Briefing: What's wrong with the cashless debit card?

The St Vincent de Paul Society does not support the cashless debit card. There is no evidence that it improves the wellbeing of individuals or communities, either by reducing substance abuse or by increasing employment outcomes. The cashless debit card also carries a high risk of unintended and expensive consequences across government and the community, including social exclusion and stigmatisation, increased financial hardship, and the erosion of individual autonomy and dignity. Ultimately, this is a punitive and paternalistic measure that is driven by ideology rather than evidence.

What is the cashless debit card and who does it apply to?

The cashless debit card (also known as the 'cashless welfare card') forces income support recipients to have 80 per cent of their payments quarantined to a debit card that cannot be used for gambling or to purchase alcohol, or to withdraw cash. The remaining 20 per cent of a person's payment is placed into their normal bank account.

According to the Government, the card will be selectively applied in locations where "high levels of welfare dependence exist alongside high levels of harm related to drug and alcohol abuse".

A trial of the card began in early 2016 in Ceduna (SA) and the East Kimberley (WA). In Ceduna and the East Kimberley, all working age recipients of income support are forced to use the card – regardless of their financial competence and drinking or drug habits.

In the 2017 Federal Budget, the Government announced the trial would be extended in Ceduna and East Kimberley, and expanded to the Goldfields (WA) and the Bundaberg/Hervey Bay regions (QLD). Proposed legislation was introduced which would have enabled the card to be extended to an unlimited number of places for an indefinite period.

However, opposition from the Senate forced the Government to scale back its planned expansion. Legislation was passed in February 2018 which allowed for a one-year extension of the trial in existing locations and expansion to one additional site, namely the Goldfields region of Western Australian. The roll-out of the card in the Goldfields region commenced in March 2018.

The Government has continued to push for additional trial sites, and the Senate gave conditional approval to a further expansion in the Harvey Bay and Bundaberg region. This latest expansion will see the card imposed on around 6,700 young people (under age 36), making Bundaberg/Harvey Bay the largest trial site and bringing the total number of people subject to the cashless debit card to 15,000.

How does the cashless debit card differ from the BasicsCard and other forms of income management?

The cashless debit card is a form of **compulsory income management**, which restricts how a person can spend their income support payment. Since 2007, the Federal Government has implemented a range of different forms of income management. These have varied in terms of whether they are compulsory or voluntary, the portion of payments that are income managed, and who is targeted.

Most forms of income management quarantine between 50 and 100 per cent of income support payments on the **BasicsCard**, which is a debit card that can only be used at approved outlets for approved purchases, and cannot be used to withdraw cash.

The cashless debit card differs from the BasicsCard in that it is meant to be useable at all retailers (except those that sell alcohol or gambling products), rather than just government-approved stores. This means the cashless debit card cannot be used at outlets that sell a mix of excluded and non-excluded goods, such as hotels, bistros and supermarkets that sell alcohol, or retailers that sell gift cards that can be used to purchase alcohol or gambling products.

Does cashless welfare work?

There is no evidence that compulsory income management has any widespread or sustained benefits – either at the individual, family or community level. This is despite a decade of various forms of income management in different parts of Australia.

The Government claims the card will reduce the effects of "welfare-fuelled alcohol, drug and gambling abuse" and "assist people to break the cycle of welfare dependency by stabilising their lives and helping them into employment". They have also claimed that the card reduces domestic violence and crime and improves the welfare of children and families.

Existing evidence, however, shows that compulsory income management:

- does not result in widespread or sustained benefits – either to the individual or to their community;
- leads to no discernible improvements in employment outcomes;
- is poorly targeted;
- is not cost-effective;
- can result in strong negative experiences (e.g. social stigmatisation and exclusion, financial hardship, increased stress, financial harassment, discrimination); and,
- can damage financial management skills.

The most comprehensive evaluation of income management could not find "any substantive evidence of the program having significant changes relative to its key policy objectives, including changing people's behaviours". This evaluation found no evidence of changes in spending patterns; no evidence of improved financial wellbeing; no evidence of improvement in community wellbeing, including for children; and evidence of the kind of learned helplessness that flows from making people dependent on the decisions of others. The review found that, "rather than building capacity and independence, for many the program has acted to make people more dependent on welfare".

A 2016 review of income management programs, undertaken by the University of NSW, concluded:

> No evaluation has found that compulsory forms of income management [IM] have resulted in medium or long-term behavioural change at the individual or community level… In addition, there is evidence of unintended negative consequences of IM, particularly compulsory forms of IM.

A review of the multiple evaluations of income management, undertaken by the Centre for Aboriginal Economic Policy Research in 2016, also found no conclusive evidence of benefit. It indicated the most effective schemes were voluntary and target people with high-needs as part of a holistic set of services. Further, it noted consistent evidence that "compulsory income management can diminish financial management skills and increase dependency on the welfare system".

Does the evaluation of the cashless card trial justify its expansion?

No – the evaluation of the trial of the cashless debit card does ***not*** demonstrate that it has been effective. Despite this, the Government has relied heavily on the evaluation, cherry-picking and misrepresenting contested findings to justify the card's continuation and expansion.

The Evaluation Report provides conflicting and inconclusive findings, and has been widely criticised for its reliance on piecemeal and skewed data, anecdotal evidence, and questionable research methods. In two separate reviews, Deputy Director of the ANU Centre for Aboriginal Economic Policy Research, Janet Hunt, identifies “serious flaws” with the evaluation, noting problems with the survey design, lack of baseline data, invalid assumptions, and interpretive flaws. The Report ignores critical data, including a sharp rise in assault incidence reports in the East Kimberley. It also does not separate the outcomes of the cashless card from the effects of other programs operating in the trial sites, such as the Takeaway Alcohol Management System in the East Kimberley.

The Government has also ignored the **negative outcomes** of the trial. The Evaluation Report indicates a third of card users said the CDC “had made their lives **worse**”. A majority reported that since using the cashless card they had experienced either no change in alcohol consumption, gambling, or illegal drug use, or an increase in these behaviours. In addition, a majority reported that violence in their communities had either remained unchanged or increased. Nearly half said they had run out of money to buy essential non-food items for children, with nearly a quarter (23%) saying the card had made their children’s lives worse.

There is also evidence that, for some, the card has increased financial hardship, social exclusion and stigma, while at the same time eroding self-reliance and autonomy. The card cuts people off from the cash economy and more cost-effective means of purchasing items, such as second-hand markets and garage sales. Additional costs also result from surcharges for card payments and shops requiring a minimum spend for EFTPOS purchases. For many families struggling to survive on very little, the card has made managing their meagre budget more complex; accessing account balances is not always easy, and cards have at times been faulty and beset with technical problems.

Does the cashless card help combat drug and alcohol addiction?

No – neither the evaluation of the cashless card trial nor the wider evidence base show that curbing income support recipients’ access to cash reduces drug and alcohol addiction.

Most people who receive income support do not have a problem with illicit drug use or alcohol dependency. The evaluation of the cashless debit card trial confirmed that most of those involved in the trial sites did not, in fact, have issues with drug or alcohol dependency or gambling addiction. Further, a majority of card users reported either no change in alcohol consumption, gambling, or illegal drug use, or an increase in these behaviours.

For those with serious drug and alcohol addictions, cutting off access to cash may result in ‘circumvention’ behaviours, with addicts seeking out other means to access alcohol and drugs, often with detrimental consequences for those around them. In both the trial of the cashless card and other forms of income management, there is evidence that people with serious addictions have resorted to range of circumvention behaviours including offering non-participants the use of their card in exchange for cash, alcohol or drugs to a lesser value; on-selling of purchased items for cash; informal work; stealing; and ‘humbugging’ and financial harassment of relatives and other community members.

How much does it cost?

Implementing the cashless debit card is extremely costly. The Government spent nearly $18.9 million to trial the cashless debit card, which equates to over $10,000 per person participating in the trial. More than half ($9.8 million) of the total funding was paid to Indue, the private company contracted to cover all operational aspects of the cashless debit card. Expanding the card to more communities will simply increase the wealth of private entities like Indue and the overall cost of social security provision – and yet without providing benefits for the individuals and communities affected.

Is there another agenda behind the expansion of the cashless card?

When a government introduces a measure that is expensive and not supported by evidence, it is reasonable to ask whether there is another agenda.

The cashless debit card has been rationalised by the rhetoric of substance abuse and anti-social behaviour, and linked to alleged deficits in the character and capacity of income support recipients. It is part of a package of punitive measures and cuts to social security, including a drug-testing trial for income support recipients, longer payment waiting periods, and increased activity requirements and non-compliance penalties for unemployed people. Such policies push people further into poverty and seem designed to strip recipients of their dignity and agency.

Such measures also deflect attention away from the underlying causes of poverty and disadvantage, and scapegoat income support recipients for not being able to find work. This puts the blame for unemployment on those who are the victims of a system that is not currently producing enough jobs for everyone. Rather than blaming unemployed people, governments need to work with the community and the unemployed to create more paid work and genuine pathways to employment.

Are there other alternatives?

The Society recognises there are deep-seated social and economic problems in many communities across Australia, especially the lack of job opportunities, inequitable health outcomes, and the effects of alcohol and drug abuse. It is because we take these problems seriously that we want to properly understand their causes. Simplistic views – that the main underlying problem is 'welfare dependency' (i.e., entitlement to social security payments are causing these problems) – are likely to lead to simplistic solutions that are costly, ineffective, and bring shame on those affected.

Instead of paternalistic and ideologically driven measures such as income management, we need a comprehensive set of policies that are grounded in evidence of what works, and that tackle the underlying causes of poverty and inequality. The lack of a viable labour market in many parts of the country, and entrenched long-term unemployment among people with limited education and skills or severe health problems, are key drivers. We believe the considerable resources expended on the cashless debit card and other paternalistic measures could be better spent on improving the adequacy of income support payments, investing in education and job creation, and funding appropriate and effective services for struggling individuals and families.