SUBMISSION

TO | Senate Community Affairs Legislation Committee

TOPIC | *Social Security (Administration) Amendment (Income Management to Cashless Debit Card Transition) Bill 2019*

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1. About Uniting Communities

Uniting Communities is an inclusive not-for-profit organisation working alongside more than 30,000 South Australians each year as they strive for bright futures and great lives. We value diversity and are committed to providing respectful, accessible services to all.

Uniting Communities seeks to reduce inequality and improve wellbeing for all who are striving to overcome disadvantage – individuals, their families and communities – so that they can realise their potential and live the best lives they can. We do this in a way that is non-judgemental, generous and supportive; that embrace diversity; and that values and promotes fairness, justice and the benefits of strong communities.
Our service delivery, advocacy and community-building activities are central to achieving this.

We offer more than 90 services to support the needs of both individuals and our community, across a range of areas. These include mental health and counselling; residential aged care and support for independent living; housing crisis and emergency support; disability services; services for Aboriginal and Torres Strait Island people; financial and legal; drug and alcohol counselling; family relationships; and respite and carer support.

2. Introduction and focus of this submission

Uniting Communities welcomes the opportunity to make a submission to the Senate Standing Committee on Community Affairs regarding the inquiry into the *Social Security (administration) Amendment (Income Management to Cashless Debit Card Transition) Bill 2019*. In summary, the Bill proposes that people who are currently subject to income management in the Northern Territory and the Cape York trial, will be transitioned onto the Cashless Debit Card (CDC), and that these locations will be treated as trial sites, in addition to the existing four trial sites. The bill also sets out the following provisions:

- That the end date of the existing CDC trials will be extended to 30 June 2021, and for Cape York until December 2021;
- That the Minister will be provided with the discretionary power (through a notifiable instrument) to set the proportion or funds that will be quarantined, as he/she sees fit;
- That the cap on the number of CDC trial participants is removed;
- That the exclusion to allow people in the Bundaberg and Hervey Bay trial area is removed so that they can voluntarily participate in the CDC trial;
- The secretary will be enabled to advise a community body when a person has exited the CDC trial; and
- The requirement that an evaluation be conducted by an independent expert within six months of the completion of a review of the CDC trial will be removed.

This submission raises key concerns regarding the Bill, as set out below. In addition, we wish to point the Committee to previous Uniting Communities' submissions provided to Senate Inquiry Committees regarding the Cashless Debit Card and its impact on communities.

3. Commentary

3.1 Lack of evidence regarding the efficacy of compulsory income management

Uniting Communities' primary concerns about the provisions in the proposed Bill focus on the lack of evidence regarding the efficacy of existing compulsory income management measures with the use of the BasicsCard and Cashless Debit Card. All available evidence points to the failure of both interventions to address the target issues for which they were established, namely the safety and wellbeing of children, substance use and gambling.

The envisaged outcomes espoused by proponents of these two income management interventions have not been demonstrated, even though ample time has passed for positive outcomes to have been realised. The Northern Territory Intervention and the introduction of the BasicsCard commenced in 2007; twelve years has not shown an improvement in the safety of children or the health and wellbeing of people subjected to compulsory income management and the BasicsCard.

Robust and longitudinal evaluations undertaken by Bray et al (2012; 2014)[1] and others have provided substantial research which indicates that there was 'no evidence of income management having improved the outcomes that it was intending to have an impact on (Bray et al 2014, p. xxii)'. Rather, much of the research points to the harms that have resulted from people having their income compulsorily managed, as well as the failure of accompanying government policies and initiatives. For example, the rate of infant mortality, the incidence of low birth weights of babies, and child deaths by injury amongst First Nations peoples in the Northern Territory have increased since the introduction of compulsory income management. School attendance rates have dropped and there has been no reduction in the extent of risky alcohol consumption.

Despite the fact that a large percentage of residents in the Northern Territory have been on the BasicsCard for up to twelve years, there has been no discernible improvement in the outcomes for people. In the event of any improvements, it is not possible to attribute these solely to the effects of income management. Given this ineffective track record of compulsory income management in the Northern Territory, it is worrying that the Bill is providing a pathway to further entrench this scheme of compulsory income management in the guise of the Cashless Debit Card, for which there is also little evidence of its efficacy and a great deal of evidence which points to the social harms that the Card is causing communities subject to this system.

Evaluations of Place-Based Income Management (PBIM) and evidence produced by Deloitte Access Economics reiterates the findings outlined above: 'PBIM did not appear

[1] Bray, J. Rob, Matthew Gray, Kelly Hand and Ilan Katz. 2014. Evaluating New Income Management in the Northern Territory: Final Evaluation Report (SPRC Report 25/2014). Sydney: Social Policy Research Centre, UNSW Australia.
Bray, J. Rob, Matthew Gray, Kelly Hand, Bruce Bradbury, Christine Eastman and Ilan Katz. 2012. Evaluating New Income Management in the Northern Territory: First Evaluation Report. Sydney: Social Policy Research Centre, UNSW Australia.
Bray, J. Rob. 2016. "Income Management Evaluations – What do we know? Placing the findings of the Evaluation of New Income Management in the Northern Territory in context." CAEPR Working Paper 11/2016). Canberra: Centre for Aboriginal Economic Policy Research, Australian National University.
http://caepr.anu.edu.au/Publications/WP/2016WP111.php

to have a substantial or sustained impact on the level of alcohol, tobacco or gambling consumption (2015, p. 65)' or 'to have had a significant impact on measures of the care of children such as attendance at school or the health of children (2015, p. 42)'.[2]

Similarly, evaluations of the Cashless Debit Card – whether conducted by government-commissioned research bodies or independent researchers and community organisations – have not provided evidence that the CDC is having a positive effect in addressing the issues targeted by the intervention, namely, social harms caused by alcohol, drugs and gambling. On the contrary, the bulk of the evaluations and research indicates that Cardholders and their families and communities are worse off on the Card e.g. ORIMA Research indicated that 49 per cent of CDC recipients had expressed that they were 'worse off' on the Card.[3] Such negative findings have repeatedly been articulated in a range of research reports, commentaries and papers.[4]

In the absence of an evidence base which indicates that compulsory income management and the quarantining of people's social security payments is an effective means of achieving social change and improvements in people's health and wellbeing, Uniting Communities proposes that all initiatives that apply compulsory income management – whether in the form of the BasicsCard or Cashless Debit Card – should be terminated. It is dangerous and methodologically flawed to premise the further expansion and extension of compulsory income management in the form of the Cashless Card to a larger section of the population – an estimated 22,500 people – in the absence of a reliable evidence base and substantiated rationale, driven primarily on an ideological imperative and a disdainful attitude towards those requiring social security.

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[2] Deloitte Access Economics. 2015. Consolidated Place Based Income Management Evaluation Report 2012- 2015. Report to the Department of Social Services. Canberra: Deloitte Access Economics.

[3] Australian Government, Department of Social Services, February 2017. *Cashless Debit Card Trial Evaluation Wave 1 Interim Evaluation Report*. ORIMA Research, as accessed at https://www.dss.gov.au/sites/default/files/documents/03_2017/final_cdct_evaluation_-_wave_1_interim_evaluation_report_9_february_2017.pdf

[4] Variously, the following provide examples of commentary which indicates the failure of the CDC to result in positive outcomes for cardholders, families or communities:

- Cox, Eva. 2017. 'Much of the data used to justify the welfare card is flawed.' The Guardian. 7 September 2017.
- Gray, Matthew and J. Rob Bray. 2017. Submission – Senate Standing Committee on Community Affairs: Inquiry – Social Services Legislation Amendment (Cashless Debit Card) Bill 2017. 21 September 2017. Submission 63.
- Gray, Matthew and J. Rob Bray. 2018. Submission Senate Standing Committee on Community Affairs: Inquiry – Social Services Legislation Amendment (Cashless Debit Card Trial Expansion) Bill 2018. Submission 80.
- Gray, Matthew and J. Rob Bray. 2019. Submission Senate Standing Committee on Community Affairs: Inquiry – Social Security (Administration) Amendment (Income Management and Cashless Welfare) Bill 2019. Submission 7.
- Hunt, Janet. 2017a. 'The Cashless Debit Card trial evaluation: A short review.' CAEPR Topical Issue No. 1/2017.
- Hunt, Janet. 2017b. "The Cashless Debit Card evaluation: does it really prove success?" CAEPR Topical Issue No. 2/2017.
- Klein, E. and Sarouche, R. 2017. 'The Cashless Debit Card Trial in the East Kimberly.' CAEPR Working Paper 121/2017). Canberra: Centre for Aboriginal Economic Policy Research, Australian National University
- Vincent, Eve. 2019. 'Lived experiences of the Cashless Debit Card trial, Ceduna, South Australia.' CAEPR Working Paper No. 129/2019

3.2 The outsourcing and privatisation of social welfare

The Bill reflects the growing deputisation by government to private financial and technology corporations and the promotion of an incremental expansion of the outsourcing and privatisation of the social welfare system. Rather than the Government having responsibility for the administration and management of social security payments, these functions will be outsourced to a private company, Indue Limited, which already administers the Cashless Debit Card in the four existing CDC trial sites. Based on a wealth of information from existing Cardholders, Indue's track record for the administration of the Card does not provide much reassurance regarding its capacity or ability to expand the Card to an additional cohort of more than 22,500 prospective recipients in the Northern Territory and Cape York.

In early 2015, the Department of Social Service (DSS) undertook an *internal desktop* review to determine potential Card providers for the Trial of the Cashless Card. Based on this review, Indue Ltd was identified as the preferred provider. The Australian Government awarded Indue an initial contract of $7.9 million for administering the CDC trial, with an additional $2.9 million for developing the necessary CDC information technology infrastructure (ANAO 2018).

It is noted that the Australian National Audit Office's Report of July 2018 states that 'aspects of the procurement process to engage the card provider were not robust … The department did not document a value for money assessment for the card provider's IT build tender or assess all tenders completely and consistently (ANAO p. 15)'. [5] The ANAO Report highlights a number of irregularities in the contract management of Indue.

The outsourcing of the administration of the Cashless Card to Indue Limited has had significant impacts on the financial autonomy of recipients. With the mandatory imposition of the Card, those in receipt of income support in the trial sites have no freedom of choice about which banking institution they can use, because all Cashless Debit Cards are issued and managed solely by Indue Ltd. In the event that recipients wish to receive their income support payments, they have no choice but to open a savings account with Indue.

Gerard Brody, from the Consumer Action Law Centre, and David Tennant, from FamilyCare in Victoria, have stated that this requirement to hold a prescribed bank account interferes with the right to private contract, and potentially incurs increased costs and inconvenience to recipients (Tennant & Brody, 2017).[6] Indue has stipulated that cardholders cannot earn interest from the quarantined allowance. Furthermore, the Australian Securities and Investment Commission (ASIC) has exempted Indue from certain financial services laws and consumer protection regulations, and Indue is not required to subscribe to the Centrelink Code of Operation, nor to any industry code of conduct – these codes would generally include important commitments and independent compliance and monitoring requirements. Brody and Tennant (2017) have warned that the absence of these consumer protections and accountability mechanisms run the risk of creating a two-tier banking system and a 'banking underclass' that is denied the basic

[5] Australian National Audit Office.2018. The Implementation and Performance of the Cashless Debit Card Trial. Auditor-General Report No.1 2018–19. Canberra: Australian National Audit Office.
[6] Tennant, D & Brody, G. 2017. Inquiry into the Social Services Legislation Amendment (Cashless Debit Card) Bill 2017: Submission as accessed at https://consumeraction.org.au/inquiry-into-the-social-services-legislation-amendment-cashless-debit-card-bill-2017-submission/

rights and protections that other citizens take for granted. They highlight that, contrary to government assertions that the CDC operates like a normal bank account, Cardholders are not in fact customers but are 'conscripts' who do not have the same rights and protections afforded other consumers with savings accounts.

The use of Indue's technologies are serving to alienate a number of people on the Card who have previously been comfortable with managing their own cash payments. The prescriptive introduction of mobile phone apps for checking a CDC account balance, has left many people on the Card feeling belittled or excluded because they either do not own smart phones, are not familiar with such technology, do not have the literacy or numeracy skills, and/or do not have sufficient funds to pay for the cost of mobile data and downloads. In addition, a number of remote locations are outside the range for mobile phone access.

When using the Indue card for transactions, cardholders feel conspicuous and can easily be identified as being 'on welfare' – there is ample anecdotal evidence of Cardholders being mocked and denigrated when they provide the Indue card when making purchases. By way of example, cardholders are recorded as saying:

> *I hide the card until the very last second before I'm about to put it in the eftpos machine. That card, you might as well give us a big sticker that says 'welfare' – it's horrible. We've had people who try to put stickers over part of the card, literally hiding it up their sleeve. I don't want to out myself and tell everybody that I'm on some sort of welfare payment because of the card…' and 'People's perceptions when you present this card, their whole body language changes and you can tell that they're making assumptions about you when you've done nothing wrong*.[7]

This sense of stigma, shame and embarrassment is compounded when the Card doesn't work due to technical failures, the Indue payment system being offline or as a result of power outages, which occur fairly frequently in remote locations.

In the event that the proposed Bill is enacted, the stigma, concerns raised about Indue's performance, the lack of freedom of choice regarding financial institutions and their practices and lack of regulation, will be further generalized across the population, including at least 22,500 additional recipients within Indue's scope of operation.

3.3 Social and financial costs of compulsory income management

Advocates of the CDC claim that outsourcing the administration of the Card is more efficient and will save taxpayers' money. However, this arrangement has in fact increased the cost of administering social security payments – through the IT infrastructure and technology set-up costs, trouble-shooting and repairs for gremlins in the technology systems, and substantial payments to service provider and broker agencies.

According to documents released under Freedom of Information legislation, during the first twelve months of trialling the Cashless Debit Card, it cost $18.9 million just on the *administration* of the Card – this equated to just over $10,000 per person participating in

[7] https://www.abc.net.au/news/2018-07-27/the-mental-toll-of-the-cashless-welfare-card/10026614

the trial in the first 12 months. According to Senator Carol Brown (Tasmania) during the Senate second reading debate[8] held on 31 July 2019 regarding the *Social Security (Administration) Amendment (Cashless Welfare) Bill 2019*, the Australian Government has already spent $34 million on the administration of the Cashless Debit Card, with the budget papers indicating a planned spend of $128.8 million over the forward estimates, including the new sites and the rollout of the cashless debit card across the Northern Territory. That amounts to over $160 million that could instead have been allocated to employment and economic development, early intervention services, and to substance use treatment, rather than being allocated to the private sector to administer the transfer of payments.

The CDC is an extremely costly program to administer and diverts funds away from evidence-based programs and under-resourced support services. This outsourcing, with the potential of an expansion of the CDC across more communities and categories of social security, could serve to markedly increase the wealth of private interests and companies and adds to the overall cost of providing social security, while at the same time not providing benefits to those subjected to the Card and making their lives more difficult and exacerbating their hardship.

For cardholders of both the BasicsCard and Cashless Debit Card, there is an increase in their cost of living. Given the small allocation of the un-quarantined amount, cardholders are less able to buy items for cash or take advantage of cheaper cash prices, such as cash discounts or second-hand goods or supplies from informal cash-based markets. They are less able to give money to their children for school outings, or to other family members or friends so that purchases can be made on their behalf. There are also additional costs such as surcharges on purchases or stipulated minimum purchase amounts by certain traders, which necessitates buying additional items when small amounts are transacted on the Card.

3.4 Specific provisions in the Bill

The following specific provisions are of concern:

3.4.1 Categories included in the transition to the Cashless Debit Card

The Bill would see people on existing income management in the NT and Cape York transitioned to the Cashless Debit Card, however the categories of people covered by the CDC trial are *broader* than those under the existing income management arrangements.

The roll-out of the Cashless Debit Card in the NT and Cape York would be staggered, however the wording of the Bill would mean that in future, every person living in the new 'catchment area' who receives Youth Allowance, Newstart, the Parenting Payment or special payment, and who is not studying fulltime, would be subject to the Cashless Debit Card.

In addition, those currently on the child protection and vulnerable recipient Income Management measures will be included on the CDC. While, this will affect a relatively

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[8] Hansard. Parliament of Australia. 2017. Senate Second Reading Debate: Senator Brown (Tasmania): https://www.aph.gov.au/Parliamentary_Business/Hansard/Hansard_Display?bid=chamber/hansards/91962b64-398e-400e-ae19-98cf415623ec/&sid=0024

small number of people – approximately 2% are on IM through the child protection and vulnerable recipient measures – this changed arrangement would significantly impact on their lives.

In addition, the Bill collapses the ‘long term welfare recipient’ and ‘disengaged youth’ income management categories and removes the limited safeguards that the Income Management laws offer – rather than a person’s length of time on social security being a key trigger, it will simply be a question of what category of social security payment they are receiving. Additionally, there will be no cap on the number of trial participants.

Those currently on Income Management would move onto the Cashless Debit Card within 60 days of a trigger date. Each person will receive a notice telling them they are going to be put on the CDC; the Bill indicates that there will be no right to review this notice. After receiving the notice, a person will be moved onto the CDC within 60 days. This gives people very little time to make the necessary arrangements with their existing financial institutions – for example, giving notice on changes to debit arrangements and automatic deductions. The potential for disruption exists and could potentially give rise to significant complications such as accrual of debt, or the risk of eviction from public housing. It is unclear what support services will be available to assist clients to overcome the challenges associated with transitioning to a new banking arrangement.

3.4.2 Quarantined amounts

While most people in the proposed new ‘trial’ areas would, in the immediate term, continue to have only 50% of their income quarantined, the Bill makes it very easy for the Government to increase this to up to 100% in the future, with limited parliamentary scrutiny.

Currently, most people on Income Management in the NT have 50% of their payment quarantined. However, the Minister could change how much of a person’s payment is compulsorily quarantined by ‘notifiable instrument’. For most people in the NT trial, the Minister could *increase* the quarantined amount up to 100% of their payment. For those subject to the child protection or vulnerable recipient measures, the Minister could increase or decrease the restricted amount from anything between 0% and 100%. For people in the NT, the Age Pension is a payment that could also be restricted (this would appear to apply to people on the vulnerable recipient measure).

3.4.3 Exemptions and exiting the Cashless Debit Card

The exemptions that apply under CDC will now apply in the NT. Currently, the law allows the Secretary of DHS to exempt a person if being a trial participant is a serious threat to their psychological, physical or emotional health.

In addition, a person can apply to the Secretary to exit a Cashless Debit Card trial. DHS will allow a person to exit if they can ‘demonstrate reasonable and responsible management’ of their ‘affairs’, which includes their financial affairs as well as a host of other non-financial behaviours such as the care of their children, any criminal record, risk of homelessness, the extent of the person’s engagement with the community etc.

Both of the two ways in which the Government can approve someone leaving the CDC trial are likely to be difficult for people living in remote communities. A media report from 17 Sept 2019 indicates that more than 5,000 people have applied to exit the existing CDC trials, but only 50 have succeeded.[9]

3.5 'Social sorting', racial profiling and surveillance

David Lyon (2003)[10] highlights the ways in which the introduction of digital technologies and automation – such as the use of the Cashless Debit Card and BasicsCard – can contribute to 'social sorting' and discrimination. The 'trial' sites of the CDC reflect an active process of 'social sorting', the suspension of individual liberty, and an increased level of interference and surveillance over the private spheres of people's lives, most notably those of First Nations peoples.

This process of 'sorting' is evidenced by the number of First Nations peoples who are included in the scope of the CDC. As at August 2017, 79 per cent of welfare recipients subject to compulsory income management identified as Aboriginal or Torres Strait Islander (Australian Government, Department Social Services, 2017).[11] In Ceduna, First Nations people comprised 75 per cent of those subject to the CDC, and in Kununurra and Wyndham, 82 per cent were First Nations Australians (Australian Human Rights Commission, 2016).[12]

With reference to the expansion of the Bill to people across the NT and Cape York, the scope for further 'social sorting' and discrimination will also be expanded – data indicates that approximately 82% of people on income management in the NT are First Nations peoples. The above figures are more significant when noting that First Nations people constitute only three per cent of the total population of Australia.

While the Explanatory Memorandum states that the CDC trial 'does not affect people according to race, religion, ethnicity or any other factor'[13] and that 'the rights to equality and non-discrimination are not directly limited by the Cashless Debit Card,'[14] the Memorandum and the provisions of the Bill fail to recognize that substituting one racist income management program with another still represents discriminatory social sorting and is, essentially, a racially-based intervention.

The Bill allows for an increased level of interference and surveillance of the private spheres of people's lives in that it provides the Secretary with the power to obtain

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[9] Lorena Allam ' Exiting the Cashless welfare ard is almost impossible' – The Guardian 17 September 2019 https://www.theguardian.com/australia-news/2019/sep/17/exiting-the-cashless-welfare-card-trial-is-almost-impossible-critics-say

[10] Lyon, D. 2003 (Ed.) *Surveillance as Social Sorting - Privacy, Risk and Automated Discrimination*. Psychology Press, Great Britain

[11] Australian Government, Department of Social Services, August 2017c. Income management and cashless debit card summary, Canberra, www.data.gov.au/dataset/income-managementsummary-data/resource/b898777c-8a2b-4094-b378-cdb48346a110

[12] Australian Human Rights Commission, 2016. Aboriginal and Torres Strait Islander Social Justice Commissioner. *Social Justice and Native Title Report 2016*, Australian Human Rights Commission, Sydney, accessed at https://www.humanrights.gov.au/sites/default/files/document/publication/AHRC_SJNTR_2016.pdf

[13] Explanatory Memorandum to the Bill p. 20

[14] Explanatory Memorandum to the Bill p. 23

information or documents that she or he considers ‘may’ be relevant to ‘the operation of Part 3D’ of the Bill, namely, the Cashless Debit Card scheme. This expanded power of the Secretary means that he/she can compel a person to provide information or documents, including information about their personal situation and the ways in which the Cashless Card is being used by individuals under the scheme.

4. Conclusions and recommendations

Lack of evidence: In summary, there is insufficient evidence to demonstrate the efficacy or positive impact of the Cashless Debit Card. Much of the available evidence points to the negative effects of the Card on people’s autonomy, available income and their health and wellbeing. For this reason alone, Uniting Communities believes that the expansion of the Card to further sites in the Northern Territory and Cape York will simply serve to spread the negative effects across more communities and will not address the fundamental causes or structural problems associated with a lack of jobs and growing inequality.

In the absence of an evidence base which indicates that compulsory income management and the quarantining of people’s social security payments is an effective means of achieving social change and improvements in people’s health and wellbeing, Uniting Communities proposes that all initiatives that apply compulsory income management – whether in the form of the BasicsCard or Cashless Debit Card – should be terminated. The social harms being caused by the Cashless Debit Card should not be rolled out to further communities across the Northern Territory and Cape York.

Cost: The current expenditure on implementing and further rolling out the Cashless Card – currently estimated at over $160 million – would be better spent on the provision of social support services, economic development and job creation. The social return on investment associated with the implementation of the CDC has not been evaluated. In the absence of a thorough cost-benefit analysis, the CDC should not be expanded to further communities.

Outsourcing: The provisions of the Bill represent an expansion of the outsourcing and privatization of Australia’s social welfare system; this could ultimately result in the Australian Government not being held accountable for the provision of social security to its citizens due to it relegating responsibility to a private non-reporting company, which is not required to comply with a range of ASIC and banking regulations.

Lack of consultation with NT and Cape York communities: The unilateral imposition of new arrangements, in the absence of consultation with the affected communities and with no time for its proper consideration, belies the government’s commitment to not doing things ‘to’ communities but ‘with’ communities. Prior to the implementation of any changes that affect people’s lives, Uniting Communities calls for appropriate engagement and negotiation with the affected communities.

In summary, Uniting Communities rejects the provisions included in the *Social Security (Administration) Amendment (Income Management to Cashless Debit Card Transition) Bill 2019,* and calls on the Senate Community Affairs Legislation Committee to consider the concerns raised in this submission.