

4th October 2019

Dear Community Affairs Legislation Committee,

Re: Inquiry into the Social Security (Administration) Amendment (Income Management to Cashless Debit Card Transition) Bill 2019

Thank you for your invitation for a submission to the inquiry into the Social Security (Administration) Amendment (Income Management to Cashless Debit Card Transition) Bill 2019. I make this submission drawing on over fifteen years experience working on development issues in Australia and internationally. As a Senior Lecturer of Development Studies at the University of Melbourne, I have led a research project into the Cashless Debit Card based on thirteen months of field-based research in the East Kimberley region. I received a Dphil in Development Studies at the University of Oxford and held a Post-Doctoral Fellowship at the Centre for Aboriginal Economic Policy Research at the ANU.

I am deeply concerned that there is another Bill in front of Parliament to extend the Cashless Debit Card further. In previous submissions, I have outlined in detail why this is the case and it is concerning that these severe issues are not taken on board by the government. I will outline briefly my concerns with the Cashless Debit Card and Income Management more broadly below.

- Despite over AU\$34 million spent, the current Cashless Card trials have not produced credible evidence to support claims of effectiveness, efficiency nor suitability.
 - a. The ORIMA evaluation is deeply flawed as outlined by the academic community and does not prove ‘proof’ of concept.¹
 - b. The ANAO evaluation clearly finds that the ORIMA evaluation was methodologically flawed and does not provide any credible conclusions regarding the real impact of the trial.
 - c. There has been over AU\$1billion already put into income management programs, and none of these programs have proven that they meet their policy objectives.²
- Conversely, there is consistent peer reviewed evidence showing that income management and the Cashless Debit card makes life more difficult for subjected people³. Overwhelming peer reviewed research shows that income management is harmful to people. For example:
 - Researchers from the Australian Research Council Centre of Excellence for Children and Families over the Life Course in late 2017 provides statistical proof of negative impacts on children, in birth weight and school attendance caused by income management in the NT. The researchers suggest several explanations for the reduction of birth weight, including that income

¹ Hunt J (2017). The Cashless Debit Card trial evaluation: a short review, Topical Issue 1, Centre for Aboriginal Economic Policy Research, Australian National University, Canberra.

² See Bray JR (2016). Seven years of evaluating income management: what have we learnt? Placing the findings of the New Income Management in the Northern Territory evaluation in context. *Australian Journal of Social Issues* 51(4):449–468.

³ See also Klein and Razi (2018) ‘Contemporary Tools of Dispossession: The Cashless Debit Card Trial in the East Kimberley’ *Journal of Australian Political Economy*, 82: 84-106.

management increased stress on mothers, disrupted existing financial arrangements within the household, and created confusion as to how to access funds. Researchers suggested implementation issues as a possible explanation for the reduction in school attendance. We also see similar stress put on households subjected to the Cashless Debit Card (see attached research).

- The Federal Government's evaluation of its compulsory income management program in the Northern Territory showed that despite the \$AU410.5 million dollars spent, the results were poor. Specifically, Bray et al. (2014) concluded: *"A wide range of measures related to consumption, financial capability, financial harassment, alcohol and related behaviours, child health, child neglect, developmental outcomes, and school attendance have been considered as part of this evaluation.... Despite the magnitude of the program the evaluation does not find any consistent evidence of income management having a significant systematic positive impact"* (Bray et al. 2014: 316).
- My own research in the East Kimberley has shown many negative social negative social impacts of the CDC (see attached original submission to the 2017 inquiry which outlines some of these findings).⁴
- Consultation for the CDC has not included people subjected to the card and their experiences are largely ignored and go unaddressed. This is extremely disempowering for some of the most vulnerable (but resilient) people in the country.
- For those that are struggling with addiction, a Cashless Debit Card is hardly a replacement for treatment - concerns medical specialists have already been raised in their submission to the Cashless Debit Card Senate Inquiry in September 2017. The funding for so-called 'wrap-around services' to help people impacted by such problems and on the card, have not been provided in a timely fashion or separately evaluated to assess either adequacy or effectiveness. There government has also never proven why a Cashless Debit Card is preferable over properly funding community services in the first place.
- The proposed legislation to extend the card to Cape York and the Northern Territory means that not only the total number of people on the Cashless Debit Card will increase threefold from 11,000 people to 33,000, but that the majority of people subjected to the measure will be First Nations people. The concerning settler colonial implications have been documented in the peer reviewed *Journal of Australian Political Economy*, http://docs.wixstatic.com/ugd/b629ee_01e1002bbfc748459d2a323d278d9300.pdf.
- The roll out of the card further entrenches a two tiered banking system because where most people are able to freely choose their financial service provider, those subject to the card are restricted to a single provider - Indue who offers a different banking product to everyone else⁵. Indue is also not a member of the ABA, a membership that requires signing the new Banking Code of Practice which offers significant consumer

⁴ See: Knaus, K (2018) 'Family violence rates rise in Kimberley towns with cashless welfare', the Guardian, 12th January 2018,

<https://www.theguardian.com/australia-news/2018/jan/12/family-violence-rates-rise-in-kimberley-towns-with-cashless-welfare>

⁵ Tennant, D. (2015), 'Is the Cashless Welfare Card the forerunner to a Banking Underclass',

https://www.researchgate.net/publication/285590411_Is_the_Cashless_Welfare_Card_the_forerunner_to_a_Banking_Underclass

protections. Compelling other banks to also offer the card will not address the emerging issues with the two-tiered banking system.

- Whilst the government proposes ‘trials’ of the Cashless Debit Card in specific regions, it continues to overlook failures of the project and rather than abolishing the Cashless Debit Card, seeks to expand it to other regions subjecting more populations to its egregious and high risk impacts. We now see that the roll out of ‘trials’ is a permanent institutional arrangement, with no commitment to respond genuinely to the failed income management experiment.

Recommendations:

- All forms of compulsory income management, including the Cashless Debit Card cease.
- Reject the Social Security (Administration) Amendment (Income Management to Cashless Debit Card Transition) Bill 2019

I am attaching my submission made to the CDC Senate Inquiry in 2017, as the points raised within it have not been properly considered and the serious issues raised based on evidence continue to the present.

Yours sincerely

Dr Elise Klein (OAM)
Senior Lecturer in Development Studies
University of Melbourne

28th September 2017

Inquiry into the Social Services Legislation Amendment (Cashless Debit Card) Bill 2017

Community Affairs Legislation Committee

Dr Elise Klein

University of Melbourne

Introduction

1. I make this submission drawing on over fifteen years experience working on development issues in Australia and internationally. As a Lecturer of Development Studies at the University of Melbourne, I lead a research project into the Cashless Debit Card based on thirteen months of field-based research in the East Kimberley region. I received a Dphil in Development Studies at the University of Oxford and held a Post-Doctoral Fellowship at the Centre for Aboriginal Economic Policy Research at the ANU.
2. The summary findings below are based on thirteen months of research into the Government's trial of the Cashless Debit Card in the East Kimberley. The research included not only discourse analysis of speeches, documents and texts relating to the card, but also structured interviews with people on the card (51 total: 16 pre-trial and 35 during the trial), semi-structured interviews (37) with leaders of organizations that signed the East Kimberley onto the card or have dealt with the effects in the trial site through related services, local business owners, and government officials involved in either the design or implementation of the trial. Interviews were triangulated with observations from six field visits to the East Kimberley, witnessing lives and events unfold as the trial was implemented.

Background to the Cashless Debit Card Trial in the East Kimberley

3. The Cashless Debit Card regulates state benefit payments at the merchant level on restricted items. It also limits the amount of cash that can be withdrawn to 20% of the total money recipients receive. The Cashless Debit Card trial targets all working-age people living in the region who obtain state benefits (except those receiving the aged pension and veteran payments). It compulsorily includes people receiving disability, parenting, carers, unemployed and youth allowance payments. People on the aged pension, a veteran's payment or who earn a wage whilst excluded from the trial, can volunteer to take part in the trial.
4. The Cashless Debit Card targets Indigenous peoples. Whilst official Government communications state the card is for both Indigenous and non-Indigenous welfare recipients, both the trial sites target Indigenous people disproportionately because 75.1% in the Ceduna trial and 82.0% in the East Kimberley trial are Indigenous⁶.
5. The Cashless Debit Card is being trialled in the East Kimberley even though previous government commissioned evaluations of income management have failed to show any proof

⁶ 565 of the 752 people are Indigenous in the Ceduna trial and 984 of the 1199 people in the East Kimberley trial are indigenous (Australian Human Rights Commission 2016: 91-91). Nationally, 2.7% of the Australian population identified as being of Aboriginal and/ or Torres Strait Islander origin in the 2011 Census.

income management achieves its aims. For example, the Federal Government's evaluation of its compulsory income management program in the Northern Territory showed that despite the \$AU410.5 million dollars spent, the results were poor. Specifically, Bray et al. (2014) concluded:

“A wide range of measures related to consumption, financial capability, financial harassment, alcohol and related behaviours, child health, child neglect, developmental outcomes, and school attendance have been considered as part of this evaluation.... Despite the magnitude of the program the evaluation does not find any consistent evidence of income management having a significant systematic positive impact” (Bray et al. 2014: 316)⁷.

Issues concerning the Cashless Debit Card Trial in the East Kimberley

1. *Whilst the government claims that the trial was community-based and was driven by the community, in reality, it was not.* The trial is contested, and the decision for the card was not a community decision representative of the region. Whilst some use the term ‘community’ to imply a homogenous entity, the ‘community’ of the East Kimberley is a diverse peoples in terms of colonial, class and gender dynamics, where relations of power operate. Some people have more of a say than others, and the claim that the CDC trial was community led is misleading.

Reflecting this tension, of the 51 people we interviewed who were on the card (16 before the trial and 35 during the trial), only 2 people out of the 51 felt that the government had spoken to the right people who represented their community, 25 people said they were not the right people (they were leaders from organisations but not from the community), and 23 people were not sure if they were the right people or not. People in these interviews highlighted that whilst some people signing their community onto the card were leaders, they either were not the right leaders, or did not include all the leaders.

2. *The card has disempowered people subjected to the card.* Resistance to the card has been discarded or silenced, portrayed as irrational and or not understanding the logic of the card. Overlooked were the many recipients of state benefits and those who were to be put on the card. After the trial started, there was a town meeting held in the main park of Kununurra where people subjected to the card turned up to voice their concerns. The individuals who had agreed with the government as the leaders of the community to bring in the card, were invited to listen to the frustration of people on the card, and their families. More than 80 people attended the meeting and expressed their frustration as to why the card had to be compulsory, why the right people were not consulted. There was also a petition signed for the card to cease in the East Kimberley.

⁷ Compulsory income management measures in the Northern Territory is just the one of the government funded compulsory income management programs. See also the Cape York model, where in evaluators in the 2012 *Cape York Welfare Reform Evaluation* states, “the evidence suggests that the impact of the local FRC Commissioners is in their listening, guiding and supporting role, rather than in the exercising of their punitive powers to order income management” (FaHCSIA 2012: 50). Also, An evaluation of the place-based income management by Deloitte (2014) found limited positive outcomes for people put on voluntary income management and no positive outcomes for people compulsorily put on income management. The report concluded that compulsory income management should be removed (Deloitte 2015; Bray 2017).

The frustration, and hardship experienced by people on the card is delegitimised as they are assumed as the ‘alcoholics and gamblers’, and their hardship expressed is all part of the design of getting them to accept their new norms and behaviours. The extent of the disempowerment felt by those on card is hard to gauge, but of the 51 people we interviewed, only six people felt their concerns about the card would be listened to where 21 people said they would not be listened to and 23 people were not sure if people would listen to them.

3. *The card carried shame for people subjected to it, which disempowers already vulnerable people.* Indeed, because the card stops purchases of alcohol at the merchant level, for shops that serve both alcohol and food such as pubs and restaurants, they are either banned from being allowed to accept the CDC or, in the case of key pubs in Kununurra, they have two tills. In this case, people with the CDC, can only use one of the tills, which identifies them to other patrons.
4. *The introduction of the trial was rushed causing hardship for trial participants.* It was announced to the public that the card would be trialled in the East Kimberley in February 2016 and the roll-out was from 26th April 2016. Consequently, many people who found themselves on the card did not understand what the card was or how it worked. In interviews before the trial with 16 people in Kununurra and Wyndham many expressed they had limited communication about the trial. For example, only one out of 16 people were told in person about the trial. The other 15 received a letter in the mail notifying their inclusion on the trial. Only four people knew where to go for replacement card, eight people knew where they could use the card, and eight knew how much cash they would receive under the trial. Only three people of the 16 knew where to go for complaints about the card.

Government communications about the card did not improve even once the card had rolled out and people were actually meant to live on it. Of the 35 people interviewed on the card during the trial, three people were told how much money they would receive, three people were told why they were being included in the trial, no one reported being told how the card worked, three people were told where to go if they had complaints and one person was told when the trial would finish. All of the 35 people but one said the trial had made their lives harder.

5. *The rapid introduction of the trial meant that services and facilities were not established for the roll out of the card in time.* For example, whilst government officials ensured the card was accepted in all places other debit cards are, in reality people were still restricted from payments such as those made online. Further, there were many places in the region who did not have debit card facilities. Whilst events such as the agricultural show publicised that the Card could be used, parents still found themselves at the head of queues with showbags in hands and cards not working. The Kununurra cinema was one of these places that only accepted cash, but a dry season event families like to take their children too. The restriction meant card holders that had used up their cash allowance were turned away, some expressing a sense of shame.

While government talked about providing wrap-around services to support people on the card through the \$1.6 million dollars to community organisations, it was not clear if the funds went directly to providing services specifically for helping trial participants or a substitution for existing programs running already on tight budgets. Much of this funding was spent after the trial commenced, and in some cases towards the end of the first year signalling that the wrap-around support was poorly provided. Similar issues were also observed with the community panel, designed so people could have their quarantined amount reduced. Indeed the panel was

not functioning in Kununurra and Wyndham until late 2016. Even still, it was still not clear for many people how the panel worked, who was on it, and how people on the card could have legal representation. For example, of the 35 people interviewed on the card, five people knew about the panel, five people had never heard of it and twenty people were not sure if they had heard about it.

6. *The card made the management of money difficult because people on the card did not know where their money was going.* For example, a 21 year old female interviewee on a parenting payment and family assistance said, 'I prefer the old system, [I had] more cash on hand. With the Card always finding out about different balances when check. Fees are charged. I am not happy as I cannot save". Similarly, Hunt (2017) in her analysis of the interim ORIMA evaluation also raised questions about the CDC where, "55% of transactions on the cards failed due to insufficient funds... that is nearly 21,000 transactions where people were unable to purchase what they wanted" (Hunt 2017: 5) Despite the trial's assumptions about the overuse of alcohol, illegal drugs and gambling, less than 1% of failed transactions were because people were trying to use the card for prohibited purchases (Hunt 2017).
7. *CDC is just one of the many government policies (both Federal and State), that are affecting the lives of people negatively in the East Kimberley.* Any one person on CDP may also be subject to a number of other punitive government programs, further exacerbating their vulnerability. For example, CDC participants may also be exposed to the punitive remote work for the dole program the *Community Development Program*⁸. This means that people are not only subjected to enduring work for the dole with extreme punitive No work No pay measures, but also the quarantining of their welfare payments. For example, people in the East Kimberley resisted this double dose of being subjected to both the Cashless Debit Card and CDP. Workers at the CDP facility in Kununurra went on strike citing their frustration at being penalised twice. Income management has created hardship for poor families through limiting the cash they have to pay for informal renting arrangements, second hand goods and school money for children.

The links between CDC and other policies that participants are subjected to should also be examined including not just work for the dole but also housing policies (for example Transitional Housing), education policies (for example Direct Instruction) and the Indigenous Advancement Strategy (how the reduction of funding to the Indigenous Sector has impacted organisations to support their communities).

8. *The Cashless Debit Card targets people on welfare whilst overlooking any analysis of poverty or remote unemployment.* The burden of poverty falls disproportionately on Indigenous peoples where, 47% of Indigenous people living in Kununurra and 32% in Wyndham live on less than \$20,799 per year. Yet, only 13% of non-Indigenous people in Kununurra and Wyndham live on less than \$20,799 per year (ABS 2016). Moreover, the Kimberley Development Commission finds the absence of formal jobs as key cause of unemployment in the East Kimberley (KDC 2013). This is significant given the card targets unemployed people, yet opportunities to be employed are few.

Table 1 shows the likelihood of home ownership or finishing year 12 is lower for Indigenous peoples in the two towns. Still, Indigenous peoples in both towns have a higher need for

⁸ See Jordan and Fowks (2017) for a good summary of the issues with CDP – subject to a current Senate Inquiry

physical assistance than non-Indigenous peoples, and contribute more time to unpaid childcare.

Table 1: Kununurra and Wyndham Socio-Economic Data

Variable	Kununurra		Wyndham	
	Indigenous	Non-indigenous	Indigenous	Non-indigenous
Population all (num)	1158	2897	Indigenous	Non-indigenous
Population 18 years and over (num)	686	2309	359	186
Population 18 years and over (%)	59.2	79.7	225	151
			62.7	81.2
Home owner or purchasing (%)	12.4	47.7		
Never attended school (%)	9.1	0.4	14.4	59.1
Completed Year 12 (%)	26.6	59.1	2.3	0.0
			26.9	52.5
Provided child care for own/other/both own and other children (%)	38.3	28.4		
			29.8	23.7
Have a need for assistance (%)	7.9	2.0		
			7.1	3.3
Median Personal Income (\$)	428.1	1124.3		
Median income Household (\$)	1293.3	2096.1	530.0	1294.3

*** all calculations based on population 18 years and over

** all calculations exclude who reported not stated responses

* calculation of median hh income based on Place of enumeration , all others based on place of usual residence

Source: ABS 2016.

Issues arising from Government commissioned research into the CDC trial

9. The Federal Government employed ORIMA, a private company to undertake the interim evaluation of the Card in August-September 2016 and the final evaluation in May-June 2017. The ORIMA interim evaluation was a key plank in the 'evidence' used by the government to justify the ongoing extension of the trial in March 2017⁹, and the Final evaluation to extend the trial to three other sites proposed.
10. The interim ORIMA evaluation has been critiqued for flaws in its poor analysis and claims of causality¹⁰. Similar issues with analysis and claims of causal success of the trial a can be seen also in the final evaluation. For example both evaluations claim there has been a reduction in the consumption of alcohol, illegal drugs and gambling. This is despite an absence of

⁹ The Evaluation was released the same day as the announcement that the trial would be extended even though the government had been planning on extending the trial for some time before. For example, Indue were issued written notice to extend their contract implementing the Cashless Debit Card past the original end date of April 21 2017, 6 weeks before the government made the extension public (information obtained under FOI request No. 16/17-141).

¹⁰ See Hunt (2017) for a good summary of the key methodological flaws in the interim ORIMA evaluation and Cox (2017) on the final evaluation <https://www.theguardian.com/commentisfree/2017/sep/07/much-of-the-data-used-to-justify-the-welfare-card-is-flawed>.

objective baseline data to test this assumption. Further, the ORIMA interim evaluation showing that 45% of East Kimberley evaluation participants on the card reported that before the card, they never have more than 6 drinks of alcohol at one time, 86% don't use an illegal or prescription drug for non-medical reasons, 82% don't gamble (ORIMA 2017a). Further, only 10% of those reported having more than 6 drinks of grog more than once a week, 6% used an illegal or prescription drug for non-medical reasons, 2% of people say they gamble more than once a week. The final evaluation did not comment on reported use of alcohol and drugs or gambling, despite claiming a reduction.

11. Both the ORIMA interim and final evaluations either overlooked or dismissed important data that was not favorable to the trial. The increase in crime in the East Kimberley¹¹, increase in domestic violence¹² and hardship on children instead of being further investigated, were dismissed as not having enough data to draw conclusions or deemed irrelevant to the proof of concept conclusion. Only 22% of people surveyed by ORIMA on the card said their lives were better. In contrast, 48% of East Kimberley ORIMA interim evaluation participants on the card said the trial had made their lives worse. In the East Kimberley ORIMA final evaluation, only 18% said their life was better since being on the card, but 29% said their life is worse and 53% of people reported no change. Further, 29% East Kimberley interim evaluation participants on the card reported their children were worse off under the trial (ORIMA 2017a: 142). In the final evaluation, 49% of people on the card said they could not look after their children better on the card. As Hunt (2017) states reflecting on the interim evaluation report results, “that almost half of the participants felt that the trial had made their lives worse is a worrying result, particularly given the rather limited substantiated positive results to date. ... the question is, at what cost? Is it acceptable for public policy to make more than twice as many participant's lives worse in order that 22% can say their lives are better?” (5).
12. Despite the methodological flaws and overlooking of significant hardship, the government has claimed that the trial in the East Kimberley (and Ceduna) a success (ORIMA 2017a; ORIMA 2017b).

Recommendations

- Cease the expansion of additional trials of compulsory Income Management (including the Cashless Debit Card) in Australia.
- Put in place mechanisms to phase out the Cashless Debit Card in the current trial sites.
- Conduct participatory and meaningful engagements in communities to understand how best to support locally based community development initiatives.
- Conduct a review into the Cashless Debit Card evaluation.

References:

Australian Human Rights Commission (2016). Social Justice and Native Title Report 2016. Sydney: 1-194.

¹¹ ORIMA evaluation also notes the increase in crime and in particular youth crime where “many stakeholders reported an increase in the following illegal/harmful behaviours among youth people/children: Robberies/thefts/vehicles and dwellings – stakeholders reported that in these cases young people were in search of cash; and, petty crime (eg. Pickpocketing and “snatch and grab”) – stakeholders reported that children on bikes were often the perpetrators in these cases” (ORIMA 2017: 163).

¹² The ORIMA evaluation does state that “a few stakeholders identified some increase in domestic violence/intervention orders – although it was not clear whether the increase was due to changes in reporting requirements, the policing approach or increased community awareness, understand and willingness to take action” (ORIMA 2017: 163)

Bray, J. R. (2016). "Seven years of evaluating income management - what have we learnt? Placing the findings of the New Income Management in the Northern Territory evaluation in context." Australian Journal of Social Issues 51(4): 449-468.

Bray, R., et al. (2014). Evaluating New Income Management in the Northern Territory: Final Evaluation Report, Social Policy Research Center: University of New South Wales.

Deloitte (2014). Place Based Income Management - Baseline evaluation report. Department of Social Services, Deloitte. https://www.dss.gov.au/sites/default/files/documents/09_2014/pbim_baseline-final_2.pdf [Date Accessed 21st of May 2016].

Deloitte (2015). Consolidated Place Based Income Management Evaluation Report 2012-2015. 27th May 2015. D. A. Economics. Sydney, Department of Social Services.

FaHCSIA (2012). "Cape York Welfare Reform Evaluation " Department of Families, Housing, Community Services and Indigenous Affairs: 1-359.

Hunt, J. (2017). "The Cashless Debit Card Trial Evaluation: A Short Review." CAEPR Topical Issue 1/2017: 1-16.

Jordan, K. and L. Fowkes (2017). "Job Creation and Income Support in Remote Indigenous Australia: Moving Forward with a Better System." CAEPR Topical Issue 2/2016: 1-42.

KDC (2013). Census 2011: Aboriginal Wellbeing. Kununurra, The Kimberley Development Commission and the Wunan Foundation: 1-34.

ORIMA (2017a). "Evaluation of the Cashless Debit Card Trial – Initial Conditions Report". Canberra, ORIMA Research and the Department of Social Services: 1-85.

ORIMA (2017b). "Cashless Debit Card Trial Evaluation: Final Evaluation Report.", Canberra, ORIMA Research and the Department of Social Services: 1-303.