Income management: an overview

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Income management: an overview

Introduction

Income management (also known as ‘welfare quarantining’) refers to a policy under which a percentage of the welfare payments of certain people is set aside to be spent only on ‘priority goods and services’ such as food, housing, clothing, education and health care. Compulsory 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 for situations where children of welfare recipients are not enrolled at and/or attending school. Provisions were also introduced for people to have their income managed voluntarily.

Income management represents a major change to the Australian welfare system. While various conditions have always been applied to eligibility for welfare payments, restrictions on how payments may be spent are a new development. Generally, qualification for a particular Commonwealth Government benefit has conferred the legal right to that payment in full. This has implied the right of welfare recipients to spend their payments as they see fit. At certain times, such as the Great Depression, state assistance has been provided in the form of goods (food and other necessities) rather than in cash. Such approaches were frequently a source of shame to many of those requiring Government assistance. Social policy scholar, Ronald Mendelsohn, has described this approach as an extraordinary intrusion on the recipients’ privacy, given that ‘suppliers were fully aware of the source of the unemployed man’s orders’.

The Howard Government income management initiatives were the first in a series of reforms in recent years aimed at changing the behaviour of welfare recipients. Whereas previous reforms such as ‘Welfare to Work’ were focused largely on administrative mechanisms for moving people from income support into workforce participation, more recent reforms have sought to address social disadvantage by using welfare sanctions to alter individual behaviour and social norms.

1. Explanatory Memorandum, Social Security and Other Legislation (Welfare Payment Reform) Bill 2007, p. i.
2. For example, Section 60 of the Social Security Administration Act 1999 states that social security payments ‘are absolutely inalienable’. This means that, subject to express legislative exemptions, ‘they cannot be sold, transferred to a third party, legally charged or be subject to bankruptcy proceedings. This gives legal force to the intention that payments are designed to provide income support. A recipient’s right to receive a payment or benefit CANNOT be transferred to another person either by a voluntary act or by the operation of the law’. See ‘8.4.3 Protection of Payment’, Guide to Social Security Law, Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA), 20 September 2011, viewed 1 November 2011, http://www.fahcsia.gov.au/guides_acts/ssg/ssguide-8/ssguide-8.4/ssguide-8.4.3.html
3. R Mendelsohn, Social Security in the British Commonwealth, London, The Athlone Press, 1954, p. 129. Mendelsohn has also noted that ‘the procedure, apart from its public shaming aspect, delivered the recipients into the hands of retailers not averse to sharp practice, and of course seriously diminished freedom of choice by forcing families into a consumption straitjacket, since it was virtually impossible to substitute for products which the families did not wish to consume’. R Mendelsohn, The condition of the people. Social welfare in Australia 1900-1975, Sydney, George Allen & Unwin, 1979, p 105.
While income management has been highly controversial and attracted much public discussion, the specific details of the policy in its various forms are not generally well understood. This Background Note will address this lack of understanding by providing a brief overview of the history of income management. The Background Note then provides responses to the following key questions about income management:

- what is income management?
- what is the BasicsCard?
- how is income management intended to work?
- has income management been tried elsewhere?
- what are the different forms of income management?
- are exemptions from income management possible?
- how many people are subject to income management?
- is income management racially discriminatory?
- what are the different forms of income management?
- are exemptions from income management possible?
- how many people are subject to income management?
- is income management racially discriminatory?
- what does income management cost? and
- is income management working?

This Background Note focuses only on the factual, descriptive information on income management and does not seek to engage in debates about the merits or otherwise of the policy. For a brief summary of the main arguments for and against income management, see the Bills Digest for the Social Security and Other Legislation Amendment Bill (Welfare Reform and Reinstatement of the Racial Discrimination Act) Bill 2009.5

There are two companion Parliamentary Library Background Notes to this one:

- L Buckmaster, K Magarey and D Spooner, Income management and the Racial Discrimination Act6

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Income management: an overview

- L Buckmaster and C Ey, *Is income management working?* These are summarised below in separate sections of this Background Note.

**History of income management—brief overview**

**Original Howard Government scheme**

Income management was initially introduced by the Howard Coalition Government as part of the Northern Territory Emergency Response (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.

While not directly recommended in the report:

> The Inquiry was told by some people that they would like to see at least 50%, if not all, of the total sum of individuals’ “welfare” (Centrelink) payments made in the form of food vouchers. The view was expressed that this may impact positively on alcohol consumption. The Inquiry believes it is worth investigating.

At the same time, the report noted that ‘the provision of vouchers has also been criticised by some because it encourages dependency and can be seen as a return to paternalism’.

A form of compulsory income management targeted specifically at those engaging in dysfunctional behaviours in Cape York was also recommended in May 2007 by the Cape York Welfare Reform Project, an initiative of Noel Pearson’s Cape York Institute for Policy and Leadership. According to the Project report, *From hand out to hand up*:

> To rebuild social norms in the Cape York Peninsula, incentives and laws must support the values of a community. A potentially powerful mechanism for doing this is through linking welfare payments to community members acting in the best interests of children in the community. The Institute is recommending that a number of obligations be attached to all welfare payments available in the

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9. Ibid., p. 171.

10. Ibid.

Welfare Reform communities, and that a State statutory authority consisting of a senior legal officer and local elders be empowered to enforce the obligations.\textsuperscript{12}

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.\textsuperscript{13}

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

\begin{itemize}
\item to stem the flow of cash that is expended on substance abuse and gambling and
\item to ensure funds that are provided for the welfare of children are actually expended in this way.\textsuperscript{14}
\end{itemize}

Further, income management was intended to ‘protect vulnerable people from financial exploitation, including the practice known as ‘humbugging’ in some NT communities’.\textsuperscript{15} The roll-out of income management in the NT commenced on 17 September 2007.

The original legislation introducing income management contained provisions that limited the application of the Racial Discrimination Act (RDA) and NT and Queensland (Qld) anti-discrimination legislation. This was done in order to avoid the possibility that it (and the various other elements of the NTER) would undermine the RDA and other anti-discrimination legislation.\textsuperscript{16} This possibility arose because the legislation and the NTER generally treated people differently on the grounds of race (given that the overwhelming majority of people subject to income management are Indigenous) and/or it could not be regarded as a form of ‘positive discrimination’, which is generally permitted under the RDA.\textsuperscript{17}

\begin{thebibliography}{9}
\item Ibid., p. 8.
\item M Brough (Minister for Families, Community Services and Indigenous Affairs), \textit{National emergency response to protect Aboriginal Children in the NT}, media release, 21 June 2007, viewed 7 December 2011, http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressrel%2F8ZFN6%22
\item Explanatory Memorandum, Social Security and Other Legislation (Welfare Payment Reform) Bill 2007, p. 5.
\item ‘Humbugging’ has various definitions but generally refers to the practice of (sometimes violently) demanding money from relatives.
\item Ibid.
\end{thebibliography}
As part of the legislation introducing the NTER, the Howard Government also established a framework for income management to apply beyond the prescribed areas of the NT. A person receiving welfare payments could become subject to income management for one of the following additional reasons:

- the person is subject to the jurisdiction of the Queensland Commission (now known as the Family Responsibilities Commission) and the Commission requests that the income management provisions apply
- a child under the care of that person is at risk of neglect or
- a child under the care of that person is not enrolled at school or does not attend school regularly.18

The measures, most specifically those applying in the NT, are highly controversial. They attract support from some who see them as necessary for addressing what they see as the behavioural aspects of social disadvantage. However, they have also been strongly criticised by others on a range of grounds, including that they have been largely focused on Indigenous people, are paternalist and stigmatising, lack an adequate evidence base and interfere with the right of people to make their own decisions about how they spend their money.

Rudd and Gillard Government changes

On 25 November 2009, the Rudd Labor Government announced that it would replace the Howard Government income management scheme for prescribed NT Indigenous communities with a broader, national scheme targeted at ‘vulnerable regions’ and ‘individuals at risk’.19 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.20 Initially, from 1 July 2010, the new scheme was introduced throughout the NT as a whole, including urban, regional and remote areas. According to the Government, this was to be the ‘first step in a national roll out of income management in disadvantaged regions’.21

This was part of a broader set of changes to the NTER that included the reinstatement of the RDA, an election commitment of the Rudd Labor Opposition. The changes to the NTER followed a consultation process that included residents of the prescribed communities, Indigenous leaders and NT Indigenous organisations. On the basis of these consultations, the Minister for Families, Housing, Community Services and Indigenous Affairs, Jenny Macklin, stated that:

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19. J Macklin (Minister for Families, Housing, Community Services and Indigenous Affairs) and W Snowdon (Member for Lingiari), Major welfare reforms to protect children and strengthen families, media release, 25 November 2009, viewed 18 June 2012, http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query%3DId%3A%22media%2Fpressrel%2FDUAV6%22
21. Ibid.
Income management is delivering key benefits. People are spending more on food, including fresh fruit and vegetables.\(^2\) 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 (known as the ‘Participation/Parenting measure’)
- 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 (such as the Baby Bonus) quarantined in a separate account that may only be used for the purchase of priority goods and services. The new scheme includes savings incentives, access to financial counselling and incentives to participate in income management voluntarily. These are explained in more detail in a separate section below.

There are several important differences between the Howard and Rudd-Gillard income management schemes. First, the Rudd-Gillard scheme is intended to be national in scope, rather than based only in prescribed NT communities. Expansion beyond these prescribed Indigenous communities means that the scheme now includes non-Indigenous people and hence is intended to operate alongside the reinstated RDA. However, to date it has been implemented in the NT only.

Second, whereas the Howard scheme in the NT was compulsory for everyone living in a prescribed community, the Rudd-Gillard scheme is targeted to people deemed to be ‘at risk’ living in ‘vulnerable regions’—that is, initially, anywhere in the NT. In other words, the Howard scheme in the NT was geographically based, while the Rudd-Gillard scheme is based on a combination of geographical location and particular categories of welfare recipient. The new scheme does not automatically include people in payment categories deemed to be less at risk, such as Age Pension, Disability Support Pension, Widow Allowance or Department of Veterans’ Affairs Service Pension (unless on the basis of advice from child protection authorities or Centrelink social worker referral). This more nuanced approach may have addressed to some extent the concerns of those in prescribed NT communities on these ‘lesser risk’ payments who believe that income management should not be applied to them.

On the above account, the Rudd-Gillard NT scheme can be described as more directly targeted at people deemed to be at risk than the Howard scheme. Nevertheless, while operating in a more targeted way, the Rudd-Gillard scheme remains relatively broad in scope to the extent that it subjects all people in the Participation/Parenting measure categories to income management unless they are able to obtain an exemption (exemptions are discussed in a separate section below). There are obvious administrative advantages, and cost and other benefits gained by including all welfare recipients in each particular category by default (with the opportunity to seek exemptions), rather

\(^2\) J Macklin and W Snowdon, Major welfare reforms to protect children and strengthen families, op. cit.
than on a case-by-case basis. Nevertheless, placing the onus on those who have become subject to income management to prove that they should be afforded an exemption is regarded by some as not being significantly less arbitrary than the Howard scheme. Despite the ameliorating changes listed above, compulsory income management (along with other NTER measures) has continued to be subject to strong criticism.

Other developments

The Gillard Labor Government is currently implementing income management in several disadvantaged locations throughout Australia. However, the form of income management to be introduced into these areas is not the same as the NT scheme. This is because income management in these areas will not automatically be applied to people in the Participation/Parenting measure categories (this is described in more detail in a separate section below.)

The Rudd and Gillard Governments have also extended the operation of income management in Cape York and in areas in Western Australia (WA) subject to child protection income management, as well as expanding the operation of child protection income management into the NT.

Income management for alcohol related problems (Supporting People at Risk Measure)

In her foreword to the Government’s 2011 discussion paper on the future of the NTER, Minister Macklin argued that lack of consultation had caused ‘ongoing anger, fear and distrust among Indigenous people’ and that the next stage of the NTER would need to be based on ‘partnership with Aboriginal people’. To this end, the Government engaged in consultations with Aboriginal people about ‘what has worked well and where improvements can be made’. Interestingly, the paper did not include income management as one of its ‘eight areas for future action’. Indeed, the paper argued that ‘as income management applies in other areas of Australia it is no longer part of the [NTER]’. Nevertheless, as part of its response to the consultations, the Government has introduced legislation that will give NT authorities the power to refer people for income management for alcohol related problems, similar to how its child protection measure operates. This will be established through the

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24. C Evans (Minister for Tertiary Education, Skills, Jobs and Workplace Relations) and K Ellis (Minister for Employment Participation and Child Care), New approaches to address disadvantage in targeted communities, media release, 10 May 2011, viewed 18 June 2012, http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressrel%2F776441%22
26. Ibid., p. 7.
27. J Macklin (Minister of Families, Housing, Community Services and Indigenous Affairs), W Snowden (Minister for Indigenous Health; Veterans’ Affairs; 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,
creation of a new form of income management known as the Supporting People at Risk measure in the Social Security (Administration) Act 1999 (SSA Act). The new measure will allow referrals for income management from a recognised state and territory authority (known as the state or territory referral measure).

The new form of income management is intended to be used to accept referrals from the Northern Territory Alcohol and Other Drug Tribunal. However, this is not specified in the legislation. Rather, the legislation provides that the Minister may, by legislative instrument, determine that a specified department, body or agency of a state or territory is a ‘recognised state/territory authority’. This means that the Supporting People at Risk measure could be used beyond the NT and for purposes other than alcohol related problems. The power to make the referral for income management will reside with an officer or employee of the recognised state/territory authority.

Introduction into Anangu Pitjantjatjara Yankunytjatjara (APY) lands

In September 2011, Minister Macklin and the South Australian Minister for Aboriginal Affairs and Reconciliation, Grace Portolesi, announced that ‘the South Australian Government has agreed to ensure that the foundations are in place for a broader scheme of income management if monitoring and work underway with the community shows that this is needed’ in the APY Lands. In May 2012, Minister Macklin announced that the Australian Government would ‘begin formal consultations with APY Lands communities about whether income management should be introduced and if so, what model would be most appropriate’.

What is income management?

According to the Government, income management is ‘a key tool in supporting disengaged youth, long-term welfare payment recipients and people assessed as vulnerable, and is aimed at encouraging engagement, participation and responsibility’. The stated 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

media release, 14 November 2011, viewed 18 June 2012,
http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressrel%2F1225671%22
29. J Macklin (Minister of Families, Housing, Community Services and Indigenous Affairs) and G Portolesi (SA Minister for Aboriginal Affairs and Reconciliation), Working together for people of the APY Lands, media release, 28 September 2011, viewed 18 June 2012,
http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressrel%2F1115909%22
30. J Macklin (Minister of Families, Housing, Community Services and Indigenous Affairs), Supporting families in the APY Lands, media release, 4 May 2012, viewed 18 June 2012,
http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressrel%2F1617501%22
• 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 by others seeking access to their welfare payments and

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

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.

Under income management, 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
• the acquisition, repair, maintenance or operation of motor vehicles (used wholly or partly for purposes in connection with any of the above needs).
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
- gambling services.  

In support of income management the Government offers matched savings incentive payments and access to financial management support services and training for people who wish to improve their budgeting and savings skills. Under the matched savings incentives, each dollar that a person eligible for the scheme saves in their personal bank account is matched by the Government up to a limit of $500. Financial Management Program Support Services to help individuals to deal with financial difficulties and build money management skills are voluntary, confidential and free. They are provided by community organisations and funded by the Australian Government.

People may volunteer to have their income support and family assistance payments income managed. This is in addition to the Centrepay service that has been available for some years where a portion of income support payments can be set aside to cover payment of services such as rent, electricity, school fees or insurance. Financial incentives are available for each six months they participate in the income management scheme.

**What is the BasicsCard?**

People subject to income management may apply to access their income managed funds through a BasicsCard. The BasicsCard is a reusable, personal identification number (PIN) protected card that allows people to spend income managed money at approved stores and businesses through the electronic funds transfer at point of sale (EFTPOS) system. The BasicsCard is provided by Centrelink and can be used at approved stores and businesses that display a BasicsCard sticker.
The BasicsCard may not be used to purchase gift vouchers, cash out from a store or ATM or book-up (credit provided in remote or regional stores). It also may not be used for expenditure of more than $1500 per day.

Money can be placed on the BasicsCard once per fortnight when people receive their Centrelink payments. Generally, a person’s card balance will not exceed $3000 (or another amount set by Centrelink from time to time). If the balance exceeds the amount set by Centrelink, Centrelink may pay the excess amount of card balance back into the person’s Income Management Account.

Any refund for a sales transaction completed using a BasicsCard must be refunded to the BasicsCard. This means the refund amount will be added back to the card balance. No amount can be refunded as cash. People who have a BasicsCard can check the balance in their account prior to shopping via a dedicated phone line, BasicsCard Kiosk, the Centrelink website or a Centrelink office.

**What are the different forms of income management?**

**Northern Territory measures**

As outlined above, as a result of changes introduced in August 2010, the following income management measures currently apply in the NT:

- the Participation/Parenting measure, applying to people who are:
  - aged 15–24 years and have been receiving Youth Allowance, Newstart Allowance, Special Benefit or Parenting Payment (Partnered or Single) for three of the last six months (‘disengaged youth’)
  - aged 25 years and above and have been receiving Youth Allowance, Newstart Allowance, Special Benefit or Parenting Payment (Partnered or Single) for more than one of the last two years (‘long-term welfare recipients’)

- the Vulnerable Welfare Payment Recipient measure, applying to people who have been referred for income management by a Centrelink Social Worker

- the Child Protection Income Management measure, applying to people who have been referred for income management by child protection authorities and

- Voluntary Income Management, applying to people who have chosen to have their welfare payments income managed.

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, NT authorities will have the power to refer people for income management for alcohol...
related problems (the Government has not announced a commencement date). This measure was announced as part of the Government’s Stronger Futures package, a set of changes to the NTER following consultations in NT communities and town camps, and at public meetings in major towns.

People subject to income management in the NT have 50 per cent of their regular payments, and 100 per cent of lump sum payments, income managed. Income managed funds are spent on priority items by using the BasicsCard, Centrepay or similar arrangements through Centrelink.

Additional features of income management in the NT 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 will 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.

Cape York measure

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.

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40. J Macklin (Minister for Families, Community Services and Indigenous Affairs and Minister for Disability Reform), W Snowdon (Minister for Indigenous Health; Veterans’ Affairs; Minister for Defence Science and Personnel) and T Crossin (Senator for the Northern Territory), op. cit.

41. Stronger Futures also includes measures for addressing alcohol abuse including strengthened arrangements for local alcohol management plans. The Supporting People at Risk measure is intended to complement these other Stronger Futures alcohol measures. The measure (also known as the State or Territory Agency Referral measure) will be established through the creation of a new form of income management in the Social Security Administration Act (SSA Act) under the Social Security Legislation Amendment Bill 2011. The new measure will allow referrals for income management from a recognised state or territory authority by inserting references to a ‘recognised state or territory’ into Part 3B of the SSA Act: items 2–4 of Part 1 of Schedule 1 to the Bill.

42. See ‘Has income management been tried elsewhere’ section below for further information on Centrepay.

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.44

The CYWRT commenced on 1 July 2008 and is administered by a Qld 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.

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.45

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 three to 12 months under a program known as Conditional Income Management.46 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.

44. Cape York Institute for Policy and Leadership, op. cit., p. 8.
45. FaHCSIA and KPMG, op. cit.
46. There is no information on the public record indicating why the proportion of income quarantined differs across the various income management measures.
In the 2012–13 Budget, the Government announced that it would extend its support for the CYWRT until 31 December 2013, with an additional $11.8 million over two years.\textsuperscript{47}

Conditional Income Management should not be confused with Family Income management, a program that has operated in a number of Cape York communities since 2002. Family Income Management is funded by FaHCSIA, and staffed and managed by a grouping of local Aboriginal organisations, Cape York Partnerships, in partnership with Westpac Bank. The purpose of the program is to assist (voluntary) participants to improve their budgeting skills and to understand and make the best use of financial products and services.\textsuperscript{48}

**Child Protection Income Management measure.**

While child protection is generally a state and territory matter, the child protection form of income management was introduced in order to provide a Commonwealth mechanism to help ensure that income support paid to parents is spent in the interests of children.

Under social security law, Child Protection Income Management may be introduced anywhere in Australia. However, initially it was only introduced in trial form (along with a trial of Voluntary Income Management) in the Kimberley region and the metropolitan area of Perth in WA. The trial commenced on 24 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.\textsuperscript{49}

The Commonwealth Government initially provided $18.9 million for WA’s (compulsory and voluntary) income management trial.\textsuperscript{50} On 20 April 2011, the Government announced that it would invest an extra $17.9 million to continue the trial of income management and financial management support services in WA.\textsuperscript{51} In November 2011, the Government announced that it would extend income


\textsuperscript{50} R McSweeney (WA Minister for Child Protection, Community Services, Seniors and Volunteering, Women’s Interests and Youth), *Findings show Western Australia’s Income Management trial is a success*, media release, 8 October 2010, viewed 2 May 2012, [http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressrel%2F1725030%22](http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressrel%2F1725030%22)

\textsuperscript{51} J Macklin (Minister for Families, Housing, Community Services and Indigenous Affairs), *Extension of income management trial in Western Australia*, media release, 20 April 2011, viewed 18 June 2012, [http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressrel%2F826568%22](http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressrel%2F826568%22)
management in WA to include people living in the Peel region of Perth. In the 2012–13 Budget, the Government announced that the WA trial (including Child Protection Income Management and Voluntary Income Management) would be extended until 30 June 2013, at a cost to the Commonwealth of $13.5 million.

Child Protection Income Management has applied in the Northern Territory since 2011.

School enrolment and attendance income management

Despite being part of the original Howard Government legislation, this category of income management has not been introduced as a separate category of income management anywhere in Australia. Under this category of income management a person could be declared subject to income management if they failed to ensure the enrolment or sufficient school attendance of their children.

In 2008, the Government introduced an initiative known as the School Enrolment and Attendance Measure (SEAM) that uses possible suspension of income support to ensure that children are enrolled in school and attend school regularly. SEAM trials have been underway in six NT communities (including 14 schools) since January 2009 and in selected Qld locations (including 30 schools) since October 2009.

In November 2011, the Government announced that it would seek to extend SEAM to a number of other communities in the NT, as well as make changes that better align it with existing NT Government efforts to increase school attendance.

Place Based Income Management measure

From 1 July 2012, income management will be introduced in five new locations in New South Wales (NSW), Queensland (Qld), Victoria (Vic) and South Australia (SA). This new model of Place Based Income Management will apply to:

- parents who are referred by state or territory child protection authorities—this will apply ‘in cases where it is considered to be a useful tool in addressing child neglect and building life skills’ and

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52. J Macklin (Minister for Families, Housing, Community Services and Indigenous Affairs), Income management trial extended to include Peel region, media release, 30 November 2011, viewed 18 June 2012, http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=id%3A%22media%2Fpressrel%2F1265354%22
Income management: an overview

- people assessed by Centrelink Social Workers as being vulnerable to financial crisis—for example ‘people referred to a Centrelink Social Worker by public housing authorities because they are at risk of homelessness due to rental arrears’.  

Place based income management will apply in the following Local Government Areas (LGAs):

- Bankstown, NSW
- Logan, Qld
- Rockhampton, Qld
- Playford, SA
- Greater Shepparton, Vic.

According to the Government, ‘these sites were chosen based on a number of factors, including unemployment levels, youth unemployment, skills gaps, the numbers of people receiving welfare payments, and the length of time people have been on income support payments’.  

As with the other forms, people in Place Based areas may volunteer to have their income managed.

The Government has described the Place Based approach as similar to the model of income management operating in WA since late 2008.  

Under the Voluntary Income Management and Vulnerable Welfare Recipient components, 50 per cent of a person’s welfare payments will be income managed, while 70 per cent will be income managed under the child protection component. People subject to the Place Based approach will have access to new support services aimed at improving financial literacy and budgeting.

Sites subject to Place Based Income Management are among ten LGAs also participating in the Australian Government’s ‘Teenage Parent Trial’ for teenage parents receiving Parenting Payment, which commenced on 1 January 2012 and will continue until 30 June 2015. Under the Trial:

... teenage parents are required to attend regular six monthly interviews with Centrelink from the time their youngest child is 6 months of age to discuss locally available support to assist with parenting needs; options for study or training; early childhood health, learning and development support services; and any barriers to participating in the trial.

When their youngest child is 12 months of age, the teenage parent and Centrelink Advisor will discuss and formulate a Participation Plan which identifies the parent’s educational and family

58. Ibid.
59. Ibid. As noted above, there is no information on the public record indicating why the proportion of income quarantined differs across the various income management measures.
60. Ibid.
goals and activities that will help to reach those goals. The plan will be individually tailored and take into account the parent’s circumstances and capacity to undertake the activities. The Participation Plan must include one education or training activity that assists the parent in working towards attaining Year 12 or an equivalent qualification and one other activity relating to parenting or life skills; or early childhood education for the parent’s child(ren). There is no requirement for a parent to undertake job search as part of this trial.61

The additional five LGAs participating in the Teenage Parent Trial are Hume (Vic), Burnie (Tas), Wyong (NSW), Shellharbour (NSW) and Kwinana (WA).

What is the theory behind income management?

While the precise mechanism according to which income management is intended to work has never been explicitly explained, to some extent it can be inferred from the Government’s stated objectives for the policy. As noted above, these 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. 62

In other words, restrictions on expenditure are seen as a way to create stability in the lives of individuals, families and communities. This is seen as a necessary basis for overcoming social problems and social disadvantage more generally. Such arguments draw on what could be called the ‘common sense’ assumption that restricting expenditure on socially harmful products should lead to a reduction in socially harmful behaviours.

Support for income management also 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 and seeking to promote socially responsible choices and behaviours. It has also been introduced in ways that address the location based aspects of

disadvantage. In this sense, it shares elements in common with several recent strands of research in studies of poverty and disadvantage.

New Paternalism

Income management draws most directly on what is broadly known as the ‘new paternalism’ approach to welfare policy. According to this approach, governments are seen as having an active role to play in the re-shaping of citizens’ behaviour—and, in particular, those citizens who are income support recipients and who are especially disadvantaged. Such paternalist policies often involve the close supervision by governments of the lives of poor people who have become dependent on income support. This approach to welfare policy denotes a general shift in emphasis away from simply helping the poor through the provision of income support and various welfare services with relatively few demands made. The new approach attempts to control peoples’ patterns of behaviour in what are perceived to be their own interests.

Underpinning new paternalism is the idea that disadvantage is primarily a result of a deficit of necessary social values and norms. This ‘cultural model’ of disadvantage emphasises the role of socialisation and the transmission of behaviours, attitudes and values from parents to children in explaining intergenerational welfare reliance and poverty more generally. The central argument is that ‘there is something about growing up in a household that receives income support that lends itself to a greater propensity for using public assistance later in life’. Perhaps the key figure in what is known as the ‘culture of poverty’ argument, Laurence Mead, argues that low income recipients of income support are inhibited from finding employment by a mindset passed from parents to children (‘dutiful but defeated’). Berry et al summarise Mead’s position as follows:

... while poor adults may want to work, they are unable to do so due to lack of personal self-efficacy, sense of disempowerment, lack of knowledge, restricted awareness of the norms of ‘working’ behaviours, limited coping skills and poor sense of mastery. He reasons that, as the family is the predominant influence on childhood outcomes, these characteristics are passed on to children, limiting their employment potential and reinforcing the culture of poverty.

The key mediating factor proposed in such arguments is reliance on income support. That is, behaviours, values and attitudes that underpin the culture of poverty are said to be transmitted to children by their parents or their community as a result of their reliance upon the welfare system. This is said to happen by both indirect and direct means. Indirect effects relate to absence of parental motivation arising from income support reliance leading to the development of household

characteristics and parenting styles that result in a deficit of human capital among their children (for example, lack of interest in education). The direct means of transmission of values giving rise to welfare dependency is said to be that reliance on income support by parents desensitises their children to the stigma and negative views usually associated with the receipt of income support.

The culture of poverty argument has found particular expression in the work of Noel Pearson and the Cape York Welfare Reform project. As noted above, the Cape York project is based on assumptions that Indigenous poverty and dysfunction in Cape York are not only a result of dispossession and racism but to a large extent are caused by negative social norms associated with the ‘poison of passive welfare’. That is, the absence of clear reciprocal obligations on welfare recipients is assumed to be directly linked to the high rates of dysfunctional behaviour prevailing in Cape York communities. Income management was proposed as one of a range of measures aimed at (re)establishing reciprocal social obligations and, ultimately, positive social norms and values.

It should be noted that Pearson has criticised the way in which income management in the Northern Territory is applied to whole categories of welfare recipient—not just those whose personal behaviour may be seen to indicate that management of their welfare payments might be necessary (as is the case in Cape York).

Capabilities approach

To the extent that income management is supposed to be supported by financial literacy education and matched savings incentives it could also be said to have elements in common with economist Amartya Sen’s ‘capabilities approach’. Broadly, this approach emphasises the notion that poverty should be understood as ‘capability-deprivation’. According to this approach, human freedom results from having the capability to make choices about how to live one’s life. Overcoming the absence of this freedom requires not simply the provision of income (through, for example, welfare payments) but also policies aimed at addressing a broader range of barriers to exercising freedom.

Sen has generally encouraged people to define their own list of capabilities consistent with local conditions, norms and values. Nevertheless, he has presented a list of capabilities that he regards as intrinsically valuable that includes ‘being able to live long, escape avoidable morbidity, be well-nourished, be able to read, write and communicate and take part in literary and scientific pursuits’.

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Noel Pearson frequently uses the language of capabilities in explaining the approach to welfare reform in Cape York. For example, he has argued that:

To combat the lack of capabilities in Indigenous communities, policy has traditionally targeted the most obvious source of incapability, namely the lack of income. This has been done primarily by providing welfare payments to those individuals who are unable to work or find employment.

However, over time, as material conditions have improved to some extent in remote Cape Indigenous communities, wellbeing has actually declined.

The capabilities framework provides an explanation of this apparent paradox. First, as Sen notes, poverty needs to be understood to be a broader issue than simply lack of income. It is more fundamentally a lack of opportunity to exercise meaningful life choices. Under these circumstances, an approach that relies primarily on redressing the lack of income will never be wholly successful, if other constraints on opportunities remain unchanged.

Second, passivity is itself a negative capability, which undermines other positive capabilities.

Thus all external interventions that have reinforced passivity, almost regardless of their direct material impact, have ultimately been damaging to the overall set of capabilities in Cape communities.

The solution to this issue is clearly not to cut support for capabilities, but instead redesign it in a way that does not reinforce passivity.72

For Pearson, the welfare reforms in Cape York, in which income management plays a central role, are about redesigning the approach to welfare in such a way as to actively promote the development of capabilities which include, for example, health, education and political and economic freedoms.73

Place based policies

Recent research suggests that disadvantage across a wide range of indicators, including unemployment, lower incomes, poorer housing, poorer health, lower educational attainment, poorer social connectedness and criminal convictions, tends to be concentrated in a relatively small number of geographical locations, and that these concentrations of disadvantage tend to persist over time and are possibly becoming worse.74

73. Cape York Institute for Policy and Leadership, op. cit., p. 8
According to a recent review:

Government agencies, both Commonwealth and state, deliver a broad range of programs to improve the economic, social and community wellbeing of Australians. Traditionally, many of these policies and programs have focused on single aspects of socio-economic disadvantage at a national or state level; that is, they aim to provide universal support to people who experience a particular form of disadvantage. Wolff and de-Shalit (2007) described this approach as one based on sectoral justice, where different aspects of disadvantage are considered independently, often demarcated along lines of portfolio responsibilities.

As evidence and concern about the spatial concentration of disadvantage has accumulated, a range of place-based policy responses have emerged across different levels of government.\(^75\)

Income management can be seen as an example of the increasing focus on disadvantage in particular locations. Even where it has been based on a sectoral approach (such as child protection) this has been focused on particular locations where problems are thought to be particularly acute.

One problem that has been identified with place based approaches is that Australia’s population is highly mobile even across disadvantaged regions. This presents problems for both service delivery and measuring whether change has occurred—that is, whether or not interventions have been successful.

In relation to measurement, Byron has noted, the high rate of mobility means that ‘any comparison of area level statistics over time are likely to, at least in part, be comparing outcomes for a different group of people’.\(^76\)

**Has income management been tried elsewhere?**

**Australian programs**

While compulsory quarantining of income support payments has not been used prior to the introduction of income management, programs which allow income support recipients to voluntarily divert part of their payment to pay for services or purchase food vouchers have been in place for many years.

**Centrepay**

Centrepay is a service that Centrelink has offered its customers since 1999. Under this program customers opt to have an amount deducted from their welfare payments and paid directly to a participating organisation. This is a free service to customers, with participating organisations paying for the administration of the program. It allows customers to budget for key expenses on a fortnightly basis rather than having to save for monthly, quarterly or annual bills.

\(^75\) Byron, op. cit.  
\(^76\) Ibid.
By June 2011, 501 467 customers were using Centrepay, with 13 248 organisations participating for a total of 1 683 914 deductions. In 2010–11, $1.5 billion was disbursed via Centrepay, covering expenses such as electricity, gas, non-government rent, school fees, insurance and court fines.77

Tangentyere Council Food Voucher System

The Tangentyere Council in Alice Springs introduced a voluntary food voucher system more than 25 years ago for people living in the town camps, and is designed to ‘overcome the “feast and famine” cycle of fortnightly Centrelink benefits’.78 The system is voluntary, with those receiving Centrelink payments nominating the amount to be deducted from their payments every fortnight. The money is then provided to them in the form of a food voucher, which they can exchange at the Aboriginal owned supermarket in Alice Springs. This is the only supermarket which agreed to ensure that participants could not use change from the vouchers to purchase alcohol. The vouchers can also be used for meals on wheels and for food boxes for pensioners.

In 2006–07, $1.7 million was issued in food vouchers, with a further $155 000 in food boxes and $60 000 for meals on wheels, and there were 840 food voucher clients.79

The international experience

There do not appear to be any programs in other developed countries that operate in exactly the same way as income management, in part due to the differences in the structure of the welfare systems in other countries. Some countries do have provisions similar to Centrepay arrangements, however, these services are optional and do not generally include expenditure on food.

Many countries have punitive measures where payments are reduced or suspended for failure to meet specific responsibilities, but these do not involve withholding funds for a specific use. A number of South American countries have introduced Conditional Cash Transfers in which recipients receive cash for particular activities such as enrolling children in school or receiving health checks, but again these schemes involve changes in the cash amounts available to welfare recipients rather than in the nature of the payments.80

The programs closest to the income management provisions are the United States (US) food programs, where welfare recipients and other low income groups receive vouchers or electronic cards

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79. Ibid.

along the lines of the BasicsCard which can only be used for the purchase of particular products, and specifically food items. Further details of the major programs are provided below.

**US Food Stamp Program (FSP)**

The first FSP was introduced in 1939 and ran until 1943 when it was deemed that the conditions which necessitated the program—unmarketable food surpluses and widespread unemployment—no longer existed. Subsequently, a pilot program was introduced in 1961 and fully implemented in 1964. While there have been a number of changes to the program, some form of FSP has operated throughout the intervening period with the latest iteration occurring in 2008 when the name was changed to the Supplemental Nutrition Assistance Program (SNAP), in part to address the stigma associated with food stamps.81

Initially the purpose of the FSP was to strengthen the agricultural economy and provide improved nutrition among low income households. In the 1939 implementation different coloured vouchers were issued with orange stamps able to be used for any food, while blue stamps could only be used for surplus foods.82 While the program has continued to be run by the Department of Agriculture, in more recent years the purpose has explicitly been on improving nutrition for those in need.

While the earlier schemes used a voucher system, where recipients were given vouchers to the value of their entitlement which they could ‘spend’ at designated retailers, since 2000 Electronic Benefit Transfers (EBTs) have been progressively introduced and are now used in all states. These operate in the same way as the BasicsCard in that the customer receives a plastic card similar to a bank card, and a personal identification number (PIN) is assigned or chosen to provide security.

SNAP is administered at the state level, and hence there are some variations in implementation, but the core requirement is that recipients have a net income at or below the designated poverty line. Hence SNAP is available to all low income households, not just those on welfare. In 2011 some 44.7 million people per month participated in the program.83

The research evidence suggests that providing assistance in a form that can only be used to purchase food does result in an increase in food expenditure for low income families, where for each dollar of food stamps cashed out there is a reduction in expenditure on food of between 18 and 28 cents.84 There is also evidence of improved nutrition among FSP recipients, including for preschool children.85

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82. Ibid.
although some research suggests higher obesity levels for women and girls on the FSP, possibly due to
a tendency to use the additional food purchasing power to focus on quantity not nutritional quality.86

A major issue with the FSP has been the ability of recipients to fraudulently trade their food stamp
credits for cash (at a discounted rate). The move from vouchers to EBTs has reduced the options for
trafficking these credits, and most incidents now involve unscrupulous merchants, however it is still
estimated that as much as USD300 million a year is diverted through this practice.87

The US Special Supplemental Nutrition Program for Women, Infants and Children (WIC)

WIC provides nutritious foods, nutrition education and referrals to health and other social services to
low income pregnant, postpartum and breastfeeding women, and infants and children up to age five
in the US who are at nutrition risk. The income limit for eligibility is considerably higher than for the
FSP, at 185% of the US Poverty Income Guidelines, however WIC is not an entitlement as it is funded
to a specific amount each year. Priority is given to applicants with an identified nutritional risk, with
around nine million participants each year.88

In most states participants in the program are provided with vouchers to purchase specific foods each
month, however some states have moved to EBT cards, while others distribute the foods directly
through warehouses or to participants’ homes. WIC foods include infant cereal, iron-fortified adult
cereal, eggs, milk and canned fish. In some states WIC participants also participate in a Farmers’
Market Nutrition Program which provides for the purchase of locally grown fruit and vegetables.

While the monetary value of the program to participants is considerably lower than the FSP due to the
limited products involved, evidence suggests that it is more effective in improving nutritional
outcomes for women and young children.89 While the inclusion of nutritional education in the
program may have some effect, it is more likely that the targeting of specific foods appropriate for the
participants results in a more cost-effective delivery of nutritional benefit.

Are exemptions from income management possible?

Some people who are subject to income management are able to apply for an exemption if they show
evidence of reaching certain financial and behavioural markers. Payment recipients subject to income
management in the NT under the Participation/Parenting measure are able to apply for an exemption.
Those placed under income management as a result of the ‘vulnerable welfare payment recipient’

86. CA Robinson and X Zheng, ‘Household food stamp program participation and childhood obesity’, Journal of Agricultural
88. USDA, WIC Fact Sheet—English, USDA Food and Nutrition Service website, August 2011, viewed 14 December 2011,
89. USDA, About WIC: how WIC helps, USDA Food and Nutrition Service website, 30 November 2011, viewed 14 December
measure, child protection measures, the Cape York Welfare Reform program or under the NTER are not able to apply for an exemption. Those payment recipients not eligible to apply for an exemption may, however, ask Centrelink or the decision maker to review their circumstances.

The stated principle behind the granting of exemptions is that income management will 'promote personal responsibility and positive social behaviour' by providing a pathway allowing those who have demonstrated a record of 'responsible parenting, or participation in employment or study' to no longer have their payments quarantined.\textsuperscript{90} As such, those who apply for an exemption must be able to demonstrate that they:

- are not experiencing hardship or deprivation and are applying appropriate resources to meet their families' priority needs
- can budget to meet priority needs
- are not vulnerable to financial exploitation or abuse (including 'humbugging')
- are demonstrating socially responsible behaviour, particularly in the care and education of dependent children or
- are meeting workforce/study participation requirements for those who are not the principal carer of a child.

The requirements apply differently to those who have children in their care and those who do not.

**Requirements for those with dependent children**

Only one parent or carer can qualify for an income management exemption under the parental category of requirements. This parent or carer must be the principal carer. Other parents or carers can apply for an exemption if they meet the work or study participation requirements.

In order to qualify for an exemption, those who have school-aged children in their care will need to show that each child is enrolled and attending school. In order to qualify, a child cannot have more than five unexplained absences in the previous two terms. If a school-aged child is not enrolled then the person applying for an exemption must show that they are being home-schooled or they are exempt from attending school regularly.

Those who are the principal carers for children under school age will need to show that their children are participating in health and social activities. Health activity requirements include:

- ensuring that each child has received the age-appropriate level of immunisation (or given acceptable reasons why this hasn’t occurred including registering a conscientious objection with the Australian Childhood Immunisation Register)

• ensuring that each child has received regular health check-ups as set out in the health and immunisation record published by the NT Government and

• where appropriate, participating in a program of speech therapy, occupational therapy, physical therapy or some other approved therapy with documentation provided by an allied health professional.

Social activity requirements include children:

• participating in approved child care for a minimum of 8 hours a week

• attending preschool

• engaging in 'age appropriate socialisation, learning or physical activities' including kinder gym, crèche or playgroups or

• enrolled in and attending school (for children attending school under compulsory school age).\(^{91}\)

The requirements that apply to principal carers depend on the age of the children under their care:

• those children under 36 months must meet at least two activity requirements from the health group

• those with children between 36 and 48 months must meet two activity requirements from the health group and one from the social group

• those with children aged above 48 months (who are below compulsory school age) must meet two activities from the health group and regular participation in preschool or two activities from the social group (including at least one that is 'formal' such as school or child care).

There is some room for discretion in regards to these requirements where the child has significant disability.

Those with children in their care will also have their records examined by Centrelink to see whether they have been 'financially vulnerable' in the previous 12 months. This means they will look at whether bills have been payed on time and whether the individual has had any trouble managing their money. Those who are deemed to have been financially vulnerable are not eligible for an exemption.

Requirements for those without dependent children

A payment recipient who is not a principal carer of a child can qualify for an exemption from income management by meeting the following work or study participation requirements:

• being a full-time student or new apprentice (those identified as such through Centrelink will be sent a letter advising them of their eligibility and will be automatically granted an exemption) or

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• being engaged in paid work earning at least the minimum wage for at least 15 hours per week for 26 weeks out of the previous 52 weeks.

Granting of an exemption

If a payment recipient meets the above requirement and is granted an exemption it will last for 12 months. It will be reviewed by Centrelink following this 12 month period or earlier, if the individual is referred to a Centrelink social worker. Those granted exemptions will be provided with information about voluntary income management and the incentive payment of $250 which is paid for every continuous 26-week period they remain on voluntary income management. This incentive payment is also quarantined under income management.

How many people are exempt?

A significant number of those subject to income management under the eligible models have applied for and been granted an exemption. The following table details the number of those in receipt of an exemption by reason for which the exemption was granted as at 6 April 2012. A total of 2433 people were exempt from income management as at 6 April 2012. Only a third of those granted an exemption for reason of parenting requirements identified as Indigenous and only seven per cent of those granted an exemption due to their study commitments identified as Indigenous. Note that this is not a cumulative figure, only those in receipt of an exemption on 6 April 2012.

Table 1: Individuals granted exemptions from income management in the Northern Territory – 6 April 2012

<table>
<thead>
<tr>
<th>Reason exemption granted</th>
<th>Indigenous %</th>
<th>Non-Indigenous %*</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parenting requirements</td>
<td>34.3</td>
<td>65.7</td>
<td>1556</td>
<td>64.0</td>
</tr>
<tr>
<td>Full time students**</td>
<td>6.8</td>
<td>93.2</td>
<td>796</td>
<td>32.7</td>
</tr>
<tr>
<td>Regular paid work</td>
<td></td>
<td></td>
<td>71</td>
<td>2.9</td>
</tr>
<tr>
<td>Full time new apprentices</td>
<td></td>
<td></td>
<td>7</td>
<td>0.3</td>
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<tr>
<td>Special benefit</td>
<td></td>
<td></td>
<td>3</td>
<td>0.1</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>2433</td>
<td>100.0</td>
</tr>
</tbody>
</table>

*Includes those who chose not to disclose whether or not they were from an Aboriginal or Torres Strait Islander background.

** Full time students receiving ABSTUDY or Austudy are not included in this number, as those payments are not subject to the Disengaged Youth or Long Term Welfare Payment Recipient income management measures.

Note: Figures of less than 20 were suppressed by FaHCSIA to avoid identifying individuals.


A review undertaken by the Commonwealth Ombudsman of decisions taken between August 2010 and March 2011 not to exempt a person from income management found significant flaws in the
decision making processes. While subsequent action has been taken by the Department of Human Services and FaHCSIA to address these problems, the Ombudsman considers there are still areas requiring improvement. This suggests that the number of people granted exemptions is somewhat lower than it should be.

As noted above, those subject to income management under the vulnerable welfare payment recipient measure, child protection measures, the Cape York Welfare Reform program or under the NTER are not able to apply for an exemption but can apply to Centrelink for a review or appeal of the decision to place their payment under income management. The following table details the outcomes of these reviews and appeals by level of review. Around 13 per cent (29) of the 220 decisions reviewed by the Centrelink Original Decision maker were set aside. Also, around six per cent of decisions reviewed by an Authorised Review Officer were set aside. Only eight appeals of decisions had been heard by a Social Security Appeals Tribunal Officer by 6 April 2012 and none of these were set aside, withdrawn or varied. Two decisions were considered outside the jurisdiction of the tribunal. Four decisions have been reviewed by the Administrative Appeals Tribunal. Three decisions were affirmed by the tribunal and one appeal was withdrawn.

<table>
<thead>
<tr>
<th>Affirmed</th>
<th>Set Aside</th>
<th>Withdrawn</th>
<th>Varied</th>
<th>Other</th>
<th>Total Reviewed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Centrelink Original Decision Maker</td>
<td>166</td>
<td>29</td>
<td>19</td>
<td>6</td>
<td>220</td>
</tr>
<tr>
<td>Authorised Review Officer</td>
<td>132</td>
<td>10</td>
<td>17</td>
<td>0</td>
<td>159</td>
</tr>
<tr>
<td>Social Security Appeals Tribunal</td>
<td>8</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>Administrative Appeals Tribunal</td>
<td>3</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>4</td>
</tr>
</tbody>
</table>


How many people are subject to income management?

At recent Senate Estimates hearings FaHCSIA tabled a summary document outlining the number of those subject to income management. The figures from the most recent summary are reproduced in the following Tables 3–5. Table 6 provides information on those subject to Conditional Income Management Orders in Cape York and is sourced from the Queensland Family Responsibility Commission.

In the NT, a total of 17 567 people were subject to income management as at 6 April 2012. Of these, around 90 per cent identified as Indigenous. A total of 13 198 people were subject to the Parenting/Participation component of income management.

Table 3: Payment recipients subject to income management in the Northern Territory – 6 April 2012

<table>
<thead>
<tr>
<th>Measure</th>
<th>Indigenous %</th>
<th>Non-Indigenous %*</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vulnerable Welfare Payment Recipient Measure</td>
<td></td>
<td></td>
<td>152</td>
<td>0.9</td>
</tr>
<tr>
<td>Parenting/Participation Measure</td>
<td></td>
<td></td>
<td>13 198</td>
<td>75.1</td>
</tr>
<tr>
<td>Disengaged Youth Measure</td>
<td>87.9</td>
<td>12.1</td>
<td>4 198</td>
<td>23.9</td>
</tr>
<tr>
<td>Long Term Welfare Payment Recipient Measure</td>
<td>87.4</td>
<td>12.6</td>
<td>9 000</td>
<td>51.2</td>
</tr>
<tr>
<td>Voluntary Income Management</td>
<td>98.6</td>
<td>1.4</td>
<td>4 153</td>
<td>23.6</td>
</tr>
<tr>
<td>Child Protection Measure</td>
<td></td>
<td></td>
<td>64</td>
<td>0.4</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>17 567</td>
<td>100</td>
</tr>
</tbody>
</table>

*Includes those who chose not to disclose whether or not they were from an Aboriginal or Torres Strait Islander background.

Note: Figures of less than 20 were suppressed by FaHCSIA to avoid identifying individuals.


In WA, 232 people were subject to income management under the child protection measure as at 6 April 2012. Of these, 60.3 per cent were identified as Indigenous. A total of 1147 people had volunteered to have their Centrelink payments subject to income management, 73.5 per cent of whom identified as Indigenous.

Table 4: Payment recipients subject to income management in Western Australia – 6 April 2012

<table>
<thead>
<tr>
<th>Measure</th>
<th>Indigenous %</th>
<th>Non-Indigenous %*</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Child Protection Measure</td>
<td></td>
<td></td>
<td>60.3</td>
<td>39.7</td>
</tr>
<tr>
<td>In Perth Metro area</td>
<td></td>
<td></td>
<td>158</td>
<td>68.1</td>
</tr>
<tr>
<td>In Kimberley region</td>
<td></td>
<td></td>
<td>74</td>
<td>31.9</td>
</tr>
<tr>
<td>Voluntary Income Management</td>
<td></td>
<td></td>
<td>73.5</td>
<td>26.5</td>
</tr>
<tr>
<td>In Perth Metro area</td>
<td></td>
<td></td>
<td>365</td>
<td>31.8</td>
</tr>
<tr>
<td>In Kimberley region</td>
<td></td>
<td></td>
<td>771</td>
<td>67.2</td>
</tr>
<tr>
<td>Out of area</td>
<td></td>
<td></td>
<td>11</td>
<td>1.0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>71.3</td>
<td>28.7</td>
</tr>
</tbody>
</table>

*Includes those who chose not to disclose whether or not they were from an Aboriginal or Torres Strait Islander background.

Note: Figures of less than 20 were suppressed by FaHCSIA to avoid identifying individuals.


As at 6 April 2012, 139 people were subject to income management in Cape York as part of the Welfare Reform Trial. The Family Responsibilities Commission reported that, from July 2008 to 30 September 2011, 597 Conditional Income Management orders have been made (inclusive of original orders, extensions and amendments) relating to 391 clients. Of these clients, 31.8 per cent have been
the subject of a Conditional Income Management order over the previous three and a quarter years. In 2009, there were approximately 1670 people living in the Cape York communities involved in the trial.

Table 5: Payment recipients subject to income management in Cape York, Queensland – 6 April 2012

<table>
<thead>
<tr>
<th>Total</th>
<th>152</th>
</tr>
</thead>
</table>

Table 6: Total number of Family Responsibilities Commission clients in Cape York who have been subject to Conditional Income Management orders – September 2011

<table>
<thead>
<tr>
<th>Total</th>
<th>391</th>
</tr>
</thead>
</table>

Is income management racially discriminatory?

One of the most controversial aspects of income management has been its relationship to the *Racial Discrimination Act 1975* (RDA), the legislation that gives effect to Australia’s obligations under the International Convention on the Elimination of All Forms of Racial Discrimination.

The original legislation introducing income management contained provisions that limited the application of the RDA and NT and Qld anti-discrimination legislation. This was done in order to avoid the possibility that it (and the various elements of the NTER) would breach the RDA and other anti-discrimination legislation. This possibility arose because the legislation and the NTER generally treated people differently on the grounds of race (given that the overwhelming majority of people subject to income management are Indigenous) and/or it could not be regarded as a form of ‘positive discrimination’, which is generally permitted under the RDA.

In 2010, the provisions limiting the application of the RDA were removed by the Rudd Government, in fulfilment of a commitment made prior to the 2007 election. This was accompanied by changes to income management in the NT (and the NTER, more broadly) designed to comply with the RDA. These changes included the transformation of income management under the NTER from a scheme targeting remote Indigenous communities to what was called a ‘non-discriminatory’ national scheme targeting disadvantaged communities to be rolled out initially in the NT. The two main aspects of this new
Income management scheme are what are known as the ‘Parenting/Participation’ and ‘Vulnerable Welfare Recipient’ measures.94

Despite the 2010 changes to income management, some have argued that the tension between income management and the RDA has not been resolved. For example, in March 2011, the Aboriginal and Torres Strait Islander Social Justice Commissioner, Mick Gooda, is reported to have said that it is likely that some time in the future a complaint will be lodged with the Australian Human Rights Commission (AHRC) in relation to income management on the grounds that it discriminates against Indigenous people, arguing that ‘it’s possible to have a policy that in theory is non-discriminatory but if it impacts disproportionately on one group of people it can be’.95

This raises the question of how the AHRC—the statutory body with responsibility for resolving complaints of discrimination or breaches of human rights under federal laws such as the RDA—would be likely to respond to a complaint made in relation to income management and the RDA.

An important initial question is likely to be: which form of income management is being referred to? As described above, there are actually six different income management measures, each of which operates under different rules. The results of any challenge to income management under the RDA would potentially be different depending on the income management measures involved.

In November 2009, the AHRC issued draft guidelines ‘to provide practical assistance to Parliament and the Government in designing and implementing income management measures that protect human rights and are consistent with the RDA’.96 According to the AHRC, ‘while not legally binding, they provide important guidance as to the operation of the RDA and will be relevant in assisting the resolution of complaints’.97

In brief, the AHRC guidelines state that if, in practice, income management has a greater impact upon people of a particular race it may be discriminatory.98 Data from FaHCSIA (cited in the previous section) suggest that overall, compulsory income management has a substantially greater impact on Indigenous people than non-Indigenous people. For example, as at 24 June 2011 (the most recent

94. These were introduced in the Social Security and Other Legislation Amendment (Welfare Reform and Reinstatement of Racial Discrimination Act) Act 2010.
It was proposed in the draft guidelines that they would be finalised in 2010 after feedback, however they have not yet been finalised.
97. The AHRC noted that ‘the guidelines do not alter the operation of the RDA and compliance with them does not constitute a defence to an allegation of discrimination under the RDA’. Ibid. While the guidelines were and are still in draft form they give a clear indication of the Commission’s thinking on these issues, and, as commented elsewhere, it is the Commission which has an authority in this area and it is the first point of complaint when discrimination is in question.
98. Ibid., p. 5.
available figures), Indigenous people made up the overwhelming majority of people subject to compulsory income management under the largest scheme—the Participation/Parenting measure in the Northern Territory (11,106 people, around 87 per cent).

However, the guidelines indicate that it may be permissible to limit rights in pursuit of a legitimate, non-discriminatory goal. The guidelines specify five criteria that should be met by an income management measure:

- it should be subject to the application of the RDA and state/territory anti-discrimination legislation
- it should not apply automatic quarantining—different options that should be considered may include allowing for a voluntary/opt in approach or a last-resort suspension approach
- it should provide for a defined period of income management
- it must allow for review and appeal processes, and
- it should include additional support programs that address the rights to food, education, housing, and other forms of social support.

As can be seen from the table below, in relation to these criteria, the Participation/Parenting measure is the income management measure that would be viewed the least favourably by the AHRC. This is because it only clearly meets two of the AHRC criteria (one and four, with five, ‘additional support programs’, possibly met but unclear).

**Table 7: AHRC criteria for income management measures compared against each compulsory income management scheme**

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Subject to anti-discrimination legislation</th>
<th>Voluntary/opt in approach or last-resort suspension approach</th>
<th>Applied for a defined period</th>
<th>Allow for review and appeal</th>
<th>Additional support programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parenting/Participation (NT)</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Unclear</td>
</tr>
<tr>
<td>Vulnerable welfare recipients (NT)</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes (12 months)</td>
<td>Yes</td>
<td>Unclear</td>
</tr>
<tr>
<td>Cape York</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes (3 to 12 months)</td>
<td>Yes</td>
<td>Unclear</td>
</tr>
<tr>
<td>Child Protection (WA/NT)</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes (3 to 12 months)</td>
<td>Yes</td>
<td>Unclear</td>
</tr>
<tr>
<td>Supporting People at Risk (Agency Referral)</td>
<td>Yes</td>
<td>Yes</td>
<td>Unclear (AHRC has expressed concern)</td>
<td>Not known (not specified in legislation)</td>
<td>Unclear</td>
</tr>
</tbody>
</table>

99. Ibid., p. 17.
100. Ibid., pp. 18–19.
The Parenting/Participation measure clearly does not meet the criteria that it should be a voluntary/opt in/last-resort or be applied for a defined period. This can be contrasted with each of the other measures which target specific classes of individuals whom it is considered would benefit from income management and which are applied for defined periods of time.

As such, while the Government has asserted that the Participation/Parenting measure is compliant with the RDA, one way of increasing the possibility that the AHRC and the courts would share this view would be to align the Participation/Parenting measure with the other targeted and time-bound income management measures.101

What does income management cost?

Implementing and administering income management in its various forms has come at a significant financial cost to government. Most of this has come in the form of additional resources required by Centrelink in order to introduce, explain and administer the different income management schemes as well as costs to the various policy departments involved including FaHCSIA and the Department of Education, Employment and Workplace Relations (DEEWR).

It is difficult to accurately account for the total financial cost of income management due to variations in reporting over time and the fact that expenditure is spread across various programs in a number of different departments. Under the NTER, expenditure statements bundled income management measures with other measures relating to welfare and employment reform. While a definitive figure as to the cost of income management cannot be determined based on publicly available information, an indicative amount can be drawn from budget statements, government reports and information provided to Senate committees as part of the budget estimates process.

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101. For further details, see L Buckmaster, K Magarey and D Spooner, op. cit.
An examination of all the federal budget measures relating to income management, as set out below, indicates the development and implementation of income management measures around the country from the period 2005–06 to 2014–15 will cost the Commonwealth in the range of $1 billion.

This does not reflect the total cost to government, only the budget outlays for new measures. It also does not include expenditure on the income support payments that are subject to income management.

Note that the following details budget outlays for income management and related programs but does not account for actual expenditure of these outlays.

Northern Territory Emergency Response

When first introduced as part of the NTER, income management was grouped with a number of other initiatives under the measure 'welfare reform and employment'. Other initiatives which fell under this measure included changes focused on community stores, increasing employment and participation opportunities in remote communities including changes to the Community Development Employment Program (CDEP), increasing enrolments and attendance at school, and establishing 'Community Employment Brokers'. Funding for all these different programs was included under the one budget measure for welfare reform and employment as detailed in the following table:

Table 8: NTER Employment and Welfare Reform measure, 2007–08 MYEFO ($m)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expenditure</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DEWR</td>
<td>35.2</td>
<td>-40.2</td>
<td>-39.6</td>
<td></td>
</tr>
<tr>
<td>Indigenous Business Aust.</td>
<td>24.2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FaCSIA</td>
<td>85.8</td>
<td>75.9</td>
<td>75.9</td>
<td></td>
</tr>
<tr>
<td>Centrelink</td>
<td>10.1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DHS</td>
<td>8.2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DEST</td>
<td>8.9</td>
<td>-0.6</td>
<td>-0.6</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>172.3</td>
<td>35.0</td>
<td>35.6</td>
<td></td>
</tr>
</tbody>
</table>

| **Capital**        |         |         |         |         |
| Centrelink         | 14.3    |         |         |         |
| IBA                | 4.2     |         |         |         |
| DEWR               | 3.7     |         |         |         |
| **Total Capital**  | 22.2    |         |         |         |

| **Related revenue**|         |         |         |         |
| ATO                | 0.5     | 3.0     | 4.6     | 5.0     |
| IBA                | 0.2     | 0.1     | 0.1     | 0.1     |
| **Total**          | 0.7     | 3.1     | 4.7     | 5.1     |

*Revenue expected to derive from interest on business loans to small businesses.

In its 2008–09 Budget, the Rudd Government provided further funding for the implementation and administration of income management in the NT. Many of the NTER measures were rebadged as ‘Closing the Gap’ measures for this Budget, including income management. Close to $70 million was allocated under this budget measure over two years, although $52.7 million was specifically allocated to Centrelink for income management. The remainder was directed at continuing licensing arrangements for community stores as well as financial management training and crisis support for Indigenous families.

Table 9: Closing the Gap, Northern Territory Income Management, 2008–09 Budget ($m)

<table>
<thead>
<tr>
<th>Portfolio/agency</th>
<th>2007–08</th>
<th>2008–09</th>
</tr>
</thead>
<tbody>
<tr>
<td>FaHCSIA</td>
<td>2.7</td>
<td>60.1</td>
</tr>
<tr>
<td>DHS</td>
<td>2.8</td>
<td>3.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5.5</strong></td>
<td><strong>63.7</strong></td>
</tr>
</tbody>
</table>


The initial NTER Review had difficulty in gathering information on Commonwealth expenditure stating 'this is at least in part because there are seven different agencies involved, each with their own appropriation and acquittal processes'. The data reported by the Review differed from that reported in the MYEFO and Budget. This could be in part because of: the Review examining total appropriations against expenditure as opposed to the budget reporting method of the effect of certain measures on the fiscal balance; the timing of the Review’s report within the budget cycle; and changes to the programs included under the welfare and employment reform measure following the 2007 election (particularly in regards to CDEP). The Review Board stated that a total of $301.4 million had been appropriated for ‘Employment and welfare reform’ in 2007–08 with total expenditure of $164.5 million. The report indicated that the 2008–09 appropriation for this measure was $213.7 million.

In February 2009, the Government released an Updated Economic and Fiscal Outlook (UEFO) which detailed further funding for the administration of income management in the Northern Territory in the 2008–09 financial year. The May Budget in 2009 outlined further funding for income management in the NT in the lead up to the introduction of a new model compliant with the RDA, in particular to support the development and rollout of the BasicsCard.

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New income management

The 2010–11 Budget saw $410.5 million over six years (including $6 million in 2014–15) provided for the roll out of the new scheme of income management in the NT. The measure included funding of $53.6 million towards financial counselling services and financial education programs as well as ‘matched savings payments’ for those participating in a money-management and savings program. Also included was increased capital funding for Centrelink’s IT systems and for the issuing of new BasicCards as a result of the expanded eligibility for income management outside prescribed communities.

Table 11: New scheme of income management in the Northern Territory, 2010–11 Budget

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Centrelink</td>
<td>5.2</td>
<td>82.8</td>
<td>76.0</td>
<td>69.7</td>
<td>70.2</td>
</tr>
<tr>
<td>FaHCSIA</td>
<td>0.7</td>
<td>16.3</td>
<td>16.9</td>
<td>18.3</td>
<td>18.9</td>
</tr>
<tr>
<td>DHS</td>
<td>5.9</td>
<td>6.0</td>
<td>6.0</td>
<td>6.0</td>
<td></td>
</tr>
<tr>
<td>DEEWR</td>
<td>0.2</td>
<td>0.2</td>
<td>0.2</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>5.9</td>
<td>105.2</td>
<td>99.1</td>
<td>94.3</td>
<td>95.4</td>
</tr>
</tbody>
</table>


Income management trials

Separate expenditure has been allocated for different pilot programs of income management in areas outside of the NT.

The WA child protection pilot of income management was allocated funding in the 2008–09 Budget. The budget measure bundled together two pilots, the child protection income management trial in WA and a separate trial linking school attendance to eligibility to receive income support payments in
selected communities in the NT. Of the $36.4 million budget measure, $18.9 million was allocated for the income management pilot.103

Table 12: WA child protection pilot and school attendance and enrolment pilot, 2008–09 Budget

<table>
<thead>
<tr>
<th>Portfolio/agency</th>
<th>2007–08</th>
<th>2008–09</th>
<th>2009–10</th>
</tr>
</thead>
<tbody>
<tr>
<td>DEEWR</td>
<td>0.1</td>
<td>16.6</td>
<td>0.8</td>
</tr>
<tr>
<td>FaHCSIA</td>
<td>2</td>
<td>14.4</td>
<td></td>
</tr>
<tr>
<td>DHS</td>
<td></td>
<td>0.7</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2.1</strong></td>
<td><strong>31.7</strong></td>
<td><strong>0.8</strong></td>
</tr>
</tbody>
</table>

*Capital - Centrelink 1.8


Further funding for the WA trial was allocated in the 2009–10, 2010–11, 2011–12 and 2012–13 budgets with approximately $66 million provided to continue the child protection pilot and for voluntary income management in the trial sites until 30 June 2013. The 2012–13 allocation included $5.6 million for the provision of new BasicsCards (to replace those set to expire on 30 June 2013).


<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Centrelink*</td>
<td>0.1</td>
<td>8.2</td>
<td>10.9</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FaHCSIA</td>
<td>3.0</td>
<td>6.5</td>
<td>7.1</td>
<td>6.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DHS*</td>
<td>0.1</td>
<td>10.8</td>
<td>9.9</td>
<td>0.1</td>
<td>3.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>0.5</strong></td>
<td><strong>11.4</strong></td>
<td><strong>17.3</strong></td>
<td><strong>17.9</strong></td>
<td><strong>15.9</strong></td>
<td><strong>0.1</strong></td>
<td><strong>3.1</strong></td>
</tr>
</tbody>
</table>

*Centrelink was integrated with the Department of Human Services on 1 July 2011.


The 2011–12 Budget also included funding for income management to be trialled in a number of targeted locations (see section on Place Based Income Management above). $117.5 million over five years (including $25.8 million in 2015–16 not detailed in the table below) was allocated to the income management trials component of the budget measure. The measure also included funding for an extension of the School Attendance and Enrolment Measure (SEAM).

Table 14: Targeted locations income management and extension of the School Enrolment and Attendance Measure, 2011–12 Budget

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>DHS</td>
<td>14.5</td>
<td>19.8</td>
<td>19.7</td>
<td>19.6</td>
</tr>
<tr>
<td>FaHCSIA</td>
<td>4.5</td>
<td>6.3</td>
<td>6.0</td>
<td>6.5</td>
</tr>
<tr>
<td>DEEWR</td>
<td>0.6</td>
<td>0.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>19.5</td>
<td>26.3</td>
<td>25.7</td>
<td>26.2</td>
</tr>
</tbody>
</table>

Capital - DHS 0.3


Cape York welfare reform trials

The Cape York welfare reform project first received funding of $1 million in 2005–06 to develop the Cape York Institute for Policy and Leadership’s proposals for welfare reform. The 2006–07 Budget allocated funding of $3 million over two years. Following the release of the Institute’s report, From hand out to hand up, the Government allocated $45.8 million over five years for the implementation of the trial in four Cape York communities. Funding was intended for a range of initiatives including income and case management of income support recipients as well as business development, education trusts, housing management programs and support services. The Queensland Government also committed funding to assist in the implementation of the broad range of initiatives.

It is difficult to delineate how much of this measure was to fund the administration of income management but specific amounts were allocated for other measures including:

- $12 million for Multlit (Making up for Lost Time in Literacy), the establishment of Student Education Trusts and changes to ABSTUDY for eligible students to study at boarding school
- $5 million to create self-employment opportunities and to support small businesses
- $5 million towards the cost of employing case managers and a fund for individuals referred by the Family Responsibilities Commission to purchase specialist family services
- $2 million to extend the Pride of Place initiative which contributes to housing and public space improvements.

The funding allocation reported in the MYEFO (as detailed in the table below) does not include $3.9 million for 2011–12.

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104. Department of Families, Community Services and Indigenous Affairs (FACSIA), Cape York Welfare Reform Trials, factsheet, FACSIA, 2007, viewed 9 February 2012, [http://parlinfo.aph.gov.au/parlinfo/search/display/display.w3p;query=Id%3A%22media%22Fpressrel%2F1727058%22](http://parlinfo.aph.gov.au/parlinfo/search/display/display.w3p;query=Id%3A%22media%22Fpressrel%2F1727058%22)
Table 15: Welfare reform—Cape York Trial, 2007–08 MYEFO

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>DEWR</td>
<td>2.3</td>
<td>2.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indigenous Business Aust.</td>
<td>0.3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FaCSIA</td>
<td>3.9</td>
<td>6.5</td>
<td>6.1</td>
<td>5.2</td>
</tr>
<tr>
<td>DHS</td>
<td>0.1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DEET</td>
<td>2.0</td>
<td>4.0</td>
<td>3.2</td>
<td>3.3</td>
</tr>
<tr>
<td>Total</td>
<td>8.6</td>
<td>12.7</td>
<td>9.3</td>
<td>8.5</td>
</tr>
<tr>
<td>Capital-IBA</td>
<td>3.0</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Revenue

| IBA               | 0.1 | 0.1 | 0.1 | 0.1 |


In the 2011–12 Budget, the Government announced that it would provide a further $16.1 million over two years to extend the Cape York trial.

Table 16: Cape York Welfare Reform Trial—extension, 2011–12 Budget

<table>
<thead>
<tr>
<th>Portfolio/agency</th>
<th>2011–12</th>
<th>2012–13</th>
</tr>
</thead>
<tbody>
<tr>
<td>FaHCSIA</td>
<td>4.8</td>
<td>4.2</td>
</tr>
<tr>
<td>DEEWR</td>
<td>2.1</td>
<td>2.2</td>
</tr>
<tr>
<td>DHS</td>
<td>1.4</td>
<td>1.5</td>
</tr>
<tr>
<td>Total</td>
<td>8.4</td>
<td>7.8</td>
</tr>
</tbody>
</table>


A further $11.8 million was provided in the 2012–13 Budget to extend the Cape York trial for two years.

Table 17: Cape York Welfare Reform Trial—extension, 2012–13 Budget

<table>
<thead>
<tr>
<th>Portfolio/Agency</th>
<th>2012–13</th>
<th>2013–14</th>
</tr>
</thead>
<tbody>
<tr>
<td>FaHCSIA</td>
<td>3.7</td>
<td>3.7</td>
</tr>
<tr>
<td>DHS</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td>DEEWR</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Total</td>
<td>5.9</td>
<td>6.0</td>
</tr>
</tbody>
</table>


Is income management working?

Much of the debate surrounding income management of welfare payments has related to the question of evidence. That is, is there evidence to justify the policy? 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.105 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’.106

There are substantial difficulties associated with evaluating the effectiveness of income management. The first of these is that there are very few studies available that have attempted to directly measure the impact of income management separately from other policy interventions. Further, such evaluations as have been attempted should be treated with caution due to a range of methodological problems including:

- 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.

In relation to the three areas in which income management operates (NT, Qld and WA), 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. For example:

- in the NT
  - there is some evidence that income management has resulted in an increase in the purchase of healthy food items such as fruit and vegetables, however, these items continue to represent only a small fraction of total store sales.107

105. J Macklin (Minister for Family Affairs, Housing, Community Services and Indigenous Affairs) and W Snowdon (Member for Lingiari), Major welfare reforms to protect children and strengthen families, op. cit.
107. See for example: Senate Community Affairs Legislation Committee, Answers to Questions on notice, Cross Portfolio Indigenous Matters, Budget Estimates 2010–11, 21 October 2010, Question XT1. For a detailed discussion of the
– while population-level information on the growth status of Indigenous children aged under five living in remote communities in the NT 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\textsuperscript{108}

• in Cape York

– there is no clear pattern in the rate and direction of changes in school attendance across the reform communities—for example, 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)\textsuperscript{109}

– there is no trend towards positive or negative change in 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 across any of the communities since the beginning of the reform trial\textsuperscript{110}

• in WA

– surveys undertaken as part of an evaluation income management in that state commissioned by FaHCSIA found that 49 per cent of respondents on Child Protection Income Management thought it had made their children’s lives a lot better and 12 per cent a bit better; 33 per cent

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\textsuperscript{109} 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). In relation to this decrease in school attendance in Hope Vale, the FRC \textit{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, \textit{Report to the Family Responsibilities Board and the Minister for Local Government and Aboriginal and Torres Strait Islander Partnerships}, Quarterly Report no. 12, March 2011 to June 2011, p. 3, viewed 21 May 2012, http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22library%2Flcatalog%2F00419913%22

\textsuperscript{110} 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). 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. See Queensland Government, \textit{Annual Highlights Report for Queensland’s Discrete Indigenous Communities for the period July 2010 –June 2011: Incorporating the Quarterly report on key indicators in Queensland’s discrete Indigenous communities for April—June 2011}, Aboriginal and Torres Strait Islander Services, Queensland Government, viewed 21 May 2012, http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22library%2Flcatalog%2F00419914%22
thought it had not made much difference to their children’s lives; and 7 per cent thought that it

- Child Protection Income Management respondents also 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

- 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.\footnote{Ibid., p. 14.} 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.\footnote{For further details see L. Buckmaster and C. Ey, op. cit.} 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.

The overall picture emerging from the available evidence 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.\footnote{Ibid., pp. 9–13.}

It is likely 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.

Summary

- Since its introduction by the Howard Government in 2007, income management has expanded
from 73 remote NT communities, the Kimberley region and Perth in WA and Cape York, to the
whole of the NT and selected disadvantaged locations across Australia—Rockhampton and Logan
(Qld), Bankstown (NSW), Shepparton (Vic) and Playford (SA). The Government has also commenced
consultations with local communities about the possible introduction of income management in
the APY Lands (SA)

- Under income management, a percentage of the welfare payments of those subject to the scheme
are diverted into a special account. Funds in this account may only be spent on priority items such
food, clothing and health items and may not be spent on alcoholic beverages, tobacco products,
pornographic material, home brewing concentrates and equipment, and gambling services.

- People subject to income management may apply to access their income managed funds through a
BasicsCard, a reusable, PIN protected card that allows people to spend income managed money at
approved stores and businesses through the EFTPOS system.

- While people often speak as if income management is a single program, there are actually six
different income management measures, each of which operates under different rules:
- 'Participation/Parenting', applying to people in the NT who are in receipt of certain welfare payments for a period of time deemed by the Government to put them 'at risk'
- 'Vulnerable Welfare Payment Recipients', applying to people who have been referred for income management by a Centrelink Social Worker
- 'Child Protection Income Management', applying to people in the NT and parts of WA whom a child protection officer has referred to Centrelink
- the Cape York measure, applying to people in Cape York whom a statutory body has ordered should be subject to income management for engaging in dysfunctional behaviour
- 'Place Based Income Management', applying from 1 July 2012 to people living in one of five targeted communities who have been referred for income management and
- 'Supporting People at Risk', applying (should the relevant legislation pass) from 1 July 2012 to people referred for income management by particular state and territory agencies (initially NT authorities will have the power to refer people for income management for alcohol related problems).

- While the precise mechanism according to which income management is intended to work has never been explicitly explained, it can be inferred that it is based on the assumption that restricting expenditure on socially harmful products should lead to a reduction in socially harmful behaviours. In its focus on behavioural and locational aspects of disadvantage, income management shares elements in common with several recent strands of poverty research, including New Paternalism, the Capabilities approach and place-based theories.

- While there do not appear to be any programs in other developed countries that operate in exactly the same way as income management, programs closest to the income management provisions are the US food programs, where welfare recipients and other low income groups receive vouchers or electronic cards along the lines of the BasicsCard which can only be used for the purchase of particular products, and specifically food items.

- People subject to the Participation/Parenting measure may be eligible for an exemption from income management if they show evidence of reaching certain financial and behavioural markers. Those subject to the other income management measures are not able to apply for an exemption but may ask Centrelink or the decision maker to review their circumstances. As at 6 April 2012, 2433 people had been granted an exemption from income management and 39 people had decisions to place them on income management set aside.

- As at 6 April 2012, the following numbers of people were subject to income management: 17 567 in the NT, 1379 in WA and 152 in Cape York.

- In the event that a complaint was brought to the Australian Human Rights Commission (AHRC) in relation to income management and the Racial Discrimination Act (RDA), it is likely that the Participation/Parenting measure would be viewed the least favourably by the AHRC. This is because it only clearly meets two of the five criteria that the AHRC has argued should be met by an income management measure in order to be regarded as legitimately limiting rights in pursuit of a non-discriminatory goal.

- An examination of federal budget measures relating to income management indicates the development and implementation of income management measures around the country from the period 2005–06 to 2014–15 will cost the Commonwealth in the range of $1 billion. This does not
reflect the total cost to government only the budget outlays for new measures. It also does not include expenditure on the income support payments that are subject to income management.

- In none of the locations in which it operates is there unambiguous evidence for or against the effectiveness of income management. The overall picture emerging from the available evidence 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.