

Policy Brief: Alternatives to Compulsory Income Management

Compulsory income management does not work. A growing body of research exists on both the Cashless Debit Card (CDC) and Basics Card which, along with government-commissioned evaluations, demonstrates numerous and in-built issues with these schemes and an overall inability to identify valid changes to participant wellbeing attributable to the cards.ⁱ There are, however, clear signs of harm, including the exacerbation of financial hardship, experiences of stigma and discrimination and evidence of disproportionate targeting of Indigenous communities. This is accompanied by government failure to invest in much-needed and often promised social support services. Most people subject to the CDC expressed negative views about the scheme, with statements in support coming primarily from organisations.ⁱⁱ The administrative costs of the CDC are exorbitant, and any continuation or expansion of the scheme would be a waste of money that could be spent on more effective programs and strengthening the social security net.

Below, we outline six proposals for social security policy initiatives that will build strong communities and allow all Australians to lead dignified, self-determined and healthy lives.

1. **Sustained investment in local supports.** A genuine commitment to reducing social harm will involve a long-term investment in social support services which promote individual and community wellbeing. These include supports targeting harmful alcohol and other drug use (rehabilitation and in-community), financial management, mental health, parenting and childcare, and housing and homelessness. Determining the relevant supports required by any community can only be achieved through broad-based consultation with communities, prioritising the voices of those most affected.
2. **Supporting community-driven alternatives.** Resourcing and supporting initiatives such as APO NT's *Fair Work and Strong Communities* proposalⁱⁱⁱ and Arnhem Land Progress Association's voluntary Foodcard program^{iv} will open the possibility for a more comprehensive approach to tackling identified areas of concern regarding community wellbeing and financial insecurity while supporting Indigenous self-determination. This is a first step towards working in genuine partnership with Indigenous community-controlled organisations and representative bodies.
3. **Improving and promoting voluntary engagement with money management mechanisms.** Centrepay has the ability to function as a financial management tool that enhances rather than diminishes participants' control over their spending by entering into voluntary payment agreements to keep on top of bills and rent. While there is a need to strengthen consumer protections by banning business practices such as predatory consumer leasing,^v voluntary engagement with Centrepay and other similar mechanisms would support individuals' wellbeing without undermining choice.
4. **Investing in local job creation.** Regional investment in job creation is an important complement to social support measures, as a lack of suitable job availability has been reported across all CDC sites. This is compounded by the issue of underemployment: in the Hinkler region, for example, many people have their finances controlled by the CDC while also being technically employed. The issue is not that people are 'unwilling to work' but that they are 'experiencing a shortage of adequately paid employment opportunities in the region'.^{vi}
5. **Raising the rate of welfare payments and overhauling mutual obligations.** We support calls by national community peaks to raise the rate of all social security payments above the Henderson Poverty Line, as well as to reflect the higher poverty line for disabled people.^{vii} Disproportionately high rates of mutual obligation non-payment penalties for Aboriginal people in regional and remote communities and high rates of disengagement from the social security system must also be addressed.^{viii}
6. **Presenting income management as a voluntary-only option.** A clear definition of 'voluntary' participation in programs augmenting the delivery of social security payments must be developed in accordance with notions of individual and community consent, and with a clear emphasis on dignity and consumer choice. A program should not be considered voluntary if there is an implicit threat of compulsory enforcement, or the offer of an incentive payment to participate.

None of these initiatives can work in isolation: they must be implemented together in order to comprehensively address identified issues of socioeconomic disadvantage.

ⁱ For CDC, see [‘Hidden Costs: An Independent Study into Income Management in Australia’](#) by Marston, G, Mendes, P, Bielefeld, S, Peterie, M, Staines, Z and Roche, S (2020), [‘Income management of government payments on welfare: the Australian cashless debit card’](#) by Greenacre, L, Akbar, S, Brimblecombe, J and McMahon E (2020), [University of Adelaide Future of Employment and Skills research centre’s impact evaluation](#) (2021), and [ORIMA evaluation reports](#) (2014). For Basics Card, see [‘Evaluating New Income Management in the Northern Territory: Final Evaluation Report’](#) by Bray, JR, Gray, M, Hand, K and Katz, I (2014) and [‘Measuring the social impact of income management in the Northern Territory: An updated analysis’](#) by Bray, JR (2020).

ⁱⁱ https://www.dss.gov.au/sites/default/files/documents/02_2021/fac_evaluation-cdc-ceduna-east-kimberley-and-goldfields-region-consolidated-report_012021.pdf p. 4

ⁱⁱⁱ http://www.amsant.org.au/apont/wp-content/uploads/2017/07/RDES-Report_Online.pdf p. 4

^{iv} <https://www.alpa.asn.au/health-and-nutrition>

^v <https://consumeraction.org.au/parliament-must-kick-rent-to-buy-products-off-centrepay-for-good/>

^{vi} <https://news.griffith.edu.au/2020/06/02/community-and-the-cashless-debit-card-in-the-hinkler-region/>

^{vii} <https://melbourneinstitute.unimelb.edu.au/publications/social-indicator-reports>, <https://raisetherate.org.au>

^{viii} See <https://www.ejaustralia.org.au/briefing-paper/cdppenalties/>