Social Services Legislation Amendment (Cashless Debit Card) Bill 2017

Don Arthur and James Haughton
Social Policy Section

Contents

The Bills Digest at a glance ................................................... 4
Expanding the cashless debit card trial ................................ 4
The cashless debit card trial and the evaluation .................. 4
Issues ....................................................................................... 4

Purpose of the Bill ............................................................... 6
Background ......................................................................... 6

History ..................................................................................... 6
Cash support and concerns about alcohol abuse.............. 7
Proposals for cashless welfare ............................................. 7
The ‘Little children are sacred’ report ............................... 8
Income management and the BasicsCard ....................... 8
The Forrest Review and the healthy welfare card .......... 10
The cashless debit card ....................................................... 11
How the card works ............................................................ 11
Objectives ............................................................................ 11
Policy rationale—welfare dependency as resistance to opportunity ........................................ 12

Committee consideration .................................................. 13
Senate Community Affairs Legislation Committee ........ 13
Senate Standing Committee for the Scrutiny of Bills ...... 13

Policy position of non-government parties/independents... 13
Australian Labor Party ....................................................... 13
Australian Greens ............................................................. 14
Pauline Hanson’s One Nation ............................................. 14
Other parties and independents ...................................... 14

Date introduced: 17 August 2017
House: House of Representatives
Portfolio: Social Services
Commencement: The day after Royal Assent

Links: The links to the Bill, its Explanatory Memorandum and second reading speech can be found on the Bill’s home page, or through the Australian Parliament website.

When Bills have been passed and have received Royal Assent, they become Acts, which can be found at the Federal Register of Legislation website.

All hyperlinks in this Bills Digest are correct as at December 2017.
Position of major interest groups ............................................. 14
  Minderoo Foundation ........................................................... 14
  Breaking the ‘welfare poverty cycle’ .................................... 14
  Reducing the harm caused by drugs, alcohol and gambling .............................................................................. 15
  Limitations of the existing cashless debit card system ..... 15
  Prospects for a national roll out .......................................... 15
  Cape York Institute ............................................................ 15
  Banking industry ............................................................... 16
  Limitations of the existing cashless debit card system ...... 16
  Community engagement .................................................... 16
  Other ways to assist target groups ..................................... 16
  Professional bodies ........................................................... 17
  Problems with the cashless debit card ............................... 17
  Limitations of the evaluation .............................................. 17
  Government should consider alternative approaches ...... 17
  Unions .............................................................................. 17
  Indigenous organisations ................................................... 18
  Discrimination and disempowerment ................................. 18
  Poor targeting ..................................................................... 18
  Community engagement .................................................... 18
  Investment in services ....................................................... 18
  Welfare sector ................................................................... 19
  Assumptions behind the trials ........................................... 19
  Blanket application of the cashless debit card .................... 19
  Inability to use cash for non-excluded goods and services ............................................................................ 20
  Limitations of the evaluation .............................................. 20
  Alternative policies for reducing alcohol and gambling related harm ................................................................. 20
  Alcohol industry ............................................................... 21
  Support for targeted rather than population-based measures .............................................................................. 21
  Concern about impact on mixed merchants ....................... 21

Financial implications .......................................................... 21

Statement of Compatibility with Human Rights ................. 22
  Parliamentary Joint Committee on Human Rights .......... 22

Key provisions and issues ....................................................... 22
  Repealing the restrictions on the trials ......................... 22
  Risk of mission creep ....................................................... 23
  Technical problems that may affect the potential for expansion ................................................................. 23
  The risk of circumvention ................................................ 23
  Evaluation findings and limitations ................................ 24
Methods ................................................................. 24
Findings ................................................................. 24
Methodological limitations ................................... 25
The Bills Digest at a glance

Under the current legislation, the cashless debit card trial must end on 30 June 2018. It is limited to three sites and 10,000 participants.

These restrictions are set out in Section 124PF of the Social Security (Administration) Act 1999.

The purpose of this Bill is to remove the restrictions in the Social Security (Administration) Act by repealing section 124PF.

Expanding the cashless debit card trial

Repealing section 124PF will enable the Government to expand the trial by introducing disallowable instruments to authorise individual trials rather than through further amendments to the Social Security (Administration) Act.

The Government suggests that this change is justified because an evaluation of the two trial sites in Ceduna (South Australia) and the East Kimberley (Western Australia) has demonstrated that the trial has been successful.

The cashless debit card trial and the evaluation

According to section 124PC of the Social Security (Administration) Act, the cashless debit card is a trial measure. This Bill does not amend this section.

The trial’s objectives include gathering information about the effectiveness of the intervention. For example, the trial’s objectives include determining whether limiting access to cash reduces violence and harm. As a result, the success or failure of the trial hinges on the quality of evaluation.

The Government commissioned ORIMA Research to evaluate the first two sites: Ceduna and the East Kimberley. ORIMA has delivered two reports, an interim evaluation report and a final evaluation report. Based on the findings of the evaluation, the Government claimed that the trial has been a success.

A number of researchers and interest groups have questioned whether the data presented in the evaluation reports does, in fact, demonstrate that the measure has been successful.

Issues

According to the Government, positive results from the first two sites has led to a number of other communities asking to be included as part of the trial. The amendments in the Bill will allow the Government more flexibility in responding to these requests.

A number of interest groups support the Bill. These include the Minderoo Foundation and the Australian Hotels Association. A number of groups have expressed concerns about the expansion of the cashless debit card in its current form. These include the Australian Bankers’ Association, the Australian Council of Trade Unions, welfare sector organisations, and a number of Indigenous groups.

There are a number issues related to the extension of the cashless debit card trial:

- The Parliamentary Joint Committee on Human Rights has raised concerns about whether the measures are rationally connected to and proportionate to their objective.

- The Government appears to be moving beyond the trial’s original objectives (as set out in the Social Security (Administration) Act) and is promoting the cashless debit card as a more general anti-welfare dependency measure.

- The cashless debit card was originally promoted as a cheaper and easier to administer alternative to the existing BasicsCard and income management system. It was also promoted as less stigmatising because it would look like any other debit card and would block spending on excluded goods like alcohol automatically. In practice the cashless debit card system has fallen short of original expectations:
  - the card cannot automatically block purchases of excluded goods at merchants that sell excluded goods alongside non-excluded goods (for example, merchants that sell gift cards that can be used to buy alcohol). As a result, the Government needs to work with mixed merchants in each location to ensure that they manually prevent the sale of excluded goods and
  - in order to manually prevent the sale of excluded goods, merchants need to be able to identify the cashless debit card. This means that there is the possibility that card users will experience stigma.
• The Department of Social Services (DSS) is looking to further develop the cashless debit card system to enable it to automatically block purchases of excluded goods. It is not clear whether this will be possible.

• The current cashless debit card system may be vulnerable to circumvention. Cardholders may find ways to get around the restrictions on spending and this problem may become worse over time as card users find and exploit vulnerabilities in the system. It is not clear whether this problem can be overcome by upgrading the technology.

• Unless they can be overcome, the card system’s current limitations may prevent the Government from expanding it beyond a small number of regional and remote communities. This is because the current system relies on DSS working closely with mixed merchants (for example, supermarkets that sell alcohol as well as groceries) to make sure they take steps to manually block the purchase of excluded goods. While this is feasible in a small, relatively isolated regional centre, it may not be feasible in a large town or urban area.

• A number of welfare groups have criticised the blanket application of the cashless debit card. Some argue that the card should only be applied on a case by case basis to those who have problems with alcohol, drugs or gambling or those who volunteer.

• Some welfare groups have suggested alternative policies for dealing with alcohol, drug and gambling problems. These policies include increased taxation on high volumetric content alcohol products, alcohol advertising restrictions, restricted opening hours for liquor outlets, changes to liquor licencing, online gambling reforms, and additional investment in support services for people with alcohol and gambling problems. Alcohol industry groups such as the Australian Hotels Association support the cashless debit card and other targeted measures in preference to population-based measures.
Purpose of the Bill

Under Section 124PF of the Social Security (Administration) Act 1999, the cashless debit card trial is limited to three sites and 10,000 participants. The trial must end on 30 June 2018.

The purpose of this Bill is to remove the restrictions in the Social Security (Administration) Act on the Government’s existing ability to expand the trial by introducing disallowable instruments.

Background

Currently the cashless debit card is being trialled in Ceduna (South Australia) and the East Kimberley (Western Australia). Indigenous people make up approximately two-thirds of the population and 75–80% of trial participants in each of these sites. The Government plans to extend the trial to the Goldfields region and the Federal Electorate of Hinkler.

The cashless debit card was established as a trial. Under current legislation, the trial is limited to three sites and 10,000 participants. It must end on 30 June 2018. Because it is a trial, its objectives include gathering information about the effectiveness of the intervention. For example, the trial’s objectives include determining whether limiting access to cash reduces violence and harm. As a result, the success or failure of the trial hinges on the quality of evaluation.

The Government commissioned ORIMA Research to evaluate the first two sites: Ceduna and the East Kimberley. ORIMA has delivered two reports, an interim evaluation report and a final evaluation report. Based on the findings of the evaluation, the Government claimed that the trial has been a success. According to Alan Tudge, the Minister for Human Services:

The trials have been completed, an evaluation has been conducted, and it’s been shown to work and now there's an opportunity to expand the cashless debit card to new locations.

A number of commentators have questioned whether the data presented in the evaluation reports demonstrates that the measure has been successful. The Parliamentary Joint Committee on Human Rights has also questioned whether the data presented in the interim evaluation report shows that the measure has been altogether successful (see below).

Part 3D of the Social Security (Administration) Act still identifies the cashless debit card as a trial measure (including, for example section 124PC) This Bill does not remove references to the card as a trial measure. This suggests that new sites will also need to be evaluated.

History

The cashless debit card responds to longstanding concerns that paying income support in cash could contribute to alcohol and drug abuse and that, in turn, alcohol and drug abuse could contribute to long term reliance on income support. Politicians and community leaders have been particularly concerned about the behaviour of working age Indigenous people in rural centres and remote communities.

3. Department of Social Services (DSS), Cashless debit card – overview, DSS website, last updated 5 December 2017.
4. On 21 September the Government announced a fourth site—Bundaberg/Hervey Bay. See: A Tudge (Minister for Human Services) and K Pitt (Federal Member for Hinkler), Cashless welfare card for Bundaberg/Hervey Bay, media release, 21 September 2017.
7. DSS, B7.1.20 Objectives of the cashless debit card trial, Guide to social security law, version 1.238, DSS website, 8 February 2016.
8. Orima Research, Cashless debit card trial evaluation, DSS, August 2017.
Cash support and concerns about alcohol abuse

Before 1959, most Aboriginal people were ineligible for any form of social security payments unless specifically exempted from controlling legislation. Before the late 1960s, the Government distributed income support payment for ‘nomadic or primitive’ Indigenous people (including those employed on cattle and sheep stations and living on reserves or missions) through Aboriginal welfare authorities, missions or station owners. Rather than receiving payments directly, these Indigenous people received support in-kind with only a small amount of ‘pocket money’.

However, by the late 1960s most Indigenous people eligible for income support payments received their payments directly. This led to concern that income support was fuelling alcohol abuse. For example, in Ceduna in 1974 a local Member of the South Australian Parliament called for an end to cash payments:

Mr Gunn said that Aboriginal problems in his electorate were being caused by the abuse of unemployment relief. “The issuing of unemployment relief should be altered so that these people receive only rations and clothing”, he said. “We are not helping Aborigines if they are handed money to spend on wines”.

In 1977 a House of Representatives Committee reported that in some places ‘a large proportion of social security benefits is spent on alcohol’ with men forcibly taking money from their wives and younger people from older people. The Committee called for changes to the payment of income support to prevent spending on alcohol:

The Committee believes that in cases where social security benefits are being spent mainly on alcohol, the provisions of the Social Services Act should be used to ensure that the purchase of food and clothing and the payment of rent be guaranteed. The Department of Social Security informed the Committee that there are administrative difficulties in implementing the suggestion relating to the purchase of food and clothing. The Committee questioned officers of the Department and concluded that the difficulties could be overcome and that they should not prevent the introduction of acceptable schemes.

The Government did not act on this recommendation. However the introduction of the Community Development Employment Program (CDEP) in 1977 saw social security money given to Aboriginal and Torres Strait Islander community organisations instead of individuals, who then paid their members to perform community work (at the minimum wage rate). This also supported the contemporary development of small, often alcohol-free ‘outstation’ communities, away from larger centres where alcohol was more available. This removal of ‘sit-down money’ was believed by communities to greatly reduce the level of idleness, alcohol abuse and other community problems. The phased removal of CDEP by the Howard and Rudd governments after the Northern Territory Emergency Response (NTER), in favour of placing Aboriginal and Torres Strait Islander Australians back in the regular social security system, was criticised at the time as being likely to lead to an increase in social ills.

Proposals for cashless welfare

More recently a number of politicians and community leaders have proposed cashless welfare schemes. In 2003 Northern Territory Opposition Leader Denis Burke argued that the Government should replace cash support with food vouchers to reduce violence by ‘habitual Aboriginal drunks’. Also in 2003, Lionel Quatermaine,
acting Chairman of the Aboriginal and Torres Strait Islander Commission, proposed using smart cards as a way to control spending on alcohol and drugs. At the time, Indigenous leader Noel Pearson said he supported the idea of compulsory money management but said it was important to work out the details.

Not all proposals were targeted at Indigenous people. For example, in 2005 Liberal Party MP Steve Ciobo proposed that people who were unemployed for two years or more should receive most of their payments on a smart card that blocked access to cash and could not be used at locations such as casinos, clubs and pubs.

In 2006 Mal Brough, Minister for Families, Community Services and Indigenous Affairs, spoke about ‘the danger of putting cash in the hands of those with dysfunctions like substance abuse and problem gambling’ and proposed a scheme that would ‘quarantine’ a proportion of income support payments for families where children were at risk of neglect. He said:

The Australian Government is proposing to allow a proportion of welfare payments, potentially around 40 per cent, to be quarantined to pay for children’s needs in cases where children have been identified at risk of neglect. This proposal will provide another tool to child protection authorities.

The ‘Little children are sacred’ report

In 2007 the Northern Territory Government Inquiry into the Protection of Aboriginal Children from Sexual Abuse reported that alcohol abuse was contributing to violence and the neglect and abuse of children in Indigenous communities. The inquiry also looked at the impact of drug abuse, gambling and pornography. During the inquiry a number of people suggested that a proportion of people’s income support payments should be paid as food vouchers rather than cash as a way of limiting spending on alcohol. The inquiry’s report—‘Little Children are Sacred’—suggested that the idea was ‘worth investigating’ but did not include it as a recommendation.

Income management and the BasicsCard

In response to the ‘Little children are sacred’ report, the Howard Coalition Government announced the NTER to stabilise communities and protect Indigenous children. The NTER applied to 73 prescribed communities, with associated outstations, and 10 town camp regions.

The Indigenous Affairs Minister, Mal Brough, presented the intervention as a temporary measure similar to the Government’s response to a natural disaster. He said that the NTER would have three phases: stabilisation, normalisation, and exit. Because the measure targeted communities that were largely Indigenous, the Government suspended the operation of Part II of the Racial Discrimination Act 1975 (RDA) in relation to the NTER. (Part II of the RDA prohibits racial discrimination.) The NTER legislation also deemed the NTER measures to be ‘special measures’ under the RDA.

22. Ibid.
24. Ibid., p. 171.
29. Subsection 132(1) of the Northern Territory National Emergency Response Act 2007, as made. Article 1(4) of the International Convention on the Elimination of all Forms of Racial Discrimination provides that ‘special measures taken for the sole purpose of securing adequate advancement of certain racial or ethnic groups or individuals requiring such protection as may be necessary in order to ensure such groups or individuals equal enjoyment or exercise of human rights and fundamental freedoms shall not be deemed racial discrimination, provided,
Income management was a key part of the NTER. Under income management Centrelink set aside 50 per cent of income support, family assistance payments and Community Development Employment Projects (CDEP) wages so that recipients could not use it to buy alcohol, tobacco or pornography or to gamble.\textsuperscript{30}

Initially Centrelink used a combination of store cards from selected merchants (for example, Coles and Woolworths) and direct deduction facilities where income managed funds were transferred to particular merchants.\textsuperscript{31} These measures were difficult and time consuming for Centrelink staff and inconvenient and time consuming for both income support recipients and merchants. According to the Department of Human Services, these problems ‘were expected to get worse and the welfare payment reform initiative was therefore at risk of being perceived as failing to meet its objectives.’\textsuperscript{32}

After a change of government in late 2007, the Department of Human Services developed the BasicsCard to overcome problems administering income management.\textsuperscript{33}

BasicsCard is a PIN protected magnetic stripe card that can only be used at merchants approved by the Department of Human Services. Under their agreement with the department, merchants accept responsibility for preventing the sale of excluded goods such as tobacco and alcohol.\textsuperscript{34} Checkout staff may have to manually check customers’ cards to make sure that income managed customers do not buy excluded goods such as cigarettes.\textsuperscript{35}

A form of income management was introduced in a number of Cape York communities in July 2008. The Cape York Institute for Policy and Leadership developed this model before the change of government.\textsuperscript{36}

As well as introducing the BasicsCard, the Rudd Labor Government expanded income management to cover the entire Northern Territory and to a number of other sites around the country.\textsuperscript{37} The new Government was committed to reinstating the 	extit{Racial Discrimination Act} and extending income management beyond Indigenous communities helped enable this.\textsuperscript{38}

Evaluation findings have been mixed. For example, an evaluation of income management in the Northern Territory reported that:

\begin{quote}
... there is no evidence of any consistent positive impacts on problematic behaviours related to alcohol, drugs, gambling, and financial harassment, in the extent to which financial hardships and stresses are experienced – for example, running out of food, not being able to pay bills, or on community level outcomes such as children not being looked after properly, school attendance, drinking, and financial harassment.\textsuperscript{39}
\end{quote}

Similarly, an evaluation of Place Based Income Management (a model introduced in 2012) reported survey results that indicated no ‘substantial or sustained impact on the level of alcohol, tobacco or gambling consumption, although face-to-face interviews confirmed that it had been effective for some individuals’.\textsuperscript{40}
Evaluation results suggest that part of the problem could be the way income management is targeted. Targeting income management to entire categories of income support recipients includes many individuals who are unlikely to benefit from the intervention. Evaluation findings suggest that income management may be more effective if it is targeted on a case by case basis.  

Another possible explanation for the disappointing results could be the proportion of payments that are income managed. As Minister for Social Services in 2014, Kevin Andrews argued that the 50 percent rate of income management used in the Northern Territory may be too low to have a significant impact on consumption of alcohol, tobacco, gambling and pornography.

The Forrest Review and the healthy welfare card

In 2013 the Abbott Coalition Government commissioned Andrew Forrest to chair a review of Indigenous training and employment programs. One of the review's recommendations was to introduce a new cashless debit card for working age income support recipients. According to the review’s 2014 report—Creating parity:

Our thinking was influenced by the pioneering experience of the current income management system and BasicsCard in the Northern Territory and the Family Responsibilities Commission in Cape York. These initiatives have demonstrated the benefits to welfare recipients of a more stable financial environment in which rent and other bills are paid and sufficient food is provided. This system is, however, very expensive to deliver and unaffordable on a large scale.

Mr Forrest referred to the proposed card as the 'healthy welfare card' and argued that it would overcome problems with the existing income management system.

One problem was the high cost of income management. In a 2013 report on income management in the Northern Territory, the Australian National Audit Office (ANAO) reported that the estimated cost per person per year could be as high as $7,900 for income support recipients in remote areas. According to the review, the cost of income management made it 'unsustainable and unsuitable for broader application'. The review implied that the cashless debit card would be cheaper because it relied on existing technology.

Another problem is that income support recipients can only use the BasicsCard at approved retailers. In contrast, the cashless debit card could be used anywhere that accepted mainstream debit cards (except retailers that are blocked because they sell alcohol or gambling products). Stigma was also a problem according to Mr Forrest. He wrote that ‘the BasicsCard readily identifies its user as a welfare recipient, unnecessarily degrading someone who has fallen on hard times’ and argued that the healthy welfare card would be different because it would ‘look and work like any other debit card’.

Like Kevin Andrews, Mr Forrest argued that income management allowed income support recipients too much cash. This left recipients with enough cash to ‘fuel alcohol or drug dependency.’ He proposed that the healthy welfare card would allow little or no access to cash.

According to Mr Forrest, the ultimate aim of the cashless debit card is to help people move off income support and into work. The card is designed to provide ‘stability for families and individuals so they can concentrate on finding employment, providing adequately for their families, and sending their children to school.’

---

43. T Abbott (Prime Minister), Review of Indigenous training and employment, media release, 8 October 2013.
44. A Forrest, The Forrest Review: creating parity, Department of the Prime Minister and Cabinet, Canberra, 2014, p. 103.
45. Australian National Audit Office, Administration of New Income Management in the Northern Territory, Commonwealth of Australia, Canberra, 2013, p. 94. According to the Department of Social Services, it is difficult to calculate estimates of the cost per person of administering income management in different locations because some costs are centralised and apply across all locations (for example establishing a hotline) and others vary between locations. See: L Hefren-Webb (Branch Manager, Welfare Payments Reform, Department of Families, Housing, Community Services and Indigenous Affairs) Evidence to Senate Community Affairs Legislation Committee, Official committee Hansard, 18 October 2012, p. 72.
46. Forrest, The Forrest review: creating parity, op cit., p. 27.
47. A Forrest, ‘Healthy welfare card will protect the vulnerable’, The Daily Telegraph, 24 March 2015.
48. Ibid.
49. Ibid.
### The cashless debit card

**How the card works**

The cashless debit card is a Visa debit card issued by payments company Indue. Cardholders can use their card at any physical store that accepts Visa debit unless the store has been blocked. Cardholders can also use the card to make online purchases at approved online stores.\(^{51}\)

The card works by using merchant category codes (MCCs) to block certain merchant categories. An MCC is a four digit code that identifies merchants by the kind of goods or services they sell.\(^{52}\) The cashless debit card automatically blocks a number of MCCs including those covering drinking places, packaged liquor stores, gambling venues and ‘quasi cash’.\(^{53}\) (Quasi cash refers to articles such as travellers cheques and money orders that can be converted into cash as well as transactions related to gambling.)

However, on its own MCC blocking is too blunt. For example, some merchants with MCCs that are not blocked may sell alcohol as well as other goods and services. These ‘mixed merchants’ include restaurants, takeaway food shops, grocery stores and supermarkets. To deal with this problem either Indue or the department has to make decisions about whether particular merchants should be blocked or approved. Merchants that sell excluded goods can be approved if they agree to have their staff identify customers who are using the cashless debit card and refuse to put through transactions that include excluded goods.\(^{54}\)

The Department of Social Services (DSS) is searching for a technological solution to this problem.\(^{55}\) However it is not clear whether this will be possible.

### Objectives

The objectives of the cashless debit card trial are set out in section 124PC of the *Social Security (Administration) Act 1999*. They are to:

- reduce the amount of money in the community that is available to be spent on alcohol, gambling and illegal drugs
- determine whether such a reduction decreases violence or harm in trial areas
- determine whether such arrangements are more effective when community bodies are involved and
- encourage socially responsible behaviour.\(^{56}\)

However, the Government has indicated that its objectives for the card are broader than those set out in the Act. Ministers have said that they hope ‘the card will assist people to break the cycle of welfare dependency by stabilising their lives and helping them into employment’.\(^{57}\)

When announcing the latest trial site in the Federal electorate of Hinkler, Human Services Minister Alan Tudge said that there were three indicators of success: more people moving off welfare and into work, children better looked after, and less welfare money being spent on alcohol, drugs and gambling.\(^{58}\)

---

56. DSS, ‘8.7.20 Objectives of the cashless debit card trial’, op. cit.
57. C Porter (Minister for Social Services) and A Tudge (Minister for Human Services), *Cashless debit card extended following positive independent evaluation*, media release, 14 March 2017.
The Minister said that intergenerational welfare dependency was a serious problem in the electorate and that the Government thought that the cashless debit card ‘could provide that additional motivation for a capable young person to take the jobs which are available.’

Policy rationale—welfare dependency as resistance to opportunity

The expansion of the cashless debit card is part of the Government’s response to what it sees as the problem of intergenerational welfare dependency. The card is part of a broader approach that aims to move individuals off income support and into work.

Welfare dependency is a controversial idea. At its core is the idea that long-term reliance on income support can undermine an individual’s ability and motivation to take advantage of economic opportunity. According to this idea, while income support can protect individuals from hardship in the short term, in the longer term it can be a trap. Human Services Minister Alan Tudge has made this argument:

I get disappointed and frustrated that sometimes [welfare agencies] won’t acknowledge there are very significant intergenerational dependency welfare problems even in the presence of work. You do nobody a favour by ignoring this key fact. In my view, long-term welfare dependency is a poison. It sucks the motivation, frequently removes capacity, and people lose confidence.

According to Minister Tudge, increases in income support payments or more spending on welfare services fail to solve the underlying problem of dependency. Instead, policymakers need to look how the design of the welfare system contributes to the loss of capacity and motivation.

Indigenous leader Noel Pearson has argued that abuse of alcohol and other drugs is one pathway by which individuals and communities lose their capacity and motivation to work and develop a kind of disadvantage that is resistant to opportunity. Mr Pearson argues that certain conditions enable substance abuse to spread:

Five factors are needed for an outbreak of substance abuse: (i) the substance being available (ii) spare time (iii) money (iv) the example of others in the immediate environment and (v) a permissive social ideology. If these five factors are present, substance abuse can spread rapidly among very successful people as well as marginalised people.

Mr Pearson argues that once substance abuse takes hold it becomes a cause of disadvantage in its own right rather than just a symptom of underlying disadvantage. According to this view, restoring opportunity or offering voluntary treatment will not stop the problem from spreading.

Part of the rationale for the cashless debit card is to cut off access to the cash alcohol and drug abusers need in order to continue their habit. And if Mr Pearson’s theory is correct, applying it broadly across working age income support recipients could also make it more difficult for the problem to spread to other members of the community who are susceptible because they not working or studying.

The cashless debit card is designed around the assumption that long term cash support creates a risk of dependency. It represents an attempt to modify the income support system to reduce this risk. As Fiona Jose, CEO of the Cape York Institute explained: ‘The Healthy Welfare Card is about supporting disadvantaged Australians to meet their basic needs, without setting up dependency as a long-term destination.’

---

59. Ibid.
60. For a discussion of the concept of and literature on welfare dependency as applied to Australia, including Indigenous people, see R Penman, ‘Psychosocial factors and intergenerational transmission of welfare dependency: a review of the literature’, Australian Social Policy 2006, pp. 93–107.
63. Ibid. Mr Pearson’s thesis that substance abuse becomes self-sustaining has been supported by some studies of Indigenous criminology; L Snowball and D Weatherburn, ‘Theories of Indigenous violence: a preliminary empirical assessment’, The Australian and New Zealand Journal of Criminology, 41(2), August 2008.
64. F Jose, Letter to the Department of Social Services, Welfare System Taskforce, Cape York Institute, Cairns, 8 August 2014.
Committee consideration

**Senate Community Affairs Legislation Committee**

The Bill has been referred to the Senate Community Affairs Legislation Committee for inquiry the Committee reported on 6 December 2017. Details of the inquiry and the Committee’s report are at the [inquiry homepage].

The majority of the Committee recommended that the Senate pass the Bill. The Australian Labor Party (ALP) and the Australian Greens issued dissenting reports. The ALP recommended that the Senate reject the Bill in its current form. The ALP considers that ‘there is an insufficient basis to establish further trials at this stage’ and therefore recommended that the Bill be amended to:

- confine the trial to the current trial areas (Ceduna and East Kimberley) and maintain the current maximum participants (10,000)
- establish a trial end date of 30 June 2019
- specify how people in the trial areas who are on the cashless debit card can have the proportion of their income support payments on the card reduced, or exit the trial and
- guarantee funding for wrap-around services.

The Greens recommended that the Senate refuse to pass the Bill.

**Senate Standing Committee for the Scrutiny of Bills**

The Senate Standing Committee for the Scrutiny of Bills reported on the Bill on 6 September 2017. The Committee noted that: ‘this Bill converts authority to run a trial program into a general power to implement that program.’

The Committee also noted that that a legislative instrument ‘is not subject to the full range of parliamentary scrutiny inherent in bringing proposed changes in the form of an amending Bill’. The Committee requested advice from the Minister on why the primary legislation does not include more guidance and safeguards on matters such as site selection and participant criteria. The Minister responded, arguing that the primary legislation provides guidance on site selection and participant criteria and that the use of delegated legislation ‘allows the Government, with appropriate parliamentary scrutiny, to work out the application of the Cashless Debit Card on a community-by-community basis’. The Committee asked for the key information provided by the Minister to be included in the Explanatory Memorandum to the Bill.

**Policy position of non-government parties/dependents**

**Australian Labor Party**

The Australian Labor Party does not support the Bill. According to a media release from Jenny Macklin (Shadow Minister for Social Services) and Linda Burney (Shadow Minister for Human Services):

> Federal Labor will support the continuation of the existing cashless debit card trial sites in Ceduna and the East Kimberley.
However Labor will not support the rollout of the cashless debit card to the two new proposed sites of Bundaberg and the Goldfields due to insufficient consultation with these communities, and the widespread criticism of the evaluation and the effectiveness of the card.\(^{74}\)

**Australian Greens**

The Australian Greens have called on the Government to abandon trials of the cashless debit card.\(^{75}\)

**Pauline Hanson’s One Nation**

Pauline Hanson’s One Nation supports the use of the cashless debit card. According to a recent media release ‘Senator Hanson said that she would monitor the continued progress of the trials but was confident that the overall benefit to Australia’s most vulnerable communities would be extremely positive.’\(^{76}\)

**Other parties and independents**

At the time this digest was drafted, the position of other parties and independents was not clear.

**Position of major interest groups**

**Minderoo Foundation**

The Minderoo Foundation was established by Andrew and Nicola Forrest in 2001. The Foundation supports the Bill.

However the Foundation’s submission also argues that the current cashless debit card system suffers from technological limitations that make it difficult and expensive to implement. The submission argues that the Government needs to take action to overcome these limitations. This means upgrading to technology so that it can block purchases of individual products types rather than relying entirely on MCC blocking:

> If the Government considers expanding the [cashless debit card] to other vulnerable communities, including in more urbanised settings, it must invest in technological solutions that allow for ‘item-level (SKU) blocking’. This will not only allow DSS to prohibit specific items (such as gift cards) rather than blocking the entire merchant, but also dramatically reduce the cost of implementation and administration.\(^{77}\)

The Foundation also argues that the Bill does not go far enough in giving the Minister discretion to determine sites for the cashless debit card. The submission states: ‘Parliament must not unnecessarily inhibit progress and the Minister should be empowered to implement policy that clearly benefits all Australians.’\(^{78}\)

**Breaking the ‘welfare poverty cycle’**

The Foundation draws on the Forrest Review to argue that the cashless debit card ‘can empower people to break out of the welfare cycle.’\(^{79}\) The Forrest Review argued that individuals would move into employment more quickly because they are able to focus on their return to work.\(^{80}\) The Minderoo Foundation has also argued that the card means more children will attend school and this will have flow on effects: ‘Education leads to training which leads to jobs which breaks the welfare poverty cycle.’\(^{81}\)

---

76. P Hanson (One Nation Senator for Queensland), *Communities welcome welfare card as a helping hand*, media release, 13 October 2017.
77. The Minderoo Foundation, *Submission to Senate Standing Committee on Community Affairs, Inquiry into the Social Services Legislation Amendment (Cashless Debit Card) Bill 2017, 29 September 2017*, [submission no. 5], pp. 6–7. SKU stands for stock keeping unit, an individual item offered for sale. Each item will usually have a unique code that identifies it.
78. Ibid., p. 7.
81. The Minderoo Foundation, ‘*Cashless debit card*’, online video, vimeo, 2017.
Reducing the harm caused by drugs, alcohol and gambling

Drawing on the results of the Orima evaluation of the first two cashless debit card trials, the Minderoo Foundation argues that the card ‘is a powerful tool in minimising the harm caused by excessive alcohol consumption, illegal drug use and gambling.’

Limitations of the existing cashless debit card system

The Minderoo Foundation’s submission points out that the current cashless debit card system suffers from a number of technological limitations. While DSS has found ways to manually work around these limitations, the submission argues that the Government needs to find technological solutions to the problem.

The major limitation is that that the system relies on merchant category codes to block purchases of excluded goods:

This ‘merchant-level blocking’ approach works well for liquor and gambling outlets, but does not solve for mixed merchants that sell both unrestricted and restricted items, or merchants that sell secondary forms of credit (such as gift cards). Examples include a mixed-merchant pub that is categorised as a supplier of alcohol, but also has an attached bistro, or a supermarket that sells gift cards which can be redeemed next door at a bottle shop.

The Department of Social Services (DSS) has worked with gift card sellers and mixed merchants within the trial communities (supermarkets, service stations, pubs and clubs with a bistro, and other licensed restaurants) to implement operational controls as a fix to the limitations of ‘merchant-level blocking’. This has included installing a separate payment device at the local pub for approved bistro purchases, and the training of supermarket staff to recognise a [cashless debit card] at the point of sale and manually decline the transaction if it includes a restricted item or a gift card.

The submission argues that while DSS’ manual work arounds have been effective, they are costly to administer. The Foundation has set up a technology working group that brings together senior executives from the banking and retail sectors in an effort to develop a technological solution to this problem. Minderoo favours a system that is able to block purchases at the product level.

Prospects for a national roll out

The Foundation argues that the Government needs to overcome the system’s technological limitations before considering a national roll out.

Cape York Institute

A submission from the Cape York Institute argues that experience with the BasicsCard shows that it is possible to create a system that blocks spending on excluded goods. As a result, trials are not needed to demonstrate that the cashless debit card can achieve this. However, according to the submission, there are a number of questions that still need to be answered.

One question is:

... whether the blanket implementation of models such as Income Management or the cashless debit card to an entire population of welfare recipients, is more or less effective than more targeted/nuanced approaches such as that under Cape York Welfare Reform where only those who fail to meet basic community standards can be subject to a clamp on their spending of their welfare income?

In the Cape York conditional income management model, income management is designed as a ‘catalyst for behavioural change.’ In the Cape York model the emphasis is on encouraging individuals to take responsibility

---

82. The Minderoo Foundation, Submission to Senate Standing Committee on Community Affairs, Inquiry into the Social Services Legislation Amendment (Cashless Debit Card) Bill 2017, op. cit., p. 3.
83. Ibid., p. 6.
84. Ibid., p. 7.
86. Cape York Institute, Submission to Senate Standing Committee on Community Affairs, Inquiry into the Social Services Legislation Amendment (Cashless Debit Card) Bill 2017, September 2017, [submission no. 40], p. 5.
for managing their own behaviour. The submission suggests that: ‘Blunt approaches that stigmatise all welfare dependent people as alcoholics and drug addicts may be counterproductive.’

Another issue raised in the submission is whether the cashless debit card can help individuals build the capability they need to start the journey from welfare to work. The submission argues that success ultimately relies on individuals changing their own behaviour and that the ‘overall goal is to increase intrinsic motivation so that change serves a person’s own goals and values.’

The Institute’s submission also argues that measures such as the cashless debit card need to be linked to an effective welfare to work initiative.

**Banking industry**

The Australian Bankers’ Association (ABA) and the Commonwealth Bank made submissions to the inquiry.

The ABA submission raises concerns about the cashless debit card and encourages the Government to explore alternative approaches. The Commonwealth Bank submission makes recommendations about measures to support the expansion of the cashless debit card if the Government decides to go down this path.

The Commonwealth Bank is a participant in the Minderoo Foundation’s cashless debit card technology working group.

**Limitations of the existing cashless debit card system**

The ABA submission suggests that the Government needs to overcome some of the limitations of the current cashless debit card system before any expansion:

- The ABA encourages the Federal Government to give further consideration to the program design and implementation before the cashless debit card is extended to other areas and/or expanded. The program should not require manual workarounds, rather it should recognise that the needs and circumstances of welfare recipients will differ and the program should accommodate debt management, payments and savings strategies.

- It is understood that manual workarounds have been adopted to deal with particular situations where payment restrictions would create money management problems. For example, some welfare recipients have established payment arrangements to help manage their money, which the program interfered with. Additionally, some welfare recipients have repayment obligations on loans, which the program disrupted.

**Community engagement**

Both the ABA and the Commonwealth Bank submissions encourage the Government to work with Indigenous communities and other local stakeholders when implementing the cashless debit card.

**Other ways to assist target groups**

The ABA submission urges the Government to:

- explore whether there may be opportunities to progress alternative approaches to the cashless debit card, including promoting access to affordable banking options and supporting participation in financial literacy and financial inclusion programs.

The Commonwealth Bank submission makes a number of suggestions for measures to support the expansion of the cashless debit card. These include ensuring appropriate wrap-around services, empowering community leaders to make decisions about participation in the trial and investing in job creation.

---

89. Ibid., p. 6.
90. Ibid., pp. 7–8.
92. Ibid., p. 3.
Professional bodies
The Australian Association of Social Workers (AASW) opposes the Government’s policy on the cashless debit card.

Problems with the cashless debit card
The AASW argues that the cashless debit card undermines the dignity and autonomy of those forced to use it:

... the Bill proposes that the CDC will be mandatory, permanent and imposed on all residents of a geographic area regardless of their personal history. Inevitably this will lead to the inclusion of some people who have never abused alcohol, illicit drugs nor gambled. To this extent it contravenes the expectation of fairness and assumption of autonomy that underpins welfare support payments. People who have remained sober, who have supported their families on limited income, are receiving the same treatment as people who have not achieved these personal goals. 94

Limitations of the evaluation
The AASW argues that the evidence of effectiveness presented in the evaluation of the first two trial sites (Ceduna and East Kimberley) is weak.95

Government should consider alternative approaches
The AASW acknowledges that there are high rates of alcohol and drug abuse and high levels of problem gambling in some communities. However it argues that the current cashless debit card policy is not the only option for dealing with these problems.

The AASW argues that ‘it has not been conclusively established that limiting cash it is the most effective long-term response to gambling or to the abuse of alcohol and other drugs’ and suggests that Government could consider measures that target the providers of alcohol, illicit drugs and gambling.96

The AASW also suggests that the Government consider alternative ways of using the cashless debit card or income management. The card could be ‘voluntary, adjustable and responsive to changes in a person’s behaviour or circumstances.’ It could be implemented through a partnership with community organisations and integrated into measures designed to improve opportunities for employment.97

Unions
The Australian Council of Trade Unions (ACTU) and the Queensland Teachers’ Union are opposed to the Bill.

The ACTU criticised the recent evaluation of the cashless debit card trials stating: ‘the government has undertaken a rushed evaluation designed to get the answers it wants and is using those results to justify further intrusion into the lives of disadvantaged Australians’.98

The Queensland Teachers’ Union submission was critical of the ‘privatisation of welfare to generate profits’, noting that companies like Indue would receive thousands of dollars for each participant. The Union also condemned claims that school breakfast programs were evidence that parents were spending income support money on drugs and alcohol instead of food.99

94. Australian Association of Social Workers (AASW), Submission to Senate Standing Committee on Community Affairs, Inquiry into the Social Services Legislation Amendment (Cashless Debit Card) Bill 2017, September 2017, [submission no. 12], p. 3.
95. Ibid., pp. 4–5.
96. Ibid., p. 4.
97. Ibid., p. 6.
98. Australian Council of Trade Unions (ACTU), Submission to Senate Standing Committee on Community Affairs, Inquiry into the Social Services Legislation Amendment (Cashless Debit Card) Bill 2017, September, 2017, [submission no. 27], p. 2.
Indigenous organisations

Discrimination and disempowerment

The National Congress of Australia’s First Peoples opposes the cashless debit card and argues that compulsory income management has failed:

The Debit Card Bill repackages the worst aspects of the income management policy introduced with the Northern Territory Emergency Response, continued with the ‘BasicsCard’ in the Stronger Futures package and the ‘Healthy Welfare Card’ proposed by The Forrest Review: Creating Parity. The cashless debit card similarly continues to punish the majority for the problems of the few; exacerbates perceptions of disempowerment; encourages discrimination by government authorities toward Aboriginal and Torres Strait Islander Peoples.100

Poor targeting

A submission by the Goldfields Land and Sea Council argued that the cashless debit card should be used in a more targeted way:

In the Board’s view, the CDC as structured is poorly targeted, inefficient, ineffective and potentially damaging. They would like to see it redesigned to target individuals exhibiting the problem behaviours that the scheme purports to address, without the damaging impact on responsible citizens associated with the current approach.101

The Aboriginal Health Council of Western Australia (AHCWA) argued that the card should be applied only to those who choose to opt-in and those who are identified as at-risk on a case by case basis.102

Community engagement

A submission by the MG Corporation (based in the East Kimberley) argues that the Government did not properly consult the Miriwoong and Gajerrong (MG) people:

While not all local Indigenous people on the CDC are MG native title holders, the government’s failure to draw on well-established representative structures for the purposes of consultation demonstrates a continuation of the government’s top-down approach to the development and implementation of policy without properly engaging Indigenous Australians.103

During hearings in Kalgoorlie, MG Corporation Chairperson Lawford Benning said he had initially supported the roll out of the cashless debit card in the East Kimberley but withdrew his support because he believed that the Government had failed to deliver on promises such as support for the community to deliver alcohol, drug and employment services before the card was introduced and authority for the community to easily assess and remove people from the card.104

Investment in services

A number of submissions stressed the importance of adequate support for services. For example, a submission from the Ceduna Koonibba Aboriginal Health Service Aboriginal Corporation (CKAHSAC) and Tullawon Aboriginal Health Service (THS) stated:

... there needs to be greater investment at the primary care level to reduce the demand for [alcohol and other drug services] including education, early intervention, counselling, supervised detoxification, referral to rehabilitation, active case management and aftercare and monitoring medication use for relapse prevention. There also needs to be greater investment in the capacity of CKAHSAC and THS to provide social and emotional wellbeing services to

100. National Congress of Australia’s First Peoples, Submission to Senate Standing Committee on Community Affairs, Inquiry into the Social Services Legislation Amendment (Cashless Debit Card) Bill 2017, October 2017, [submission no. 42], p. 5.
101. Goldfields Land and Sea Council, Submission to Senate Standing Committee on Community Affairs, Inquiry into the Social Services Legislation Amendment (Cashless Debit Card) Bill 2017, 26 September 2017, [submission no. 22], p. 6.
102. Aboriginal Health Council of Western Australia, Submission to Senate Standing Committee on Community Affairs, Inquiry into the Social Services Legislation Amendment (Cashless Debit Card) Bill 2017, 28 September 2017, [submission no. 21], p. 2.
103. MG Corporation, Submission to Senate Standing Committee on Community Affairs, Inquiry into the Social Services Legislation Amendment (Cashless Debit Card) Bill 2017, September 2017, [submission no. 6], p. 3.
104. L Benning, Evidence to the Senate Standing Committee on Community Affairs, Official committee Hansard, 12 October 2017, p. 57. See also: MG Corporation, Submission to Senate Standing Committee on Community Affairs, Inquiry into the Social Services Legislation Amendment (Cashless Debit Card) Bill 2017, September 2017, p. 2.
their communities recognising that grief, loss, chronic stress and poor mental health are large contributors to alcohol and other drug misuse.105

Welfare sector

Assumptions behind the trials

The Queensland Council of Social Service (QCOSS) notes that much of the narrative of the cashless debit card trial draws on the idea of welfare dependency and the goal of moving trial participants from welfare to work. 106 Human Services Minister Alan Tudge has argued:

...the welfare system is creating problems that we never intended. The design and structure of it has meant that for many capable working age people, welfare is no longer a safety net, but a destination.107

According to Minister Tudge, some individuals and families become stuck in a ‘welfare cycle’ where their capabilities and motivation erode over time. He argues that, because of the effect of dependency on behaviour, increasing income support payments will not make people less impoverished.108 According to this view, alcohol and drug abuse is both a consequence and a cause of disadvantage. The Minister has expressed frustration that welfare agencies refuse to accept that welfare dependency is real and needs to be tackled.109

It is clear that many organisations in the welfare sector do not accept the Minister’s assumptions. For example, in her comments on the budget, Anglicare’s Executive Director Kasy Chambers said: ‘Pushing the line that we need to stop ‘welfare dependency’ allows the government to disguise inequality as a personal failure rather than a market failure.’110

The Australian Council of Social Service (ACOSS) has rejected the link between income support and anti-social behaviour and argues that Government needs to address underlying problems such as lack of job opportunities, poor education and severe health problems.111 In its submission, UnitingCare states:

It is our view that the card’s logic appears to be based on the assumption that alcohol, drug use and gambling are the primary causes of financial insecurity and poverty in the communities where it is being used. In contrast to this view, we highlight that a number of factors contribute towards the incidence of drug and alcohol use and prevalence in communities, as do factors that lead towards poverty and financial instability. A nuanced understanding of these factors and ways to mitigate them is vital in ensuring positive long-term solutions for individuals and communities.112

Blanket application of the cashless debit card

A number of submissions from organisations in the welfare sector criticised the blanket application of the cashless debit card to all recipients on certain payments or in certain age groups. For example, the submission by ACOSS noted:

In the evaluation of [the cashless debit card], around 75% of survey respondents stated that they did not drink, take drugs or gamble, or had not changed their behaviour since the commencement of trial. In other words, three-

105. Ceduna Koonibba Aboriginal Health Service Aboriginal Corporation and Tullawon Health Service, Submission to Senate Standing Committee on Community Affairs, Inquiry into the Social Services Legislation Amendment (Cashless Debit Card) Bill 2017, September 2017, [submission no. 23], p. 5.
106. Queensland Council of Social Services (QCOSS), Attachment 2 to the Submission to Senate Standing Committee on Community Affairs, Inquiry into the Social Services Legislation Amendment (Cashless Debit Card) Bill 2017, September 2017, [submission no. 45], p. 6.
107. A Tudge, Welfare Reform - Reducing dependency and setting higher expectations, speech, 24 October 2016.
108. Ibid.
110. K Chambers, quoted in: ‘Budget 2017: This budget forgets that we’re all in this together’, Huffington Post, blog, 10 May 2017.
111. Australian Council of Social Service (ACOSS), Submission to Senate Standing Committee on Community Affairs, Inquiry into the Social Services Legislation Amendment (Cashless Debit Card) Bill 2017, 6 October 2017, [submission no. 39], p. 1.
112. UnitingCare Australia, Submission to Senate Standing Committee on Community Affairs, Inquiry into the Social Services Legislation Amendment (Cashless Debit Card) Bill 2017, 29 September 2017, [submission no. 44], p. 6.
quarters of people affected by [the cashless debit card] either do not engage in the behaviours the government is seeking to change or their consumption of these goods are unchanged by [the cashless debit card].\(^{113}\)

Catholic Social Services Australia (CSSA) argues that ‘blanket application of income management to recipients who do not need can be wasteful and counterproductive.’\(^{114}\) CSSA opposed the Forrest Review’s proposals for this reason. CSSA has argued measures such as income management may be useful when applied on a case by case basis but has opposed the application of compulsory measures that are not driven from the bottom up by local communities.\(^ {115}\)

**Inability to use cash for non-excluded goods and services**

The National Social Security Rights Network argued that the card made it more difficult for income support recipients to buy non-excluded goods and services at the best price:

> The [cashless debit card] removes the option of seeking out cheaper goods and services, and prevents individuals from reducing spending. CDC holders have reported being unable to purchase second hand goods or buy items collectively in bulk. As food and other goods are typically more expensive in remote locations, this may have a devastating effect on the capacity for individuals to meet basic needs.\(^{116}\)

According to ACROSS: ‘people on low incomes depend on being able to find cheaper goods and services to make ends meet, but [the cashless debit card] prevents them from doing so because of lack of access to cash.’\(^ {117}\)

**Limitations of the evaluation**

A number of submissions discussed the limitations of the evaluation by Orima. For example, the Western Australian Council of Social Service stated:

> Our overriding concern with the proposed legislative extension of the Cashless Debit Card trials is the significant gap between the actual evidence of the impacts of the trials carried out to date and the claims being made politically about that evidence. Quite simply the evidence is not there to support the claims of positive impacts and improved outcomes being made by Minister for Social Services and the Minister for Human Services to justify extending the measures to other populations and location.\(^ {118}\)

The Queensland Council of Social Service (QCOSS) provided a 23 page review of the evaluation as an attachment to its submission. The review concluded: ‘there is insufficient evidence of success to warrant any further expansion of the trial at this stage’.\(^ {119}\)

QCOSS also noted that the Government’s rationale for the trial has shifted from a focus on the harms associated with alcohol, drugs and gambling to a broader set of objectives that include reducing welfare dependency and promoting employment.\(^ {120}\) QCOSS notes that the evaluation does not provide any evidence that the use of the cashless debit card led to improved employment outcomes.\(^ {121}\)

**Alternative policies for reducing alcohol and gambling related harm**

UnitingCare Australia’s submission questioned the extent to which the Government had considered evidence-based alternatives for reducing harms related to alcohol and gambling.

---


114. Catholic Social Services Australia (CSSA), Submission to Senate Standing Committee on Community Affairs, *Inquiry into the Social Services Legislation Amendment (Cashless Debit Card) Bill 2017*, 21 September 2017, [submission no. 9], p. 1.


118. Western Australian Council of Social Service (WACOSS), Submission to Senate Standing Committee on Community Affairs, *Inquiry into the Social Services Legislation Amendment (Cashless Debit Card) Bill 2017*, 29 September 2017, [submission no. 7], p. 1.


120. Ibid., p. 6.

121. Ibid., p. 6.
Alternative policies listed in the submission included increased taxation on high volumetric content alcohol products, alcohol advertising restrictions, restricted opening hours for liquor outlets, changes to liquor licensing to prevent saturation of liquor outlets, pursuing reforms on online gambling, and looking at what additional investment is needed in support services for people with alcohol and gambling problems.\textsuperscript{122}

QCOSs has called on the Government to ‘(c)learly articulate the objectives of the Cashless Debit Card and explore a full range of alternative options to address objectives of the Cashless Debit Card.’\textsuperscript{123}

**Alcohol industry**

The Australian Hotels Association (AHA) supports the amendments in the Bill.

**Support for targeted rather than population-based measures**

The AHA argues that policies designed to reduce alcohol related harm should be targeted to individuals and groups who misuse alcohol. AHA opposes measures that aim to reduce the overall level of alcohol consumption across the whole population.\textsuperscript{124}

The AHA has opposed blanket restrictions on the sale of alcohol and argued for an approach that recognises differences between individual communities.\textsuperscript{125} When the Western Australian Government was considering introducing restrictions on the sale of alcohol in Port Hedland, AHA WA chief executive Bradley Woods argued that the cashless debit card should be considered as an option before any decision to introduce restrictions.\textsuperscript{126}

In its submission to the inquiry on this Bill the AHA suggests including two other targeted measures in the cashless debit card trial sites—Takeaway Alcohol Management Systems (TAMS) and a Banned Drinkers’ Register. AHA notes that these measures are a state and territory responsibility.\textsuperscript{127}

**Concern about impact on mixed merchants**

In its submission the AHA argues that merchants that sell alcohol as well as other goods and services (mixed merchants) risk being blocked from accepting the card unless they are individually identified:

Because the card stops purchases of alcohol at the merchant level, shops that serve both alcohol and food are either banned from being allowed to accept the [cashless debit card] or, in the case of key pubs in Kununurra, require one till specifically to process only accommodation transactions. This developed during the trial because domestic violence victims were unable to use the [cashless debit card] to stay at the hotel in order to escape their situations.\textsuperscript{128}

According to the AHA, excluding mixed merchants risks harming the viability of businesses and inconveniencing income support recipients.\textsuperscript{129}

**Financial implications**

The Government has not provided information on the funding associated with this Bill because it has yet to finalise negotiations with potential commercial providers.

In response to a freedom of information request, the Department of Social Services provided information on the cost of the current trial sites:

\begin{itemize}
\item 122. UnitingCare Australia, Submission to Senate Standing Committee on Community Affairs, Inquiry into the Social Services Legislation Amendment (Cashless Debit Card) Bill 2017, op. cit., p. 7.
\item 123. QCOSs, Attachment 2 to the Submission to Senate Standing Committee on Community Affairs, Inquiry into the Social Services Legislation Amendment (Cashless Debit Card) Bill 2017, op. cit., p. 18.
\item 124. Australian Hotels Association (AHA), Submission to the Senate Standing Committees on Economics, Inquiry into Restrictions of Personal Choice, 4 November 2015, p. 4.
\item 125. AHA, Submission to the Department of Racing, Gaming and Liquor, West Pilbara: report on alcohol-related harm, ill-health and disorder, March 2012 (AHA submission begins on p. 17).
\item 127. AHA, Submission to Senate Standing Committee on Community Affairs, Inquiry into the Social Services Legislation Amendment (Cashless Debit Card) Bill 2017, 29 September 2017, [submission no. 4], pp. 2–4.
\item 128. Ibid., p. 4.
\item 129. Ibid., p. 4.
\end{itemize}
The estimated maximum cost of implementing and managing the Cashless Debit Card trial in Ceduna and the East Kimberley from 1 July 2015 to April 2017 is $18.9 million (GST exclusive). This includes both departmental and administered funding for both the Department of Social Services and the Department of Human Services and one-off costs to establish the trial.\(^\text{130}\)

**Statement of Compatibility with Human Rights**

As required under Part 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011* (Cth), the Government has assessed the Bill’s compatibility with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of that Act. The Government considers that the Bill is compatible.\(^\text{131}\)

**Parliamentary Joint Committee on Human Rights**

The Parliamentary Joint Committee on Human Rights reported on the Bill on 5 September 2017. The Committee noted that the Bill engages and limits the right to social security, privacy and family, and equality and non-discrimination.\(^\text{132}\)

While the Committee accepted that the measures aim to achieve a legitimate objective it raised concerns about whether the measures are rationally connected to and proportionate to their objective.\(^\text{133}\)

For the measures in the Bill to be rationally connected to their objective, they need to be effective. However, the Committee raised concerns about the findings of the *Cashless Debit Card Trial Evaluation Wave 1 Interim Evaluation Report* (conducted by ORIMA Research) noting that these ‘suggest the trials have not been definitively positive.’\(^\text{134}\)

The Committee questioned whether the extension of the trials is a proportionate limitation on human rights.

... the cashless debit card would be imposed without an assessment of individual participants' suitability for the scheme. In assessing whether a measure is proportionate, relevant factors to consider include whether the measure provides sufficient flexibility to treat different cases differently or whether it imposes a blanket policy without regard to the circumstances of individual cases.

As the cashless debit card trial applies to anyone residing in locations where the trial operates who is receiving a social security payment specified under the scheme, there are serious doubts as to whether the measures are the least rights restrictive way to achieve the stated objectives. By comparison, the income management regime in Queensland’s Cape York allows for individual assessment of the particular circumstances of affected individuals and the management of their welfare payments.\(^\text{135}\)

The Committee asked the Minister to provide further information. The Minister’s response has been included in Report 11 of 2017.\(^\text{136}\) The Committee remains concerned:

- as to whether the trial is effective to achieve its stated objectives
- that the measures may not be a reasonable and proportionate limitation on human rights and
- that the measures may not be compatible with the right to social security, the right to privacy and family and the right to equality and non-discrimination.\(^\text{137}\)

**Key provisions and issues**

*Repealing the restrictions on the trials*

**Item 2** of Schedule 1 to the Bill will repeal section 124PF of the *Social Security (Administration) Act 1999*.

---

\(^\text{130}\) DSS, FOI Request No. 16/17-140, DSS website, 26 May 2017.

\(^\text{131}\) The Statement of Compatibility with Human Rights is attached to the *Explanatory Memorandum* to the Bill.


\(^\text{133}\) Ibid., p. 36.

\(^\text{134}\) Ibid., p. 37; DSS has now released a final evaluation report. Both reports are available from: DSS, ‘Cashless Debit Card trial - evaluation reports’, DSS website, last updated 6 December 2017.

\(^\text{135}\) Ibid., pp. 38–9.


\(^\text{137}\) Ibid., p. 137.
Section 124PF currently constrains the cashless welfare arrangements to:

- being trialled between 1 February 2016 and 30 June 2018
- taking place in up to three discrete trial areas and
- including no more than 10,000 trial participants.

The ability of the Minister to determine, by legislative instrument, whether a trigger payment is to apply to a particular trial area or class of person is found in the existing section 124PG of the Social Security (Administration) Act.

Risk of mission creep

If the Bill passes, there is a risk of mission creep. As new sites are added and policymakers adapt the card to address community concerns, the Government may gradually move beyond the original objectives of the cashless debit card. Instead of remaining a time limited trial with a clear and limited set of objectives, the scheme may become a more open ended commitment with a broader (but not explicitly stated) set of objectives. Without clear criteria for judging success or failure, future policymakers may find it difficult to bring the trial to an end.

This may already have happened with income management in the Northern Territory. Income management began as part of the Northern Territory Emergency Response, an initiative that was originally envisaged as time limited.138

Technical problems that may affect the potential for expansion

The Government has announced that it will extend the cashless debit card trial to two new locations—the Goldfields in Western Australia and the Hinkler electorate in Queensland. According to a submission by the Department of Social Services, these new sites will be ‘an opportunity to test the scalability’ of the card.139 There has been some speculation in the media that the Government will eventually roll the card out nationally.140

However, a submission from the Minderoo Foundation argues that the Government needs to overcome the technological limitations of the current card system.141 As explained above, the current model is expensive and difficult to administer because automatic blocking only works at a merchant level. Currently the Government and Indue need to identify mixed merchants individually and these merchants need to enter an agreement with Indue to manually block purchases of excluded goods such as alcohol. Minderoo proposes creating a new system that can block purchases at the product level.142 DSS is currently searching for a technological solution to this problem.143

If the Government cannot find a way to overcome the technological limitations of the current system, it may not be feasible to expand the cashless debit card beyond a small number of regional and remote communities. This is because the current system relies on DSS working closely with merchants to make sure they take steps to manually block the purchase of excluded goods. While this is feasible in a small, relatively isolated regional centre, it may not be feasible in a large town or urban area.

The risk of circumvention

Aside from formal agreements with mixed merchants, the cashless debit card system relies on technology and voluntary cooperation from merchants to prevent the sale of excluded goods to cardholders. There is no legislation that enables the Government to enforce restrictions through measures such as fines.

This is a problem because the current system cannot automatically block the purchase of all excluded goods. As the Minderoo Foundation’s submission explains, the current cashless debit card system cannot automatically

---

139. DSS, Submission to Senate Standing Committee on Community Affairs, Inquiry into the Social Services Legislation Amendment (Cashless Debit Card) Bill 2017, 29 September 2017, [submission no. 8], p. 3.
141. Minderoo Foundation, Submission to Senate Standing Committee on Community Affairs, Inquiry into the Social Services Legislation Amendment (Cashless Debit Card) Bill 2017, 29 September 2017, [submission no. 5], pp. 6–7.
142. Ibid.
143. Ibid.
block purchases of cash substitutes such as gift cards. This is a problem because some gift cards available at supermarkets can be used at bottle shops while other cash substitute cards can be used for online gambling. \(^{144}\)

According to the Orima evaluation, researchers received reports that cardholders were accessing:

... cash substitute cards (which were not restricted by the Indue card) for online gambling—relevant stakeholders indicated that merchants had been educated about the practice and most had stopped stocking the cards and/or monitored the method of purchase and avoided selling cash substitute cards to customers who wished to use an Indue card for their purchase. \(^{145}\)

Relying on merchants to prevent the sale of gift cards may be a more serious problem if the cashless debit card is rolled out in an urban area where there are too many potentially problematic merchants to work with each of them individually. Even if gift cards cannot be used to directly purchase excluded goods, they can be sold for cash. Cards can be traded informally between individuals, using online sites such as Gumtree or, potentially, through businesses that buy and sell cards (a 2012 Commonwealth Consumer Affairs Advisory Council review reported that there was a small but growing secondary market for gift cards in Australia). \(^{146}\)

The evaluation of income management in the Northern Territory suggests that cardholders are also likely to find simpler ways of getting around restrictions. While researchers found evidence that some BasicsCard holders were swapping phone, power and other cards for cash, alcohol or tobacco, a more common approach was to swap food or groceries for cash, alcohol or tobacco. These kinds of circumvention were more commonly reported in urban areas and among non-Indigenous people. \(^{147}\) This means that experience with the cashless debit card in Ceduna and the East Kimberley may not be a good guide to what may happen in a larger centre such as Bundaberg.

**Evaluation findings and limitations**

The Department of Social Services contracted Orima Research to perform an independent evaluation of the cashless debit card trial.

**Methods**

The evaluation took the form of three waves of interviews with community stakeholders (including community leaders, local government, police, and service delivery personnel), one before and two after the cashless debit card trial was rolled out, and two waves of interviews with the general public, both conducted after the cashless debit card trial was rolled out, which were separated during the analysis into those included in the cashless debit card trial, family members of those in the cashless debit card trial and those not taking part in the cashless debit card trial. \(^{148}\) Sufficient interviewees (more than 500) were contacted that the results are statistically significant at the 95 per cent confidence level for outcome differences of five per cent or greater.

**Findings**

The evaluation found a reduction in self-reported alcohol consumption, gambling or illegal drug use among those who said they had previously done one or more of these things. Thirty-three per cent of relevant participants said that they did at least one of these behaviours less in Wave 1, strengthening to 48 per cent in Wave 2, suggesting an ongoing change. \(^{149}\) Stakeholders generally reported positive social changes, and numerous anecdotes of improvement are included. \(^{150}\) However these positive reports were not matched by any significant change in crime statistics or electronic gaming (poker) machine revenue during the period of the

---

\(^{144}\) The Minderoo Foundation, *Submission to Senate Standing Committee on Community Affairs, Inquiry into the Social Services Legislation Amendment (Cashless Debit Card) Bill 2017*, op. cit., p. 6.


\(^{146}\) Commonwealth Consumer Affairs Advisory Council (CCAAC), *Gift cards in the Australian market: final report*, Commonwealth of Australia, July 2012, p. 26. At the time the review was conducted there was at least one company that bought and sold gift cards online (Cardlimbo). It appears that this company is no longer trading.


\(^{149}\) Ibid., p. 43. 32% (Wave 1) and 43% (Wave 2) of CDCT participants interviewed said they did not drink, gamble or take drugs before the trial. It is not clear why this figure increased significantly between waves. It may indicate sampling problems, participants not understanding or not wishing to answer the question, or unreliable recollections.

\(^{150}\) Ibid., p. 5.
The final evaluation report cites both increases (in Ceduna) and decreases (in the East Kimberley) in the use of community patrol services and sobering up shelters as evidence the cashless debit card trial is having an effect, suggesting some inconsistency in analysis. No data on alcohol sales is included and alcohol-related hospital admissions data, which shows a slight (five per cent) decline in Ceduna, is only provided for a short period in Ceduna but not for the East Kimberley.

In addition to the key targets of drinking, gambling and drugs, the final evaluation report claims significant additional ‘spillover’ benefits, such as an increase in the ability to save money (increased from 31 per cent to 45 per cent between waves), but also reports significant additional negative effects, such as an increase in people running out of money for school supplies (increased from 32 per cent to 45 per cent) and children’s essentials (31 per cent to 44 per cent) (and running out of money for food in Ceduna increased from 42 per cent to 52 per cent) and having to borrow money from family or friends (increased from 50 per cent to 55 per cent). Significantly fewer people in Wave 2 than Wave 1 thought that the cashless debit card trial had made their children’s lives worse, mostly because they could not give children cash or buy items for their children with cash. Stakeholders and participants reported parents on the cashless debit card trial taking more interest in their children’s school attendance and performance, however there was no increase in recorded school attendance.

Methodological limitations

The design of the evaluation means that only limited weight can be attached to many of the findings. Limitations of the evaluation include:

- the absence of baseline qualitative or quantitative data on prospective participants’ alcohol, drug or gambling use before the trial
- the absence of control sites (except for a limited set of administrative data) and
- the non-randomised nature of participation, and the very limited use of administrative or other hard data for triangulation (only data for the previous 12 months, or less, for some services, was available, and no direct measurements of alcohol sales or other merchants’ sales were used).

These limitations mean that the cashless debit card trial evaluation would rank at 1 or below on the 1–5 Maryland Scientific Methods Scale (where 5 is the strongest form of evaluation), or between 5 and 6 on the 1–6 Leigh ‘Evidence Hierarchy for Australian policymakers’ scale (where 1 is the strongest form of evaluation).

Issues with the evaluation design mean that the results may have been influenced by perceptual errors and biases. The results may also have been affected by confusion with other programs or broader trends, such as the

151. Ibid., pp. 59–66. The evaluation reports that electronic gaming (poker) machine revenue was lower for the period of the trial than for the 12 months before it, however the decline in revenue began before the trial started and the data is not for Ceduna alone but for a larger area that includes Ceduna. There are around 140 gaming machines in the Ceduna, Streaky Bay, Le Hunte, Elliston and Lower Eyre Peninsula area. Only around 40 of these machines are in Ceduna. See: South Australian Centre for Economic Studies (SACES), ‘Gambling database (EGMs)’, SACES website.

152. Oirma Research, Cashless debit card trial evaluation: final evaluation report, op. cit., pp. 48–9


155. Ibid., p. 82.

156. Ibid., pp. 77–80.

157. The reports of behavioural change in the evaluation are based upon the respondents’ subsequent recollections of their behaviour before the cashless debit card trial was rolled out. This means that as well as social desirability bias (discussed briefly on pages 50 and 149 of the final evaluation report) there is a significant risk of inaccurate recall, particularly when alcohol and drug consumption can themselves damage memory and cognition. The significant increase in participants claiming that they never drank/gambled/took drugs before the trial (footnote 149 above) may be one indication of faulty recollection influencing results. F K Del Boca and J Darkes, ‘The validity of self-reports of alcohol consumption: state of the science and challenges for research’, Addiction, 98(2), 2003, pp. 1–12.

158. What Works Centre for Local Economic Growth (WWCLEG), The Maryland Scientific Methods Scale (SMS), WWCLEG webpage; A Leigh, ‘What evidence should social policymakers use?’, Economic Round-up, 1, 2009, Treasury, Canberra, pp. 27–43.
new restrictions on alcohol put in place in both Ceduna and the East Kimberley shortly before the cashless debit card trial rollout, or concurrent changes in the Community Development Programme (CDP). Despite the final evaluation report’s attempts to explain the discrepancy as being due to inadequate crime statistics, the lack of correlation between stakeholder observations of less crime and no change in police reports of crime suggests the possibility of perceptual errors, particularly since it is well known that public perceptions of crime levels rarely correlate with recorded crime rates, and the role of many stakeholders in lobbying for the cashless debit card trial rollout means that their views are vulnerable to confirmation bias or motivated reasoning.

These and other methodological concerns (for example, although participants were assured of confidentiality, IDs were recorded and used to recontact participants, increasing statistical validity but potentially undermining belief that their answers would be anonymous) mean that some social scientists and commentators have cast doubt on the evaluation’s reliability. For example, social researcher Eva Cox claims that most of the responses to the survey used in the evaluation ‘should be seen as seriously flawed.’

Janet Hunt of the Centre for Aboriginal Economic Policy Research at the Australian National University is similarly sceptical about claims that the trials have been a success. Citing the Prime Minister’s claim that there has been a ‘massive reduction’ in alcohol and drug abuse and in violence, Dr Hunt writes:

Someone needs to tell them [Minister Tudge and the Prime Minister] that the report does not say that. Indeed, the authors qualify a number of their apparently positive findings with various caveats, but, at the same time, the evaluation itself has serious flaws, so even these findings are contestable.

Similar concerns are raised in some submissions to the Senate Inquiry, such as the WACOSS, QCOSS and AASW submissions discussed above.

---

159. While the final evaluation report’s Executive Summary claims (p.8) that alcohol restrictions had been in place ‘for a considerable period of time’ before the cashless debit card trial, new restrictions on alcohol purchases were put in place in Ceduna in September 2015 (p.40) and a new Takeaway Alcohol Management System (TAMS) was put in place in the East Kimberley in December 2015 (p.41), that is within six months of the CDCT rollout. The evaluation of the TAMS system found participants could not distinguish between the TAMS and the cashless debit card trial, believing they were all part of the one program. Shire of Wyndham East Kimberley, Takeaway Alcohol Management System (TAMS): a review into the effectiveness of the trial system: January – October 2016, Codeswitch, Mt Lawley, Western Australia, October 2016.


161. E Cox, ‘Much of the data used to justify the welfare card is flawed’, The Guardian, 7 September 2017; Martin, ‘Practical love or practically useless?’, op. cit.
