



17 June 2010
Mr Rob Heferen
Deputy Secretary
Department of Families Housing Community Services and
Indigenous Affairs
PO Box 7576
Canberra Business Centre ACT 2610

Dear Mr Heferen,

Re: Income Management policy outlines

ACOSS would like to raise the following concerns about first three of the draft Income Management policy outlines over which your department is now consulting. To put these comments in context, I would like to emphasise that ACOSS opposes the introduction of compulsory income management and that our detailed views on the Bill were expressed in our submission to the Senate Inquiry.

These outlines have the potential to extend income management much more broadly within the designated regions than we had expected, and to make it much harder than expected for people to obtain exemptions. A number of the proposed 'tests' are complex and highly intrusive, would be challenging for many middle income Australians, and costly to administer.

Policy Outline 1: Vulnerable welfare payment recipients

If this policy outline were included in legislation, Centrelink social workers would be required to enrol people well beyond the recipients of the 'target payments' in compulsory income management - including many recipients of age, disability and carer pensions living in areas that are nominated by the Minister.

There is also a real risk that many people in vulnerable circumstances, including victims of domestic violence and homeless people, will avoid seeking assistance from the social workers.

As we understood it, the purpose of vulnerable welfare recipient measure was to extend income management to victims of domestic violence and humbugging by family and community members. The idea behind this measure, as expressed by the Government and the Department, was that income management would protect these income support recipients from harassment. As we indicated in our submission to the Senate Inquiry, there is a danger that extending *compulsory* income management to these recipients would also place them at greater risk, by reducing their access to their income support payments (for example if they need to move home quickly) and by discouraging people from revealing their circumstances to Centrelink social workers (which impedes access to the other services they may need including the courts and crisis accommodation).



We were surprised and very concerned to find that the policy outline extends compulsory income management to three additional categories of 'vulnerable' recipients:

- The *financial hardship* criterion is extremely broad, and could extend, for example to around half of all working age social security recipients in the affected areas. The reason for this is that these payments are inadequate to meet essential expenses. The maximum single rate of Newstart Allowance (excluding Rent Assistance) is just \$231 per week. This is the direct result of policy decisions - for example the failure to extend the recent pension increases to recipients of unemployment and parenting payments. Many recipients could become victims of double jeopardy: the system does not pay them enough to live decently and, because they cannot meet their needs they may lose direct control over half of their payments. Income management is not the solution to the problem of financial hardship among income support recipients.
- The *self care* criterion is also very broad. In particular, it could capture many recipients of the Disability Support Pension, a group which the Government has indicated is not being targeted for income management. As we indicated in our previous submission, compulsory income management is not the solution to budgeting problems arising from problems such as addictions and mental health disorders, though voluntary income management could be a useful tool for addiction counselling and community mental health services.
- The *homeless or at risk of homelessness* criterion is of grave concern because a lack of control over income support payments together with contact with landlords from Centrelink, could place vulnerable tenancies at risk. In the tight rental markets that prevail in many parts of Australia, many income support recipients do not declare their source of income to prospective landlords and estate agents for fear of having their tenancy applications rejected. Depriving people of half their cash income would also make budgeting to meet rent payments more difficult for many people at risk of homelessness. Centrepay and voluntary income management are more appropriate solutions for those whose homelessness is due to poor money management.

A further concern about the extension of compulsory income management to this group is that homeless people would be more reluctant to reveal their circumstances to Centrelink and that this could deprive them of assistance such as weekly payments and referrals to welfare agencies that could assist them.

Policy outline 2: Indicators of financial vulnerability for parents seeking exemptions

Until now we had the impression that obtaining an exemption would be a simple process for income support recipients who were regarded as 'responsible parents'. This would not be so if this draft policy outline is legislated. The proposed tests for financial vulnerability would present a major hurdle for parents seeking exemptions, regardless of their parenting abilities and how diligently they manage their budgets.



The proposed financial vulnerability test would make it very difficult for people to obtain exemptions:

- Parents seeking exemptions from income management would also face the double jeopardy of inadequate payments and a financial hardship test based on inability to meet priority needs over the last 12 months. The maximum rate of Parenting Payment plus Family Tax Benefit for a sole parent with two school age children (excluding Rent Assistance) is just \$514 per week (around \$50 less if on Newstart Allowance instead). Many recipients are unable to meet basic needs on these payments, as data on financial hardship consistently show. For example, 59% of Parenting Payment recipients had difficulty paying a utility bill in the last 12 months and 31% sought financial help from a welfare agency.¹
- Many middle income parents would 'fail' some of the proposed tests. These include, for example, whether people save for large bills such as car registration, whether they have 'financial goals and plan for achieving them', whether they completed an approved money management course, and whether they have 'significant debts'.
- The complex and intrusive nature of the test itself would also discourage people from applying for exemptions. A total of 46 questions is included regarding how people budgeted over the last 12 months, and their experience of income management. This checklist is more detailed and more intrusive than many bank home loan applications.
- This raises concerns about the cost of administering the test. Given the complex nature of the indicators and the literacy levels of many recipients, this would have to be administered by a long and intensive interview. A related concern is whether the delegated Centrelink staff have the skills in financial counselling that would be required to undertake this assessment.
- A number of the indicators imply that people have to serve 12 months of income management before they can obtain an exemption.
- Parents could be discouraged from seeking financial assistance from Centrelink, for example with urgent payments, or from contesting Centrelink decisions regarding income management arrangements, because this may jeopardise an application for exemption from income management.

Policy outline 3: Parental exemptions for parents with pre-schoolers:

ACOSS believes that it is discriminatory to assume that children are at risk merely because their parents are long term recipients of certain social security payments and live in certain parts of the country, just as it was discriminatory to impose income management on Indigenous people in the Northern Territory. ACOSS also raised concerns in our submission

¹ Butterworth et al 2004, Mental health problems, disability and income support receipt. Australian Journal of Labour Economics Vol7 No2.



Australian Council of Social Service

to the Senate Inquiry about the appropriateness of requiring Centrelink staff to assess 'responsible parenting'. Our concerns with this policy outline focus particularly on the proposed assessment 'checklist' for parents with preschool age children, though we do not consider that income management is an appropriate solution to truanting among older children.

The assessment of parenting skills is well beyond the purpose of Centrelink and the capabilities of its staff. This is not a criticism of the staff – they are not required to hold qualifications in child development or protection because Centrelink is not a child protection agency. The fact that the policy outline does not limit this delegation to social workers only heightens our concern.

To get around this problem, the policy outline adopts a 'checklist' approach. There are a number of serious flaws with this approach:

- 'Responsible parenting' cannot be assessed using a checklist. It requires specialised skills and intensive contact with the family, including with the children.
- The proposed checklist imposes higher parental expectations on poor families than the community expects of parents generally. It contains a number of tests that many middle income parents would not 'pass' because they do not consider their children need the services (and nor is there a general community expectation that parents should use them). These include for example, occupational and speech therapy, playgroups, child care, preschools, and kinder gym.
- Inevitably, some of the tests involve the exercise of discretion, for example 'structured, age appropriate social learning or physical activities' and 'structured socialisation activities'. It is neither feasible nor appropriate for the social security guide to list every possible example of educational sporting or social activities that might meet this criterion.

While it might be argued that most parents would still 'pass muster' on a liberal interpretation of these rules because they do not have to meet all of the criteria, they contain a biases against poor families. Many of the approved activities cost money and some of the questions are a test of how articulate the parent is rather than how effective is their parenting. A test of parenting that is based on a crude checklist is not credible, and Centrelink is not the appropriate agency to administer one.

Australian Council of Social Service

Locked Bag 4777, Strawberry Hills, NSW, 2012

Ph (02) 9310 6200 Fax (02) 9310 4822

info@acoss.org.au

www.acoss.org.au



**Australian
Council of
Social Service**

We would appreciate feedback on the concerns we have raised, and trust that our submission, along with those of others, will be published as soon as possible on the department's website. Should you seek any clarification of our concerns, please contact me at this office.

Yours sincerely,

Clare Martin
Chief Executive Officer
Australian Council of Social Service