committee also acknowledges the concerns raised about removing incentive payments for people entering voluntary income management. The committee supports measures to assist people seeking to better manage their incomes, but accepts the existing measures are administratively inefficient and that these funds are better directed at initiatives to improve financial management skills.

2.28 The committee further acknowledges the concerns raised about changes to the process for determining classes of vulnerable persons, particularly the possibility that objective criteria may cause people to enter income management programs when their particular circumstances may not warrant this. The committee accepts that the existing case-by-case process is under-utilised and administratively burdensome. Moreover, the committee is satisfied that by requiring the Minister to determine classes by legislative instrument, the Parliament will have opportunity to ensure the criteria are appropriate and retain adequate flexibility.

Recommendation 1

2.29 The committee recommends that the Bill be passed.

Senator Zed Seselja

Chair

33 Ms Barbara Bennett, Deputy Secretary, Department of Social Services, *Estimates Hansard*, 4 June 2015, p. 45.