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Welfare Review
C/- Welfare System Taskforce
Department of Social Services
PO Box 7576
Canberra Business Centre ACT 2610
(And by email: welfarereview@dss.gov.au)

Attention: Mr Patrick McClure AO
Reference Group Chair

Dear Mr McClure,

We acknowledge the Reference Group's work, represented in the Interim Report released on 29 June 2014 and thank you for the opportunity to provide comment.

FamilyCare was established in 1984. With a base in Shepparton, FamilyCare has offices in Seymour, Wallan, Cobram, Kinglake and Alexandra. We are the main providers of child and family services across the Goulburn area of West Hume in regional Victoria. FamilyCare also provides a variety of aged and disability services to individuals, families and carers. The agency employs around 100 people, with a similar number of volunteers in a range of roles across the communities in which we work.

The Interim Report comes at a time when almost every area of service provision in which FamilyCare has an involvement is subject to major reform at a State or Commonwealth level, or both. In addition there is significant and ongoing review of the regulation and oversight of the not-for-profit sector. Notwithstanding these pressures, FamilyCare recognises the importance of this review to the lives of the people and families we work with every day.

We have contributed to the development of submissions that will be provided by our relevant peak bodies. Because Shepparton was selected in May 2011 as one of ten disadvantaged communities to trial a series of welfare reform measures under the previous Government's Building Australia's Future Workforce policy, we believe we have some useful insights.

This submission will focus on two central issues:

- Income management and
- The importance of recognising and responding to the structural causes of economic disadvantage, particularly in rural and regional communities.

a) Income management:

The Interim Report makes a number of references to income management and appears supportive of a broader roll-out of the program. There are several questions directly relating to Income Management, including:

- In what circumstances should income management be applied? And
- How can the income management model be developed to build community capacity?

In FamilyCare's view, there is a much more important preliminary question – is income management actually useful and effective?

When Shepparton was selected as one of ten welfare reform trial sites in 2011, it was also one of five of those sites required to trial a place-based variation of Income Management, which commenced on 1 July 2012.

There are two distinct streams of income management depending on whether participants volunteer, or are compulsorily referred. Volunteers receive an additional payment of \$250 after each six months of participation. The original compulsory categories of referral in the Shepparton trial were people identified as vulnerable by Centrelink Social Workers and those referred by State employed Child Protection workers. The voluntary and vulnerable participants had 50% of their benefits income managed. Child Protection referrals were subject to 70% income quarantining. The latter category became less relevant when the Victorian Government opted for a consent-based mechanism, rather than the Commonwealth delegation of compulsory referral powers.

An additional category of compulsory referral commenced from 1 July 2013, when a series of defined youth benefit recipients were required to participate in income management. Unlike the vulnerable measure, the receipt of the defined benefit was the trigger rather than any assessment of need.

An allocation of \$117 Million was applied to facilitate the roll-out of income management across the five sites for five years. Presumably Shepparton's share of that allocation is \$23.4 Million.

The latest total of participants in Shepparton's income management trial at 16 May 2014 was 348. The ABS estimate of Shepparton's population to 2013 is 62,784. To December 2013, 22% of Shepparton's working age population were receiving income support. In the ABS data by region tables, current to 30 June 2012, just over 3,900 people in Shepparton receive a benefit of the type most likely to be targeted by the income management trial (that is Newstart, Parenting Payment or a Youth benefit, excluding payments to students or apprentices).

Almost two years into the trial, less than 10% of people in Shepparton receiving benefits of the type most likely targeted are participating in income management. It is likely that around 150 of those participating in May 2014 were compulsorily referred under the youth benefit trigger. Seen either as a total number, or as a proportion of those most likely targeted by the scheme, income management in Shepparton appears underutilised and expensive on a per participant basis.

Deloitte Access is conducting the independent evaluation of the place-based income management sites, including Shepparton. It is our understanding that a preliminary report has been provided to the Commonwealth. The evaluators did not seek input from FamilyCare, or other community providers in Shepparton that we are aware of. We have not been provided with a copy of the report and do not know when or whether it will be released.

In partnership with Berry Street Victoria, FamilyCare commissioned Monash University to prepare a best practice model for evaluating income management. The model was released in July 2013 and a copy is provided with this submission. It raises a number of concerns about how the effectiveness of

income management is currently being assessed. It also summarises both formal and informal evaluations to the date of release, noting that the evidence of positive impacts from participation in income management has been modest and inconsistent.

FamilyCare is not able to say how many of its clients are participating in income management, although we know some are and it is clear that a significant proportion would be within the target groups. We have received some feedback, both positive and negative. Similar to observations made in other evaluations, participants who volunteer are more likely to be positive, with the bonus payment a significant incentive. Negative reports also mirror experiences reflected in other evaluations and include the inconvenience of travel outside of the LGA, the exclusion of retailers of choice, often making purchases more expensive and the stigma associated with the Basics Card.

In FamilyCare's submission it is premature to conclude that income management is effective. A growing body of evidence shows almost nothing consistent or conclusive, positive or negative. The weight of negative evidence gravitates around compulsory forms of income management.

It is unfortunate that the debate has galloped ahead to questions of how, when and where income management should be expanded, rather than whether it should continue at all, or in current form. Nowhere is this leap of unsupported logic more apparent than in the Forrest Indigenous Jobs and Training Review, which recommends a form of income management be applied to 100% of all benefits, except aged and veteran's pensions.

From FamilyCare's perspective, the \$23.4 Million to establish and sustain income management might have been better applied to more sustainable employment opportunities in Shepparton.

b) Recognising and responding to the structural causes of economic disadvantage:

A key theme throughout the Interim Report is the expectation that benefit recipients should participate in paid employment to the full extent of their capacity. FamilyCare acknowledges the importance of having a job to provide resources, a sense of purpose and the opportunity to participate socially and economically. We have some concerns about how definitions are designed and applied to determine which people may not be able to safely sustain employment and striking an appropriate balance between employment expectations and being a parent. Notwithstanding those concerns FamilyCare accepts the proposition that encouraging engagement in employment is good policy.

It is not however the case that access to employment opportunities is the same for all people in all communities.

In many of the communities in which FamilyCare provides services, sustainable employment opportunities are limited and decreasing. One of the reasons why Shepparton was chosen for the Building Australia's Future Workforce welfare reform trials was higher unemployment than the Victorian and National figures. In addition, a higher proportion of Shepparton's unemployed had been out of work for over a year.

There are some positive signs, with the latest ABS unemployment figures to the end of June 2014 for Shepparton around 7.5%, compared to around 8.3% when the trial was announced in 2011. The positives are counterbalanced by a reduction in the working age participation rate, which is now around 59%, compared to the Victorian rate of around 65%. Just how much of the improvement in the unemployment rate is attributed to trial projects under Building Australia's Future Workforce and, if any, which ones – is unclear. With the health and social services sector one of the few to show consistent growth, it is also unclear whether Shepparton is building sustainable new employment opportunities or simply an infrastructure to respond to increasing disadvantage.

Place-based disadvantage requires multiple layers of response not simply focusing on requirements for people to participate. There is an obligation to invest in meaningful opportunities to sustain that participation.

Shepparton's welfare reform projects have either ceased, or are winding down. Income management is one of the few measures that remains with an expectation of continued resourcing. In place of the programs and activities that have already, or will soon end, Shepparton is now included in the early piloting of Work for the Dole in the Goulburn area. Full details of how this will work in our community are still emerging, but it is hard to see how this program will encourage the development of any new and sustainable employment opportunities.

We would be happy to expand upon or clarify any of the comments contained in this submission if required. Thank you again for the opportunity to comment.

Yours sincerely

A handwritten signature in black ink, appearing to read 'David Tennant', written in a cursive style.

David Tennant

Chief Executive Officer