Is income management working?

Luke Buckmaster and Carol Ey
Social Policy Section

Contents

Introduction ............................................................................................................................................. 1
Income management ............................................................................................................................... 2
Objectives of income management ......................................................................................................... 4
The problem of evidence ......................................................................................................................... 5
Northern Territory ................................................................................................................................... 8
  Statistical overview ............................................................................................................................. 9
  Outcomes ............................................................................................................................................ 9
  Food purchases .................................................................................................................................... 12
  Outcomes for children ......................................................................................................................... 13
Cape York ............................................................................................................................................... 14
  Statistical overview ............................................................................................................................. 16
  Notifications ...................................................................................................................................... 16
  Case management .............................................................................................................................. 17
  Income Management .......................................................................................................................... 17
  Operation of the FRC ......................................................................................................................... 18
  Outcomes .......................................................................................................................................... 18
Western Australia .................................................................................................................................. 21
  Statistical overview ............................................................................................................................. 21
  Outcomes .......................................................................................................................................... 22
  Conclusion .......................................................................................................................................... 24
Acknowledgements

Thanks to Professor Ilan Katz, Director, Social Policy Research Centre, University of New South Wales; and Parliamentary Library staff who provided helpful comments on earlier drafts of this Background Note. The authors remain responsible for any errors and omissions.
Introduction

Income management (also known as ‘welfare quarantining’) refers to a policy under which a percentage of the welfare payments of certain people are set aside to be spent only on ‘priority goods and services’ such as food, housing, clothing, education and health care. Income management was introduced by the Howard Government in 2007 as part of the legislation for the Northern Territory Emergency Response (NTER). At this time, income management schemes were also established as part of the Cape York Welfare Reform Trial for situations of child neglect and non-enrolment and/or non-attendance at school. In addition to these compulsory income management schemes, provisions were also introduced for people to have their income managed voluntarily. Since then, the Rudd and Gillard Governments have expanded the scheme so that it now applies throughout the Northern Territory and other designated ‘disadvantaged areas’ throughout Australia.

Income management has been a controversial part of the Australian Government’s welfare reform agenda in recent years. While various conditions have always been applied to eligibility for welfare payments, restrictions on how payments may be spent are a new development that has been criticised by some as paternalist and stigmatising.

Much of the debate surrounding income management has related to the question of evidence. That is, does a sufficient body of evidence exist to justify the policy of compulsory income management? Alternatively, is there evidence of policy failure or harmful consequences arising from income management? In other words, is income management working?

There are several reasons why these questions are important. First, income management has been justified by its supporters on the grounds of the potential benefit it can bring to individuals and their families. Second, the Government has stated that further expansion of income management will be informed by evidence of how well it is working and how it might be improved. Finally, the Government has consistently emphasised the importance of evidence-based policy. For example, the Minister for Families, Housing, Community Services and Indigenous Affairs has spoken of her ‘unshakeable belief in the power of responsive, evidence-based policy to drive progressive reform at many different levels’.

This Background Note is intended as a brief guide to the evidence about the efficacy of income management. It outlines what income management is and what it is intended to do. It also highlights the substantial difficulties associated with evaluating the effectiveness of income management,
Is income management working?

including the limitations of the available evidence. The Background Note then outlines the available evidence in relation to income management in the Northern Territory, Cape York and Western Australia.

The Background Note concludes that, thus far, the evidence provided for or against income management is inconclusive. At best, the evidence has only partially clarified particular aspects of a complex situation.

Income management

Under income management (also known as ‘welfare quarantining’), a percentage of the welfare payments of those subject to the scheme is diverted into a special account. As noted above, funds in this account may only be spent on priority items such as:

- food
- clothing
- health items
- education and training
- child care
- housing
- household utilities
- public transport and
- acquisition, repair, maintenance or operation of motor vehicles (used wholly or partly for purposes in connection with any of the above needs).4

There is, furthermore, an explicit ban on certain goods and services which must not be bought with income managed funds (a list the Minister can add to by legislative instrument):

- alcoholic beverages
- tobacco products
- pornographic material
- home brew concentrates and home brew kits and

---

Is income management working?

People who may be subject to compulsory income management include:

- People who may be subject to compulsory income management include:
  - gambling services.
  - welfare recipients in the Northern Territory deemed by the Government to be ‘Disengaged Youth’, ‘Long-term Welfare Recipients’ or ‘Vulnerable Welfare Payment Recipients’
  - welfare recipients in the Northern Territory and parts of Western Australia whom a child protection officer has referred to Centrelink to have their income managed (‘Child Protection Income Management’)
  - welfare recipients in Cape York whom a statutory body, the Family Responsibilities Commission (known in legislation as the ‘Queensland Commission’), has ordered should be subject to income management for engaging in dysfunctional behaviour and
  - from 1 July 2012, welfare recipients living in one of five targeted communities who have been referred for Child Protection Income Management or the Vulnerable Welfare Payment Recipients measure (known as ‘Place Based Income Management’).

The Government has also introduced legislation that will give particular state and territory agencies the power to refer people for income management in a similar way to which the child protection measure operates (to be known as the ‘Supporting People at Risk’ measure). In the initial roll-out of this measure, Northern Territory authorities will have the power to refer people for income management for alcohol related problems. This measure was announced as part of the Government’s Stronger Futures package, a set of changes to the NTER following consultations in Northern Territory communities and town camps, and at public meetings in major towns.

---

5. Excluded goods and services are defined in section 123TI of the *Social Security (Administration) Act 1999* and by legislative instrument made by the Minister. See Ibid.

6. The specific areas in Western Australia that fall under this measure are: districts of Armadale, Cannington, Fremantle, Joondalup, Midland, Mirrabooka, Perth and Rockingham; and the Kimberley region.


8. J Macklin (Minister for Families, Community Services and Indigenous Affairs and Minister for Disability Reform), W Snowdon (Minister for Indigenous Health, Minister for Veterans’ Affairs and Minister for Defence Science and Personnel) and T Crossin (Senator for the Northern Territory), *Education, jobs and tackling alcohol abuse the key to building stronger futures in the Northern Territory*, joint media release, 14 November 2011, viewed 21 May 2012, [http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressrel%2F1225673%22](http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressrel%2F1225673%22)

Is income management working?

Under the initial implementation of income management, goods could only be purchased at designated outlets. However, people subject to income management may now apply to access their income managed funds through a BasicsCard. The BasicsCard is a reusable, PIN protected card provided by Centrelink that allows people to spend income managed money at approved stores and businesses through the EFTPOS system.

Additional features of income management include:

- matched savings incentives for those subject to compulsory income management to help them budget and save. Those who complete an approved money management course and have a pattern of savings over at least 13 weeks may receive a contribution from the Government of up to $500 and no more than 50 per cent of the costs of household items, such as whitegoods
- access by those subject to compulsory income management to financial counselling and money management services and
- access by voluntary participants in income management to an incentive of $250 for every six months that they remain in the scheme.

Exemptions from income management may be sought by people under the Disengaged Youth and Long-term Welfare Payment Recipient Measures. Applicants for exemptions must provide evidence of particular behaviours such as participation in education/training, recent workforce participation or (if they have dependent children) regular school attendance by their children.

Objectives of income management

Evaluating the success of income management requires an understanding of what it is trying to achieve. What are the specific objectives that income management should be measured against? According to the Government, the main objectives of income management are to:

- reduce immediate hardship and deprivation by directing welfare payments to the priority needs of recipients, their partner, children and any other dependents
- help affected welfare payment recipients to budget so that they can meet their priority needs
- reduce the amount of discretionary income available for alcohol, gambling, tobacco and pornography
- reduce the likelihood that welfare payment recipients will be subject to harassment and abuse in relation to their welfare payments and

---

• encourage socially responsible behaviour, particularly in the care and education of children.¹¹

In addition to these specific objectives, both the previous Coalition and current Labor Governments have spoken of the role of income management in terms of broader welfare reform objectives. For example, according to Minister Macklin:

Income management is a key tool in the government’s broader welfare reforms to deliver on our commitment to a welfare system based on the principles of engagement, participation and responsibility.

Welfare should not be a destination or a way of life.

The government is committed to progressively reforming the welfare system to foster individual responsibility and to provide a platform for people to move up and out of welfare dependence.¹²

As such, income management involves assumptions about the need to address factors other than adequacy of income in overcoming social disadvantage. Income management explicitly attempts to address the behavioural or cultural aspects that may be associated with social disadvantage by restricting access to harmful products, seeking to promote socially responsible choices and behaviours and reducing financial harassment. It has also been introduced in ways that address the location based aspects of disadvantage. This suggests that income management needs also to be measured against longer-term cultural and social-structural objectives.

The problem of evidence

Discussions of the evidence about income management have been controversial. Much of the controversy stems from the fact that there are substantial difficulties associated with evaluating the effectiveness of income management. For a start, there are very few studies available that seek to directly evaluate the effectiveness of income management. In part, this is because income management is still relatively new and untried elsewhere.

Further, there is the problem of separating the impact of income management from other policy interventions and factors. For example, in relation to the NTER, it is virtually impossible to isolate the various elements (such as income management, alcohol prohibitions and increased policing) in a way that would allow reasonable conclusions to be drawn about the relationship between particular policy inputs and particular outcomes (such as improved health and education outcomes and


Is income management working?

reductions in crime). There is also a question about the validity of generalising from these outcomes to other proposed income management schemes elsewhere.

There is also the problem of deciding precisely who or what is to be the subject of the research—that is, what is the ‘unit of analysis’. As Ilan Katz of the Social Policy Research Centre, University of New South Wales, has argued in relation to the NTER:

How could one know whether it had been effective? It consists of a wide range of components—inter alia, health checks, new police officers, welfare quarantining, alcohol and pornography bans, a range of housing initiatives and removal of the permit system for accessing Indigenous lands. Not all communities have received all the interventions. In addition some people have moved from one community to another, while many have left the remote NT altogether. So the first problem, before we even get to outcomes, is that it is not clear what the unit of analysis for an evaluation would be—is it the communities or is it the individual children who the intervention was aimed to ‘save’ from sexual abuse and neglect? If the former, then any evaluation would have to randomly allocate the intervention to some communities whilst leaving the rest free of the intervention, while somehow ensuring that people in those communities do not contaminate the experiment by moving to non-intervention sites. On the other hand, if the children themselves are the units of analysis (which is what most people would assume), then individual children would have to be randomly assigned to each of the various combinations of interventions...

Other methodological issues, some of which have become a source of controversy in the debate about income management, include:

- the difficulty in obtaining (or, in some cases, absence of) a comparison group or baseline data against which to measure the impact of income management
- the limited amount of quantitative data—reflecting to some extent the problems associated with collecting such data from remote communities—capable of providing evidence of the impact of income management
- in the absence of quantitative data, the strong reliance of government evaluations on qualitative measures based on the perceptions and views of various stakeholders (clients, community members, store owners, community sector employees, Centrelink staff and government business managers) about the impact of income management
- criticism that those responsible for some reviews of the NTER and/or income management have not been sufficiently independent from the Government and

---

• criticism of other design aspects of various reviews—for example, in relation to the representativeness of data based on sample size, the nature of questions asked and the quality of information provided to participants.14

In addition, face-to-face surveys involving vulnerable participants are prone to response bias, where respondents are more likely to say what they think is the socially desirable answer, rather than their own assessment. This is a particular risk when the subject matter is controversial, as is the case with income management and the NTER. Response bias is also more likely in qualitative interviews, which form the basis of many of the studies. In such circumstances the precise wording of the questions and the (often unconscious) attitude of the interviewer can influence results, even when every effort is made to avoid bias.15

Overall, as noted in the Australian Institute of Health and Welfare (AIHW) evaluation of the NTER model of income management, such research methods ‘sit towards the bottom of an evidence hierarchy’ and hence any findings should be treated with caution.16 As the AIHW explains:

> Evidence hierarchies are used to rank different research methods according to the validity of their findings, based on the risk of error or bias in their results. The strongest evidence for evaluations comes from randomised control studies, followed by natural experiments and before-and-after studies.17

As such, the evidence provided for or against income management, or any other individual inputs of the NTER, has only partially clarified particular aspects of a complex situation.

The remainder of this Background Note summarises the available evidence in relation to income management in the Northern Territory, Cape York and Western Australia.

---


17. Ibid.
Northern Territory

Income management was initially introduced by the Howard Government as part of the NTER in prescribed areas of the Northern Territory (NT), including 73 remote communities, associated outstations and ten town camp regions. This formed part of the Howard Government’s response to high levels of alcohol and substance abuse that were linked to the child protection issues described in the Little Children are Sacred Report in April 2007.¹⁸

On 21 June 2007, the then Minister for Families, Housing, Community Services and Indigenous Affairs, Mal Brough, announced that the Howard Government would introduce legislation to:

Reduce discretionary disposable income by quarantining 50 percent of all Australian Government income support and family assistance payments, and CDEP wages, for an initial period of twelve months, for people who have been, or become, in receipt of payment for two years or longer for residents in prescribed [Northern Territory] communities, with those outside of these communities decided on a case by case basis by Centrelink.¹⁹

According to the Explanatory Memorandum for the relevant Bill, the two primary aims of income management were:

• to stem the flow of cash that is expended on substance abuse and gambling and
• to ensure funds that are provided for the welfare of children are actually expended in this way.²⁰

Further, income management was intended to ‘protect vulnerable people from financial exploitation, including the practice known as ‘humbugging’ in some NT communities’.²¹

From 1 July 2010, the Labor Government’s New Income Management scheme targeted at ‘individuals at risk’ was introduced throughout the NT as a whole, including urban, regional and remote areas. By ‘at risk’, the Government meant those people who are susceptible to social isolation and disengagement, possess few or poor financial literacy skills and/or participate in risky behaviours.²²

Under the new approach, income management applies to people deemed to be at risk due to receipt of particular welfare payments (such as Newstart and Youth Allowance) for specified periods of time,

---

²¹.  FaHCSIA, op. cit. ‘Humbugging’ has various definitions but generally refers to the practice of (sometimes violently) demanding money from relatives.
²².  Explanatory Memorandum, op. cit., p. 3.
Is income management working?

people referred for income management by child protection authorities and people regarded by Centrelink social workers as vulnerable to financial problems.

As with the Howard Government scheme, affected income support recipients have 50 per cent of their regular payments and 100 per cent of lump sum payments quarantined in a separate account that may only be used for the purchase of priority goods and services. The new scheme also includes savings incentives, access to financial counselling and incentives to participate in income management voluntarily.

Six-monthly monitoring reports of the NTER initiatives provide key statistics on the implementation of income management in the NT. In addition a wide range of studies have been undertaken on the impact of both income management and the NTER, including several commissioned by the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA). A major evaluation funded by FaHCSIA of the New Income Management scheme is currently being undertaken by a consortium headed by the Social Policy Research Centre, University of New South Wales. It is expected to report by December 2014.

Statistical overview

Income management under the NTER was progressively implemented in prescribed areas of the NT from August 2007. The revised scheme covering ‘individuals at risk’ across the whole of the NT was introduced from 1 July 2010. The number of people on income management in the NT over this period is shown in the table below.

Number of people on income management in the NT: June 2008 to June 2011

<table>
<thead>
<tr>
<th>Year (at June)</th>
<th>No. of people</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>13 305</td>
</tr>
<tr>
<td>2009</td>
<td>15 182</td>
</tr>
<tr>
<td>2010</td>
<td>17 592</td>
</tr>
<tr>
<td>2011</td>
<td>17 418(a)</td>
</tr>
</tbody>
</table>

(a) Includes 4374 people on voluntary income management

Source: FaHCSIA. 23

Outcomes

While there have been numerous studies of the NTER implementation of income management the evidence is far from definitive due to the limitations identified above. 24 In addition, the blanket application of income management under the NTER to all long-term social security recipients in particular communities meant that some of those subject to income management were already effectively budgeting and behaving socially responsibly, and so income management would not be

---

24. These studies are listed at ibid.
expected to have a significant impact on them. One estimate put the size of this group at around 20 per cent.25

The New Income Management evaluation framework has identified a range of administrative and high quality survey data (such as the National Aboriginal and Torres Strait Islander Social Survey and FaHCSIA’s Longitudinal Study of Indigenous Children) that could form the basis of more robust research; however, these have not been extensively used to date.26

Overall, findings from the analyses that have been undertaken are largely consistent, with participants reporting:

... income management had delivered discernible benefits, particularly to children, women, older people, and parents and families. The benefits included more money being spent on food, clothing and school-related expenses; assisting with saving for whitegoods such as fridges and washing machines; less money being spent on alcohol, gambling, cigarettes and drugs; reduced levels of ‘humbugging’ (or harassment for money); and improved capacity for household budgeting.27

Even the Australian Indigenous Doctors’ Association study which recommended the abandonment of compulsory income management due to concerns about mental health impacts, noted:

High levels of support for increased income to purchase food and other necessities for children, in particular, are likely to translate to improved health outcomes—both direct (as in improved health associated with improved nutrition) and indirect (as in, improved concentration, participation and learning ability and capacity, and improved educational outcomes).28

It is generally recognised that there were problems with the initial implementation, in particular around lack of understanding about what the income managed funds could be spent on and the inability to access funds when travelling which, combined with resentment around the NTER measures generally, led to more negative responses in many of the earlier surveys.29 However, it appears that as the administrative issues have been resolved and clients have become more familiar with how to use their income managed funds, many consider that it does have advantages in

25. AIHW, op. cit., p. 62.
29. These problems were highlighted, for example, in AIHW, op. cit.
managing their finances. For example, the NTER Evaluation stated that ‘off the 7877 people who had exited compulsory income management by 31 December 2010, 59 per cent (or 4653) chose to participate in voluntary income management’. It should, however, be noted that the small financial incentives to participate in the voluntary measure may have influenced the high take-up rate. There are also concerns that some people subject to the voluntary measure were aware that it was voluntary.

Some studies suggest that support for income management varies across communities, however, it is unclear whether this is due to implementation or cultural issues in different locations, or just the result of small numbers of respondents. One large representative study of 1343 respondents across 16 locations found that, in general, smaller communities (less than 350 residents) were more positive about the effects of the NTER than larger ones (population over 1100). Again it is not clear what factors may contribute to this difference.

A study by the Equality Rights Alliance of 180 women who attended discussion groups advertised through community organisations presented a rather more negative assessment of income management in the NT, with 85 per cent of participants saying that the BasicsCard had not changed what they buy, and 74 per cent reporting that they feel people don’t treat them as well when they see the BasicsCard. This study undertook group discussions in Alice Springs and Darwin and included women who had been on the former NTER income management as well as those in urban areas who were part of the New Income Management arrangements. It is possible that the experience of women in urban and near-urban areas, in which those on income management are the minority, may be different to the experiences of those in remote communities where the other studies have focussed, in which the majority of people are on income management. On the other hand this study also relied on a relatively small number of participants, who were not randomly recruited.

32. See for example AIHW, op. cit., and FaHCSIA, Community feedback on the Northern Territory Emergency Response (NTER): Research report, prepared by Cultural and Indigenous Research Centre Australia (CIRCA), FaHCSIA, September 2008.
Food purchases

Much of the deemed ‘success’ of income management has been in claims that it has lifted the proportion of income that is spent on food, and in particular fruit and vegetables, while reducing expenditure on cigarettes and alcohol. In particular, improving the food intake of children is seen as a key factor:

The biggest improvement is seen to be in children eating more food than three years ago, with 68.8% confirming this. The qualitative data provide evidence that BasicsCard and the school nutrition program are credited with creating conditions in which children have more access to food.35

Two studies have looked at the expenditure in stores in income managed communities, and considered changes in expenditure on key items such as cigarettes and fruit and vegetables. A Central Land Council commissioned report provides figures on the takings of one store before and after the implementation of income management (see table below), which appear to show a positive change in spending habits.

Changes in the takings (in dollars) of Fink River Mission store before and after income management, relative to major product areas

<table>
<thead>
<tr>
<th>Feb-Apr</th>
<th>Meat</th>
<th>Fruit</th>
<th>Bread</th>
<th>Groceries</th>
<th>Cigarettes</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>15,500</td>
<td>6,000</td>
<td>10,500</td>
<td>92,000</td>
<td>17,200</td>
</tr>
<tr>
<td>2008</td>
<td>19,000</td>
<td>10,500</td>
<td>14,000</td>
<td>108,000</td>
<td>11,200</td>
</tr>
</tbody>
</table>

Source: Central Land Council (CLC)36

A more comprehensive analysis was undertaken by researchers at the Menzies School of Medical Research which compared expenditure patterns from ten Arnhem Land Progress Aboriginal Corporation (ALPA) stores from 1 October 2006 to 30 September 2009. This study found that:

income management appeared to have no effect on total store sales, food and drink sales, tobacco sales and fruit and vegetable sales, independent of the government stimulus payment. Soft drink sales and turnover dropped initially with income management, but increased thereafter.37

36. Central Land Council (CLC), Reviewing the Northern Territory Emergency Response: Perspectives from six communities, CLC, Alice Springs, July 2008, p. 34
FaHCSIA has disputed this conclusion and noted that if the pre-intervention and post-intervention periods were compared, excluding the stimulus payment period, fruit and vegetable sales had increased by 39 per cent compared to a total store sales increase of 27 per cent and increases in tobacco and soft drink sales were just 12 per cent.\(^{38}\) It should, however, be noted that even with this increase, fruit and vegetable sales still only represented 4 per cent of total store sales, less than a quarter the value of tobacco sales.

FaHCSIA also argued that the ALPA stores were not representative of other community stores in the NT in that they had a long-standing commitment to improve nutritional outcomes, and hence were likely to have been supporting better nutritional outcomes prior to the introduction of income management. Therefore, the impact of income management on food purchases from this study may be expected to be less than in other community stores. However, FaHCSIA’s own survey of 66 stores, which was based on store operators’ observations rather than sales data, found 68.2 per cent of store operators reporting an increase in the amount of healthy food purchased, with 73.3 per cent of those who responded reporting no change in the sales of cigarettes.\(^{39}\)

Therefore, while there is some evidence that income management resulted in an increase in the purchase of healthy food items such as fruit and vegetables, these items continue to represent only a small fraction of total store sales.

**Outcomes for children**

As noted earlier, one of the primary aims in the introduction of income management to the Northern Territory was to ensure funds provided for the welfare of children were spent on them. The focus on increased expenditure on healthy food has been implied to be of particular benefit to children and several studies have reported children are eating better as a result of the introduction of income management.\(^{40}\) The empirical evidence, however, is at best ambiguous. The Northern Territory Growth Assessment and Action (GAA) Program provides annual population-level information on the growth status of Indigenous children aged under five living in remote communities in the Northern Territory. While data from the GAA Program shows statistically positive improvements in the age-standardised rates of anaemia, underweight, wasting and stunting over the period 2004 to 2010, most of these improvements show a steady change over the period rather than any direct impact from the introduction of income management in 2007–08. In fact the age-standardised rate of diagnosis of underweight children per 100 population has increased from 6.2 to 8.2 in the period from 2008 to 2010, having previously fallen from 10.1 in 2004.\(^{41}\)

---

40. See for example Shaw and d’Abbs, *op. cit.*, p. 8.
Is income management working?

Data from the Sunrise Health Services region, which provides a primary health care service to some 3400 people east of Katherine, most of whom were subject to income management under the NTER, suggested that anaemia rates in children under five increased significantly over the first 18 months of the NTER. However, subsequent reports suggest that these levels have declined considerably over 2009–10 and 2010–11.

There was also an expectation that income management would have benefits for children through encouraging responsible parenting and improved social behaviour more generally, although this is only explicit in later iterations of the program. Again, the data here presents an ambiguous picture:

Survey data also shows that children’s level of activity, their school attendance, health and happiness are all seen to have improved. It is clear that in some communities’ respondents’ perception of increased school attendance is at variance with school attendance data, which records a decrease in attendance in some sites.

Cape York

Income management in Cape York forms part of the Cape York Welfare Reform Trial (CYWRT), a joint initiative of the Australian Government, the Queensland Government and Noel Pearson’s Cape York Institute for Policy and Leadership. The CYWRT is being implemented in the communities of Hope Vale, Coen, Aurukun and Mossman Gorge (‘the reform communities’), which have a combined population of around 1600.

The purpose of the trial is to address Indigenous disadvantage in the Cape York region by fostering personal responsibility and local leadership. This builds on the recommendations of the Cape York Institute’s welfare reform project report.

The CYWRT is administered by a Queensland state statutory body, the Family Responsibilities Commission (FRC). In support of this objective, the FRC holds regular case conferences in each of the reform communities on a circuit.

---

42. See L Behrendt and I Fisher, ‘Intervention is hurting health’, smh.com.au, 31 March 2009, viewed 5 April 2012, http://www.smh.com.au/opinion/intervention-is-hurting-health-20090330-9gzm.html. The report did not specify whether this represented an increase in actual rates of anaemia or may have been the result of other factors such as increased numbers of child health checks.

43. Sunrise Health Service, Annual Report 2010/11, Sunrise Health Centre, p.17

44. Shaw and d’Abbs, op. cit., p. 8.


Any person who is a welfare recipient living in one of the four CYWRT communities and who fits into any of the following categories may be referred to the FRC:

- the person’s child is absent from school three times in a school term without reasonable excuse
- the person has a child of school age who is not enrolled in school without lawful excuse
- the person is the subject of a child safety report
- the person is convicted of an offence in the Magistrates Court or
- the person breaches his or her tenancy agreement—for example, by using the premises for an illegal purpose, causing a nuisance or failing to remedy rent arrears.

People referred to the FRC are required to attend a conference in order to discuss the issues that have led to their referral. The FRC attempts to link individuals to relevant support services including:

- case managers to help children attend school
- money management advisors and
- counsellors for drug and alcohol addiction, family violence and mental health issues.47

FRC Commissioners attempt to reach an agreement with individuals on actions they will take to assume greater responsibility, including attending support services and through personal actions such as putting children to bed early. People who have entered into such an agreement are case managed by the FRC for the period of the agreement.

In addition to this support role, the FRC has the power to require that the person’s income (generally, 60 to 75 per cent) be managed by Centrelink for a period of between 3 to 12 months. The FRC uses income management both as a mechanism for ensuring that welfare payments are spent on necessities and as an incentive for the individual to engage with social supports and undertake behavioural change.

The main sources of evidence about income management in Cape York are quarterly and annual reports from the FRC, publications from individual FRC Commissioners, an implementation review report of the FRC commissioned by FaHCSIA and Aboriginal and Torres Strait Islander Services (Queensland Government) reports on Queensland’s Discrete Indigenous Communities. These do not examine income management in isolation from other aspects of the Cape York Welfare Reform Trial (CYWRT). Rather, given that income management is intended to be one part of an integrated system, they largely focus on the operations and impact of the CYWRT and FRC as a whole, or indicators of community wellbeing such as school attendance. This highlights the difficulty, outlined above, of obtaining specific evidence for or against the efficacy of income management.

47. FaHCSIA and KPMG, op. cit.
Is income management working?

Statistical overview

Notifications

As at 30 September 2011, the FRC had received 8303 notifications related to individuals within the reform communities (see table below).48 (A further 3498 notifications had been received for individuals who were not welfare recipients and/or not residing in a welfare reform community and therefore not subject to the jurisdiction of the FRC).49

Family Responsibilities Commission, total client notifications (within jurisdiction) 1 July 2008 to 30 September 2011

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within jurisdiction</td>
<td>8303</td>
</tr>
<tr>
<td>School attendance</td>
<td>3645</td>
</tr>
<tr>
<td>Child safety</td>
<td>976</td>
</tr>
<tr>
<td>Magistrate court</td>
<td>3531</td>
</tr>
<tr>
<td>Housing tenancy</td>
<td>151</td>
</tr>
</tbody>
</table>

Source: D Glasgow and T Soveryhaz; FRC Quarterly reports50

That—as noted above—the combined adult population of the reform communities is around 1600 highlights the extent of multiple notifications relating to individuals in the communities.51 Since the Commission commenced operations, 81.6 percent of clients have received more than one notice with 41.4 percent of clients receiving more than five notices.52 According to the FRC, ‘frequently this illustrates multiple child school absences for the one family or multiple Magistrates Court notices relating to one incident’.53 Over this time, 18.4 percent of FRC clients have received only one notice.54

50. Ibid.
51. FaHCSIA and KPMG, op. cit.
52. FRC, Quarterly Report no. 13, op. cit., p. 8.
53. Ibid.
54. Ibid.
Is income management working?

In the most recent quarter for which figures are available (June to September 2011), total notifications increased to 977 from 925 in the previous quarter, some of which related to more than one person. Of these, 689 notifications received were within the Commission’s jurisdiction, an increase of 90 from the previous quarter.

Case management

As at 30 September 2011, 186 people were being case managed by the FRC, a slight increase from the 184 people being case managed in the previous quarter. According to the FRC, a contributing factor to the decrease in case management numbers is that:

Over the past three years the Commission has seen some clients continue to reappear at conference, including those who are not compliant and remain resistant to seeking ongoing intervention to address their personal issues. These clients have subsequently been placed on [Conditional Income Management] orders, contributing to the decrease in client case plan numbers.

Income Management

By September 2011, 597 Conditional Income Management orders had been made since the commencement of the FRC, in relation to 391 FRC clients. In the September 2011 quarter, the FRC made 53 Conditional Income Management orders, an increase of 6 from the previous quarter.

According to the FRC:

Commissioners continue to report that a number of clients are requesting CIM orders and to be placed on a BasicsCard. These clients request that the Commission order the income management as a means to stabilise the household and ensure bills are paid and children are fed, in preference to being placed on Voluntary Income Management (VIM) where pressure from spouses and family members can erode the intent of income management. Those clients, who do request VIM, advise it assists in the management of household budgets and provides a tool for savings for special occasions such as Christmas.

As at 30 September 2011, 37 clients and community members had placed themselves on Voluntary Income Management.

56. Ibid, p. 5.
57. Ibid, p. 12.
58. FRC, Quarterly Report no. 12, op. cit., p. 8.
59. FRC, Quarterly Report no. 13, op. cit., p. 11.
60. Ibid.
61. Ibid.
62. Ibid.
Is income management working?

Operation of the FRC

According to a review of the FRC conducted by KPMG (the KPMG review) for FaHCSIA:

Despite numerous challenges and the complexity of operating within a remote environment, the FRC has been implemented as intended in all four communities. Its structures and processes conform to good practice principles, and during its first 18 months of operations, the FRC has established its own foundations and enablers which contribute to supporting individuals in behaving in ways consistent with community values and expectations of acceptable behaviour. Although many challenges remain, the FRC is addressing a number of these as it continues to strengthen its role within participating communities.63

Challenges for the FRC identified in the report include the need for:

• improved linkages between the FRC, notifying agencies and support services
• better planning and resourcing for the volume of clients likely to be referred to the FRC (including repeat clients) and
• ongoing communication with community members about the role of the FRC.64

Outcomes

The KPMG review found that the CYWRT had had the following impacts during its first 18 months of operation:

The FRC appears to be contributing to restoring Indigenous authority by supporting local and emerging leaders in Local Commissioner roles to make decisions, model positive behaviour and express their authority outside of the FRC ...

... with average attendance rates of around 60–70 percent at conferences, which compares favourably with other conditional welfare initiatives, and the majority of clients reaching agreements with the FRC about what action they should take to improve their lives, there are signs of individuals responding to the drivers and incentives created by the FRC ...

... there is growing awareness in the communities that the FRC is operational and will hold people accountable for certain behaviour, although this understanding is not yet broad or deep ...

... story telling through face-to-face interviews with FRC clients reveals that some people have experienced an improvement in their lives and the lives of their families, although there are also signs that individual change is fragile, with many people breaching another social obligation after being in the FRC system ... and

63. FaHCSIA and KPMG, op. cit., p. 8.
64. Ibid, p. 6.
... indicators of positive community-level change around school attendance, alcohol and violence in two communities (Aurukun and Mossman Gorge) may be associated with the FRC and other initiatives, and underpin a higher level of acceptance of the FRC in these communities. 65

The KPMG review makes the important point that:

Progress is not even across communities and individual behaviour changes are fragile. Such a situation is to be expected considering the complexity of the changes being implemented and the very great support needed for individuals as they move to align behaviour with community values. 66

The unevenness and fragility of change is highlighted by school attendance trends in the reform communities since the beginning of the trial. 67 As can be seen from the chart below, the rate and direction of changes in school attendance across the communities has differed markedly. Further, while the percentage of children attending school increased between Term 2, 2008 and Term 2, 2011, in Aurukun (37.9 per cent to 70.1 per cent) and Mossman Gorge (75.8 per cent to 79.5 per cent), it actually fell over the same period in Coen (96.8 per cent to 86.6 per cent). A change in the counting methodology for Hope Vale from Term 1, 2011 means that the school attendance rate cannot be compared with terms from previous years. Nevertheless, a comparison of terms prior to the change, shows a fall in school attendance between Term 4, 2008 and Term 4, 2010 (81.5 per cent to 80.6 per cent). It is also notable that there was a substantial decrease in the percentage of children attending school in Hope Vale between Terms 1 and 2 in 2011 (80.1 per cent to 68.8 per cent). 68

65. Ibid.
67. Note that the FRC states that caution should be used in examining percentage changes in attendance for Coen and Mossman Gorge because 'both these communities have relatively small numbers of students and a small numerical change can result in a large percentage difference in overall attendance figures.' It also says comparison is made difficult by changes in record keeping practices over time. FRC, Quarterly Report no. 13, op. cit., p. 6. The FRC also noted that 'during the quarter the Commission identified incorrect data in relation to the notices received from [Department of Education and Training, Queensland]'. Ibid, p. 7.
68. In relation to this decrease in school attendance in Hope Vale, the FRC Quarterly Report no. 12, says that 'Local Commissioners are working very hard with the school to address absences related to various factors including funerals, return from public holiday periods and sporting events'. FRC, Quarterly Report no. 12, op. cit, p. 3.
Is income management working?

Chart 1: School attendance rates by term by year, Cape York reform communities, 2008–2011

Source: Annual Highlights Report for Queensland’s Discrete Indigenous Communities.69

Queensland Government reports on Queensland’s Discrete Indigenous Communities provide information against key indicators of community wellbeing such as hospital admissions for assault-related conditions, offences against the person, convictions for breaches of alcohol restrictions, substantiated child protection notifications and admissions to child protection orders. There is no trend towards positive or negative change in these indicators across any of the communities since the beginning of the reform trial.

For example, while there was a relatively large decrease in reported offences against the person per 1000 persons in Aurukun between 2007–08 and 2009–10 (141.9 to 90.2), there was an increase in 2010–11 (114.3).70


70. Ibid. Higher rates of reported offences can be a result of factors such as increased policing but there was no evidence in this report to indicate whether it was a factor in this case.
Western Australia

Child protection income management was introduced in trial form (along with a trial of Voluntary Income Management) in the Kimberley region and metropolitan area of Perth in Western Australia (WA) commencing in November 2008. This was done in partnership with the WA Department for Child Protection (DCP) and is supported by a bilateral agreement between the Commonwealth and WA Governments. Under the trial, a case manager from the WA DCP can refer a person to Centrelink to have up to 70 per cent of their payments managed where it is believed that this will assist the person in providing for the priority needs of their children.

The main source of information about the child protection model of income management operating in WA is a 2010 evaluation report of the child protection scheme of income management (CPSIM) and voluntary income management (VIM) trial in that state by ORIMA Research (commissioned by FaHCSIA). This research focused directly on the impact of income management on the wellbeing and financial capabilities of individuals, children and families. Data sources included administrative data (for example, Centrelink, WA Department of Child Protection) and quantitative based surveys with income management participants and a comparison group.

Statistical overview

The ORIMA Research report examined the period from the beginning of the trial in November 2008 through to 30 April 2010. During this period, 328 people were subject to CPSIM and 803 people participated in VIM. As at 30 April 2010, there were 226 people on CPSIM and 372 were on VIM.71

At 30 April 2010:

- three-quarters of income management participants were living in the Kimberley region (66 per cent on VIM, 34 per cent on CPSIM) and 25 per cent were in Perth (52 per cent on VIM, 48 per cent on CPSIM)72

- the most common income support payments types received by income management participants were:

  - Disability Support Pension (41 per cent; 52 per cent of those on VIM, 23 per cent of those on CPSIM)
  - Parenting Payment Single (19 per cent; 30 per cent of those on CPSIM, 13 per cent of those on VIM) and
  - Newstart Allowance (18 per cent; 27 per cent of those on CPSIM, 13 per cent of those on VIM)73


72. Ibid.

73. Ibid.
• 88 per cent of participants had been on income management once, with a further 11 per cent having been on it twice and 1 per cent on three or more occasions.\textsuperscript{74}

Outcomes

The ORIMA Research report used surveys of participants in income management to assess its impact on the wellbeing of individuals, children and families. Sixty per cent of respondents said that income management had made their life better.\textsuperscript{75} Of these, 34 per cent of CPSIM and 51 per cent of VIM respondents thought it had made life a lot better and 28 per cent of CPSIM and 9 per cent of VIM thought that it had made their life a bit better. In addition, 19 per cent of CPSIM and 31 per cent of VIM thought it had not made much difference to their life. Finally, 19 per cent of CPSIM and 9 per cent of VIM thought that income management had made their life a bit or a lot worse.

In relation to the wellbeing of children, the report found that 49 per cent of CPSIM and 59 per cent of VIM respondents thought income management had made their children’s lives a lot better and 12 per cent of CPSIM and 8 per cent of VIM respondents a bit better. In addition, 33 per cent CPSIM and 30 per cent of VIM respondents thought it had not made much difference to their children’s lives. Finally, 7 per cent CPSIM and 3 per cent of VIM respondents thought that it had made their children’s lives a bit worse.

CPSIM and VIM respondents reported that while under income management they were less likely to run out of money for essential items such as food, utilities, rent and other bills. While 74 per cent of each had reported that they had been unable to pay for at least one of these items in the 12 months prior to income management, this fell to 48 per cent and 50 per cent for CPSIM and VIM respondents respectively during the period of income management.

According to the report, a high number of respondents expressed willingness to recommend income management. Of these, 37 per cent of CPSIM and 62 per cent of VIM respondents reported that they had already recommended income management to someone else and 28 per cent of CPSIM and 20 per cent of VIM respondents said that they planned to do so in the future. The main reasons given for recommending income management were:

• income management can have a positive impact on people’s lives

• income management helps improve budgeting skills and saving money and

• the benefits associated with the BasicsCard.

The evaluation also examined the impact of income management on the financial capability and practices of participants.\textsuperscript{76} It found that there were relatively low actual referral and take-up rates of financial management services among participants in income management, with 31 per cent of

\textsuperscript{73} Ibid, p. 48.
\textsuperscript{74} Ibid, p. 47.
\textsuperscript{75} Ibid, pp. 9–13.
\textsuperscript{76} Ibid, pp. 14–15.
CPSIM and 14 per cent of VIM respondents reporting that they had attended such services while on income management. A further 23 per cent of CPSIM and 25 per cent of VIM respondents said that they would attend one of these services in the future.

Reasons given for attending such services included:

- the need for help and/or assistance (55 per cent of those on CPSIM and 57 per cent of those on VIM who attended) and

- a belief that attendance was compulsory (23 per cent of those on CPSIM and 38 per cent of those on VIM who attended).

Reasons given for not attending included:

- not knowing about the service (24 per cent of those CPSIM and 27 per cent of those on VIM who did not attend) and

- not needing money management skills when having their income managed (15 per cent of those on CPSIM and 22 per cent of those on VIM who did not attend).

The report found evidence that, while participation in financial management services was relatively low, people were more likely to be able to save money when on income management than they were prior to being on the program. While 51 per cent of CPSIM and 54 per cent of VIM respondents reported that they were able to regularly save money prior to income management, this increased to 71 per cent and 80 per cent for CPSIM and VIM respondents respectively during the period of income management. After leaving income management, 57 per cent of CPSIM and 77 per cent of VIM respondents said they were able to regularly save money.

Stakeholders (including Centrelink staff, DCP staff, financial counsellors, money management advisers and peak welfare and community organisations) were also surveyed as part of the evaluation. Among other findings, they identified both positive and negative possible outcomes of both compulsory and voluntary income management that they thought may emerge in the future.77

On the positive side, these included improved budgeting and financial management skills and improved individual and family wellbeing. On the negative side, these included the possibility that people would become dependent on the system and not be able to manage their finances without remaining on income management and misuse of the BasicsCard.

On the potential for dependency on income management, it is interesting to note the finding highlighted above that 15 per cent of those on child protection income management who did not attend financial counselling cited, ‘not needing money management skills when having their money income managed,’ as a reason for not using financial management services.

Conclusion

This Background Note has highlighted the absence of adequate data related to the effectiveness or otherwise of income management. There are very few studies available that have attempted to directly measure the impact of income management separately from other policy interventions. Such evaluations as have been attempted should be treated with caution due to a range of methodological problems such as the lack of comparison group or baseline data; the limited amount of quantitative data; the strong reliance on qualitative measures; questions over the independence of some evaluations; and problems with other design aspects of various reviews.

The Background Note has also summarised the available evidence in relation to the operation of income management in the Northern Territory, Queensland and Western Australia. In each of these areas, evidence is subject to the limitations outlined above. In none of these locations is there unambiguous evidence for or against the effectiveness of income management. The overall picture is one in which positive changes have been uneven and fragile. On the other hand, there is no clear evidence that income management is responsible for a worsening of the situation in areas in which it operates. It may be that the evidence in relation to income management will only become clearer over the long term, especially given the structural nature of the social problems involved.

This raises an important question about the relationship between evidence and social policy. Ilan Katz has noted that this is a general problem for researchers and policy-makers in the social policy domain, rather than something specific to income management:

> Whilst I am not saying that the NT intervention could not or should not be evaluated or researched—quite the opposite in fact—I am arguing that there are limits to what research can really tell us about social policy.78

Political scientist Will Sanders has argued that evidence should be seen as a small part of a larger process of argument and persuasion. He maintains that in NTER evaluations:

> Evidence did not stand alone as demonstrating what worked. It had to be contextualised, interpreted and inserted at appropriate points in arguments between the competing principles of guardianship and choice and the ideological tendencies towards social liberalism and directiveness.79

This is not an argument against the use of evidence in policy but, rather, it is a call for a more appropriate balance to be drawn between evidence and the competing principles and ideologies in the service of which the evidence is mobilised. As Thomas and Buckmaster argued in a recent Parliamentary Library paper on paternalism in social policy:

---

78. I Katz, op. cit., p.3.
the point is that it is possible to argue for or against income management (and paternalist interventions more generally) on the basis of principles like guardianship, equality and choice, and what is an appropriate balance and synthesis between them, without prioritising evidence that is ambiguous and contested.\(^{80}\)

Is income management working?

© Commonwealth of Australia

Creative Commons

With the exception of the Commonwealth Coat of Arms, and to the extent that copyright subsists in a third party, this publication, its logo and front page design are licensed under a Creative Commons Attribution-NonCommercial-NoDerivs 3.0 Australia licence.

In essence, you are free to copy and communicate this work in its current form for all non-commercial purposes, as long as you attribute the work to the author and abide by the other licence terms. The work cannot be adapted or modified in any way. Content from this publication should be attributed in the following way: Author(s), Title of publication, Series Name and No, Publisher, Date.

To the extent that copyright subsists in third party quotes it remains with the original owner and permission may be required to reuse the material.

Inquiries regarding the licence and any use of the publication are welcome to webmanager@aph.gov.au.

This work has been prepared to support the work of the Australian Parliament using information available at the time of production. The views expressed do not reflect an official position of the Parliamentary Library, nor do they constitute professional legal opinion.

Feedback is welcome and may be provided to: web.library@aph.gov.au. Any concerns or complaints should be directed to the Parliamentary Librarian. Parliamentary Library staff are available to discuss the contents of publications with Senators and Members and their staff. To access this service, clients may contact the author or the Library’s Central Entry Point for referral.