Comment on Draft Policy Outlines for New Model of Income Management

Submission to the Department of Families, Housing, Community Services and Indigenous Affairs

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Introduction

The Social Security and Other Legislation Amendment (Welfare Reform and Reinstatement of the Racial Discrimination Act) Act (the Act) was passed by the Senate on Monday 21 June.

The Act establishes a new model of income management, to be rolled out first across the Northern Territory, then, subject to a review, to be progressively rolled out in disadvantaged locations in other parts of Australia.

The Senate Community Affairs Committee inquiry into the Welfare Reform and Reinstatement of the Racial Discrimination Act recommended that the Department consult with stakeholders in the development of the legislative instruments.

ANTaR thanks the Department of Families, Housing, Community Services and Indigenous Affairs for this opportunity to comment on the exposure drafts of the income management policy outlines, which detail the application of the policy.

ANTaR's general position on the new income management policy

ANTaR set out our position on the new income management scheme in our submission to the Senate Community Affairs Committee in January.

ANTaR reiterates our opposition to the Government's new compulsory income management scheme. We remain concerned that it will affect broad categories of social security recipients, is not cost-effective and does not respect the rights and dignity of Indigenous or non-Indigenous social security recipients.

Although we are pleased that the new scheme will no longer directly discriminate against Indigenous social security recipients, the net effect of the changes will be that an increased number of Indigenous Australians will be affected. Further, we are disappointed that the Government has ignored community calls for changes to voluntary, trigger based and/or community supported models of income management. This was a key theme emerging from recent Government community consultations.

The Government’s original policy statement suggested that the new scheme would be broadly targeted to several categories of long-term income support recipients, and more narrowly targeted to child protection and ‘vulnerable person’ categories. The clear message from Government was that aged pensioners and disability support pensioners would only be affected in fairly narrow circumstances, namely, if a child in their care was assessed as being at risk of neglect or abuse or the recipient was themselves at risk of harassment for money or elder abuse.

The draft policy guidelines suggest that the reach of the scheme will be much broader than was originally indicated. The ‘vulnerable person’ category has been defined in a way which could potentially capture a majority of pensioners who are experiencing financial hardship. Many Indigenous Australians are likely to be caught in such a test.

In addition, the Government’s original policy statement indicated that exemptions from income management for those within the broader long-term welfare recipient categories would be fairly easy to access. In particular, Government statements indicated that proof of ‘responsible parenting’ would be easily obtained by providing proof of school
attendance or appropriate pre-school activities. Under the draft guidelines, these exemptions will be very difficult to prove. In all cases, applicants will need to be able to demonstrate that they are not experiencing financial hardship (based on an ability to meet priority needs over the last 12 months.) This is an extraordinarily unfair requirement, given the very low level of social security payments and the very high level of poverty and deprivation affecting social security recipients generally, and Indigenous recipients in particular.

ANTaR’s specific comments on the exposure drafts

Policy outline 1: Vulnerable Welfare Payment Recipient Measure

This instrument specifies three general decision-making principles which a Centrelink social worker must consider in determining whether a person is a vulnerable welfare recipient.

These include the presence of at least one vulnerability indicator, a failure (or inability) to meet priority needs and whether the vulnerability indicator is of a kind which could be assisted by income management.

The ‘vulnerable’ recipient category is not restricted to long-term income support payment recipients, which means that some of the payments excluded from the broader long-term income support recipient categories are covered by this provision, including age and disability pensioners.

To fall within this measure, a person need only be experiencing one or more of the following ‘indicators of vulnerability’:

- financial hardship;
- domestic and family violence;
- financial exploitation;
- failure to take reasonable self-care; and
- people who are at risk of homelessness.

The inclusion of domestic and family violence and financial exploitation indicators was flagged by the Government in its initial policy statement. ANTaR remains concerned that these provisions are likely to deter vulnerable people from revealing their situation to Centrelink and from accessing support services due to fear of being income managed. The measure is therefore likely to be counter-productive, increasing the risk to vulnerable women, children and elders.

The financial hardship, self-care and homelessness categories were not originally flagged by the Government. Their inclusion in the guidelines represents a significant expansion of the scope of this policy, unforeseen by Indigenous organisations, the community sector and other stakeholders.

The financial hardship category is of particular concern. Under the guidelines, a person is defined as experiencing financial hardship if they are ‘unable to access or engage in activities that meet their priority needs and the priority needs of their children, partner
and other dependants, due to a lack of financial resources.’ This indicator could have
very broad application, potentially bringing a majority of social security recipients,
including Indigenous people, within the scheme.

Compared with other low income population groups in Australia, Indigenous people are
at highest risk of deprivation and hardship. The ACOSS Who is Missing Out? Report,
published in 2008, showed that 65% of low income Indigenous Australians regularly
got without three or more essential items (for example, access to a decent and secure
home and access to dental treatment). The level of ‘multiple deprivation’ experienced by
these Indigenous Australians is three times the national average. This research would
therefore suggest that the majority of Indigenous social security recipients across the
country may be caught up in the new income management scheme due to the ‘financial
hardship’ test.

The self-care indicator is also alarming. The policy guidelines state that ‘this may be due
to factors including, but not limited to substance abuse, problem gambling, and/or mental
health issues.’ This is very broad and could have some potentially harmful effects on
extremely vulnerable people. Again, Indigenous people are likely to be disproportionately
affected by this indicator due to the higher prevalence of substance abuse, gambling and
mental health issues. Income management is an ill-conceived response to these
complex issues, and is likely to cause greater confusion and disempowerment among
these vulnerable sub-groups. Although in some instances income management might
play a useful role as a circuit breaker for people with particularly chaotic lives, for
example those with addictions, it should only be used as part of a broader therapeutic
response and where it is voluntary agreed to or supported by a community.

Indigenous Australians are also likely to be disproportionately affected by the
homelessness indicator. According to the most recent homelessness service data,
Aboriginal and Torres Strait Islander people were significantly over-represented when
compared with the general population (18% of clients and 25% of accompanying
children were Indigenous, compared with 2% of the general Australian population aged
10 years and over and 5% of children aged 0–17 years, respectively). Census data from
2006 suggests that 9% of the more general homeless population is Indigenous.

ANTaR reiterates the concern raised above in relation to domestic violence and elder
abuse, that this measure is likely to discourage people from seeking assistance from
Centrelink and other agencies. It is also likely to undermine the positive homelessness
initiatives which Centrelink is engaged in, including the homelessness vulnerability flag
and the option of weekly payments.

Although the third decision-making principle is that ‘the delegate must consider whether
the indicator of vulnerability is of a type that could be assisted by income management’,
decision-makers are given no guidelines by which to make this assessment.

Policy outlines 2: Parental exemptions – indicators of financial vulnerability

1 ACOSS, Who is Missing Out? Hardship among low income Australians, ACOSS Info Paper, 8 December
2 AHW, Government Funded specialist homelessness services: SAAP National Data Collection annual
3 ABS, Counting the Homeless, 2050.0, 2006 at (ix)-(x).
The Government’s initial policy statement suggested that exemptions would be fairly easy to obtain for ‘responsible parents’ within the long-term recipient categories by proof of school attendance or equivalent for pre-school aged children. However, under the policy guidelines, parents will have to pass a general financial vulnerability test in addition to a myriad of complex tests for ‘responsible parenting’.

The initial financial hurdle will be impossible to pass for most Indigenous long-term social security recipients. It requires proof that for the previous 12 months, the family’s priority needs have been met, the person had stable payment patterns and did not require urgent funds for ‘foreseeable costs’. These tests are very unfair, and penalise social security recipients for the inadequacy of their payments. Indigenous Australians receiving unemployment benefits (the Newstart Allowance) have a weekly income of $231 per week, in addition to any rent assistance and family payments they receive. The inadequacy of these payments, particularly in high cost remote locations like the Northern Territory, means that most recipients will struggle to regularly meet the needs of their families and pay bills on time. The high level of deprivation experienced by low income Indigenous Australians reflects this reality.

The guidelines set out a raft of financial vulnerability tests which require Centrelink officers to ask recipients intrusive questions about family relationships, personal budgets and expenses (has a person used lay by? Have they had a service or utility disconnected?), declined Basics Card transactions and what people buy at the supermarket. Such government intervention in the lives of low-income people is excessive.

Only if a person is able to jump the financial vulnerability hurdle (which ANTaR submits will be a minority of recipients), will Centrelink consider proof of responsible parenting.

*Policy outline 3: Parental exemptions – parents with children of compulsory school age and under compulsory school age*

Generally speaking, parents of school-age children will be required to prove that each of their children is enrolled and has had no more than five unauthorised absences in each of the previous two school terms.

Parents of children under school-age must provide proof of participation in a range of health and ‘engagement’ activities including immunisation, regular child health checks, participation in a program of speech, occupational, physical or other therapy, regular attendance at child care or, for younger children, ‘structured socialisation activities’ (kinder gym, playgroup or preschool). The number and kind of activities is defined according to age of child. Children over four years of age must be participating in at least two health activities and one ‘engagement’ activity.

Engagement activities include attendance at child care for a minimum of 15 hours a week. This fails to acknowledge the high cost of child care as well as the absence of culturally appropriate services in some areas. Census data from 2006 indicates that more than 40% of remote communities with more than 50 residents do not have access to child care services. Although Child Care Benefit provides assistance to low-income families to meet the costs of child care, parents are still required to meet significant gap

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fees (which SNAICC estimates as up to $30 a day).\(^5\) These costs are prohibitive for families on very low incomes.

The burden of proof will fall on parents to obtain and provide evidence of participation.

**Implementation issues for Indigenous Australians**

There are likely to be some specific issues related to the implementation of these policy guidelines which adversely affect Indigenous Australians.

Firstly, the complex tests and requirements to provide evidence (for example, of ‘responsible parenting’) are likely to prove very challenging for Aboriginal people with low levels of education, particularly those in remote areas.

Second, remoteness and population mobility in some areas means that contact with Centrelink will be difficult. This is likely to mean that the cases of Indigenous people will be more often considered on the file only, rather than through face-to-face interviews.

Language and cultural barriers, combined with poor access to interpretation services, also mean that Indigenous people may be less likely to strongly argue the case for an exemption or request a reconsideration of a determination.

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\(^5\) Secretariat of National Aboriginal and Islander Child Care, ‘Submission on the Consultation Regulation Impact Statement for Early Childhood Education and Care Quality Reforms’, 3 September 2009 at 7.