
ABN 24 603 467 024

Brotherhood of St Laurence
67 Brunswick Street
Fitzroy 3065 Victoria Australia
Telephone: 03 9483 1183
Facsimile: 03 9417 2691
DX 282 Melbourne

Committee Secretary
Senate Standing Committee on Community Affairs
PO Box 6100
Parliament House
Canberra ACT 2600

By email: community.affairs@aph.gov.au

22 October 2020

Dear Committee Secretary,

**Inquiry into the Social Security (Administration) Amendment (Continuation of Cashless Welfare) Bill 2020**

Income management, the prescription of the process and means by which defined benefit recipients access incomes paid to them by the Department of Social Services, commenced in 2007. It was a key feature of the Northern Territory Intervention. Since then, income management has been expanded to a variety of communities around Australia. A different form of income management, via the Cashless Debit Card (CDC), commenced in early 2016. The Committee's current reference considers the transition of income managed people in the Northern Territory and North Queensland to the CDC. The Bill also seeks to provide the Social Services Minister with powers to determine further changes to CDC operations and scope.

The subject of income management has been a frequent topic of inquiry for the Senate Standing Committee on Community Affairs. The Committee's records indicate this is the fifth inquiry considering the CDC since the start of 2017[i]. None of the previous inquiries has found a consistent pattern of objectively evidenced improvements caused by the imposition of income management. There has however been a consistent pattern of evidence presented to the Committee about the problems created, or exacerbated by the requirement for defined benefit recipients to use the CDC. Research conducted since the commencement of the first CDC trials – both studies commissioned by the Commonwealth and those conducted independently, have canvassed similar issues, with similar findings. ACOSS has recently released a summary of these studies, confirming that view[ii].

The Committee is not considering legislation to continue the expansion of the CDC, because of a body of evidence supporting its value. The opposite is true. The evidence that does exist suggests the benefits claimed are weak, inconsistent and disproportionate to the reduction in rights of those people required to use the CDC.

In making this submission, we are confident the Committee will gather and hear similar evidence and make similar findings to those in its earlier inquiries. We are concerned that regardless of what the Committee says, Government will continue to pursue expansion, without establishing the efficacy of the program. Rather than listing again the obvious flaws of the CDC we note that the most offensive and detrimental elements of the policy relate to one key feature. If the CDC were voluntary much of the criticism and harm associated with it would fall away.

Australia's financial services system is based on informed choice[iii]. A special case has been made of compulsorily income-managed benefit recipients, including those required to use the CDC. Compulsory CDC referral removes the ability for those people to select the service that best suits their circumstances. What if the CDC framework not only embraced choice but pursued its stated policy objectives through targeted incentives? More people opted to be income managed when an incentive payment was applied. Why would the same logic not apply to the CDC? We know consumers with higher incomes select card options that offer rewards and preferential purchasing arrangements. Surely the CDC could do the same, providing incentives to make choices that support general health and wellbeing?

Since the appointment of the first research officer in 1943, the Brotherhood of St Laurence has invested in researching the causes and impacts of poverty. Invariably this research involves a consideration of economic dignity and financial capability.[iv] Low income people are amongst the most effective money managers, because they must be. The CDC applies a blanket assumption of incapacity and significantly reduces choice and agency. It should come as no surprise that it leads to perverse outcomes. That does not mean the policy intent is without redeeming features but the delivery vehicle, based on compulsion, will always undermine that intent.

Supporters of CDC expansion will no doubt claim if it were voluntary, no one would use it. Perhaps this change is what is needed however to make it worthwhile. People choose financial products and services based on their suitability. There is a potentially positive role for Government in supporting healthy choices.

As currently designed, the CDC is just a compliance program and the weight of evidence suggests an expensive and not particularly effective one.

Yours sincerely,

Conny Lenneberg
Executive Director
Brotherhood of St Laurence

David Tennant
Chief Executive Officer
FamilyCare

[i] The Senate Standing Committees on Community Affairs records on the Parliament of Australia website confirms inquiry reports relevant to the Cashless Debit Card were tabled on 6 December 2017, 14 August 2018, 1 April 2019 and 7 November 2019.

[ii] Australian Council of Social Services; Cashless debit cards and income management: a briefing note on the evidence; Sydney; October 2020

[iii] For a discussion of the regulation of savings accounts in Australia compared to the Cashless Debit Card see: Tennant, D and Brody, G; *The fraught Relationship between the Cashless Debit Card and Basic Transaction Accounts;* Social Alternatives Vol 39 No 1, 2020, pp 14-19

[iv] See for example, Bowman, D & Banks, M 2018, Hard times: Australian households and financial insecurity, BSL, Fitzroy, Vic; Bowman, D & Wickramasinghe, S 2020, Trampolines, not traps: Enabling economic security for single mothers and their children, Brotherhood of St Laurence, Fitzroy. Brown, J T and Bowman, D 2020, Economic security and dignity: A financial wellbeing framework, BSL, Fitzroy. Bowman, D, Thornton, D & Mallett, S 2019, Reclaiming social security for a just future: A principled approach to reform, BSL, Fitzroy.