

# Inquiry into the Social Security (Administration) Amendment (Income Management and Cashless Welfare) Bill 2019: Questions on Notice to Professor Gray and Dr Bray.

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## **Question 1**

***In your view, what are the key differences between the cashless debit card trials and the Cape York Welfare Reform model? Do you believe the two models impact those participating differently?***

### **Answer:**

While there are some operational differences between the actual form of restriction under Income Management (IM) and the Cashless Debit Card these are at the margin. The differences in the form of restriction under IM and the Cashless Debit Card largely relate to the specific set of stores in which they can be used, and with the purchase of tobacco being permitted on the Cashless Debit Card but not under IM, as well as the default setting of the proportion of income being quarantined.

The major differences, in particular between the Cape York Trial and the Cashless Debit Card trials relate to the populations subject to the measures:

#### Cape York – population subject to the measure

- In the Cape York trial the policy is only applied to an individual who is drawn to the attention of the Families Relationships Commission (FRC) because of a ‘trigger event’, such as poor school attendance by, or non-enrolment of, children, child safety/protection issues, a court conviction, the issuing of a domestic violence protection order against the person, or a breach of a housing tenancy agreement, or rent arrears, and where the Commission decides that income management is an appropriate tool to use to assist the person.
  - This decision is taken through a process which involves the person being required to attend a conference, where the person’s behaviour, circumstances and problems are discussed with them, along with the range of possible options including support services, and income management, to address them. These conferences are presided over by a commissioner who is, in most cases, a local commissioner and a community elder.
  - Referral to income management currently occurs in around 10 per cent of cases and is for a fixed term of up to 12 months and is usually as a part of a package of measures designed around the circumstances of the case.

#### Cashless Debit Card (and Income Management) – population subject to the measure

- The Cashless Debit Card trials, as with the bulk of income management programs<sup>1</sup>, automatically apply the policy to a class of income support recipients.
  - In the Ceduna, East Kimberley and Goldfields regions it applies to all people who receive a working age payment. (In addition Age and Veterans Pension recipients can volunteer.)

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<sup>1</sup> Across the different income management policies implemented in different locations a diverse range of targeting measures have been adopted and there are differences in how the target groups are described.

- In the Bundaberg and Hervey Bay region it applies to all people aged 35 years and under who receive Newstart Allowance, Youth Allowance (Job seeker) and Parenting Payment (Single or Partnered).
- The policy applies indefinitely (subject to legislative provision). For example in the case of income management in the Northern Territory while this policy was initially introduced for a one year period in 2007, with some variations over time, it remains in place today.

### Differential impact:

We believe there is strong evidence of a differential impact between the tightly targeted and supported approaches such as that used in the Cape York model, and the indiscriminate application of income management (including the Cashless Debit Card) to groups of income support recipients. This evidence is most clearly seen in the evaluations of Income Management in the Northern Territory and of Place Based Income Management. These two evaluations are, we consider, the most robust evaluations of this type of program, involving longitudinal surveys of participants and control populations unaffected by the measures. In addition the scale of the program in the Northern Territory allowed for extensive analysis of community wide outcomes, including the use of independent administrative data on school attendance, educational outcomes, child health, in addition to alcohol sales and alcohol related hospital admissions, and some criminal justice data.

Key findings of these evaluations are summarised below:

#### New Income Management in the Northern Territory

This program had three groups of participants for whom differential impacts were analysed. These were: (i) those on compulsory income management which applied to all working age income support recipients, other than those on a Disability Support Pension, who had been in receipt of assistance for more than three of the past six months if aged under 25 years, or for more than a year in the past two years if aged over 25 years; (ii) those on voluntary income management; and (iii) a range of targeted measures focused on those who were assessed as vulnerable, those who had been identified as part of child protection activities, or those who were under mandatory alcohol treatment arrangements. The program was, at the point of evaluation in late 2013, dominated by compulsory income management (77 per cent of participants), followed by 20 per cent who were voluntary, and the balance under a range of targeted measures.

In the final evaluation report (Bray et al 2014), of which we were major authors, we reported that “the evaluation could not find any substantive evidence of the program having significant changes relative to its key policy objectives, including changing people’s behaviours” (page xxi). This conclusion is based upon findings across a range of outcome measures including spending patterns, financial well-being and financial management skills, and a collection of measures of community well-being. Looking at the elements of the program we found some nuanced and small increases in some outcomes for those on voluntary income management relative to those on compulsory, and for those on the targeted vulnerable measure we reported:

The evidence indicates that the targeting of assessed Vulnerable Income Management has identified a group of highly vulnerable individuals – around 150 at any one time. For this group some positive outcomes from income management have been reported and there is some evidence that while income management may assist in ‘harm minimisation’ for this

group, they also need other supports. It is unlikely that income management can effectively build the capabilities of this group, but rather they will need this intervention on an ongoing basis. (Bray et al. 2014: page xxii)

#### Place Based Income Management

This program was evaluated by Deloitte Access Economics (2015). The key populations contrasted in the analysis were those who were placed on automatically due to receipt of Special Benefit, a crisis payment or granted 'Unreasonable to Live at Home' status, relative to a group who had volunteered, or who had been placed on due to individual assessment by a social worker or identified through child protection activity.

The study found quite contrasting outcomes for different groups concluding "A resounding finding of the evaluation was that outcomes differed substantially between VIM [Voluntary Income Management] and VULN [Assessed and Automatic Vulnerable] customers. The most positive outcomes of participation in PBIM appeared to be realised by those who voluntarily opted-in (VIM)" (page 65), but noted more generally "Survey results indicated that PBIM did not appear to have a substantial or sustained impact on the level of alcohol, tobacco or gambling consumption" (page 65).

The evaluation recommended a reorientation of the focus of the program and suggested:

One way in which this could be achieved is to remove the automatic trigger for enrolment in the VULN-AT [those deemed to be vulnerable because of the type of payment they were on] measure. Analysis through the evaluation has suggested that this measure is associated with fewer positive outcomes in aggregate than the VIM and VULN-SWA [individuals who had been assessed by Social Workers] measures. Interviews with providers and consumers have indicated that a broad-based trigger mechanism is not sufficiently targeted to distinguish between consumers who stand to benefit from the program and those who do not. (Deloitte Access Economics 2015: page 66)

#### Overall impact

It is also important to stress that even where some positive outcomes are identified from voluntary and targeted income management these are usually very modest, especially when actual outcomes are studied rather than qualitative perceptions of change.

- The Strategic Review of Cape York Income Management reports some positive qualitative findings but then indicates "Although these qualitative data indicate a largely positive view, they are not always supported by the available quantitative data. Analyses of aggregated data at the community level show mixed results, whilst analysis of the data records of individual FRC clients indicate that whilst CYIM did not eliminate further breaches, it extended the time between breach notifications" (Scott et al. 2018: page xi),
- In the Northern Territory the analysis found that while there were some improvements in financial management outcomes for those voluntary these were modest – some 1 to 3 per cent across the population on the program, and that although the program was associated with a fall in families reporting problems with alcohol the decline was for those with moderate problems only, while severe problems increased. Similarly while this group also reported fewer problems with being subject to humbugging, they tended to ask others for money more frequently. As with the Cape York study we found that when apparently positive qualitative reports of improvement were compared with actual data they were not sustained.

- In Place Based Income Management in addition to the above identified absence of any impact on alcohol, tobacco and gambling expenditure the report notes that to the extent they could study the question “PBIM did not appear to have had a significant impact on measures of the care of children such as attendance at school or health of children” (Deloitte Access Economics: page 42) and that the key substantive finding of impact for those on the program voluntarily – the one group they found positive outcomes for – this was mainly in terms of being less likely to run out of money before their next income was received.
- The evaluation of Voluntary Income Management in the APY lands (Katz and Bates 2014) largely relied upon qualitative methodology and noted that while this found some positives these only made “a modest contribution to addressing some of the challenges in these communities” (page 2). More so because of the methodology “it was not possible to verify these findings through objective measures of changes in wellbeing” (page 2). More significantly it concluded “Financial harassment, hardship, substance misuse and gambling reportedly continue to provide serious and ongoing challenges to these communities. Income management alone may not be able to make significant inroads into all of the social problems within the community” (page 2).

While the value of any gains to some individuals should not be downplayed, in addition to the fact that these are not widespread, and may also reflect individual motivations, questions also need to be asked about the cost effectiveness of the program in achieving these gains, and whether alternative investments may yield better results.

### Reasons for differential outcomes

There are a number of reasons for these findings:

- The widespread application of these programs to populations of income support recipients places many people on these measures who are already managing their finances successfully. These people only face the downside of the policies including more restricted access to some shopping opportunities such as markets, potential minimum purchase requirements and credit card surcharges, and reduced flexibility in their spending, as well as facing stigma in terms of being seen as needing to be income managed.
- In contrast tightly targeted approaches usually involve:
  - A population for whom money management is very frequently an issue.
  - The policies tend to be time limited, providing an incentive for those who wish to get off to improve their behaviours in order to do so.
  - They are applied on an individual basis, usually in the context of a wider assessment of the person’s circumstances, in a process which involves a discussion of their problematic behaviours and the need for changes in conduct.
    - In the case of the Cape York trial this is a very explicit process involving the Families Responsibilities Commission.
  - They are usually part of a suite of program supports provided to the person, including for example financial education, family relationship support, and alcohol and drug treatment.

- The provision of income management can be varied to the specific needs of the individual. In the Cape York trial this involved decisions on the proportion of income to be quarantined; in the Northern Territory approaches included daily allocations to the card, etc.
- In the case of voluntary participation, as with the tightly targeted approach, the policy involves individuals who believe they can benefit from assistance in managing their money, rather than those who believe that their management skills are adequate.
  - This self-identification of having a problem was associated for most with a belief that they could make the card work for them in addressing this problem.
    - This level of motivation can be seen as being very important to the outcomes of these participants.
  - While ‘wrap around’ supports were not usually part of the voluntary measure, to the extent participation was, as noted above, a reflection of individual motivation it can be expected that this motivation will also be reflected in their own actions in seeking other supports where they feel they need them.
  - Although there is a potential problem in this group of becoming dependent upon income management rather than developing better skills and gaining independence, this tends to be less problematic for this group who tended to be older, and very long term, and in all probability continuing, income support recipients.

## Summary

In summary the differences between the two measures are firstly around the way in which people are subject to the policies, in one case a selective strategy based on individuals who have identified problems, and the other placing large groups on the program based upon criteria associated with their receipt of income support. In the Cape York program this involves decision making by community elders. Secondly is the extent to which under the targeted approaches policies go beyond simply imposing income management to providing a more holistic approach to the set of supports and other measures appropriate to the person’s circumstances and problems.

In terms of impacts, evaluations have found quite different results for those who are placed on the program under criteria related to their receipt of income support alone, relative to those who have either volunteered or have been placed on the program through an individually based assessment. However across all forms of income management, even to the extent positive outcomes are found for this latter group, these tend to be modest.

## Question 2

***Your submission details some claims made in the Orima Report and in departmental advice that are not 'robust', including that the reported fall in alcohol related pickups were part of a longer term trend and not a specific outcome of the cashless debit card trial, that ambulance pickups had increased not decreased and that school attendance by Indigenous children had fallen rather than increased. Can you take the committee through some of the identified inconsistencies in more detail?***

### **Answer:**

The validity of these claims made in the ORIMA report and in Departmental briefing were one of the questions considered by the Auditor General. This is discussed on pages 44–45 of the Australian National Audit Office report (Auditor General 2018). This, for example, notes that no account of seasonality was taken by the department, despite the availability of the data, in briefing the minister on an apparent decline in the average number of alcohol related hospital admissions in Ceduna from March to June 2016, despite the fact that the apparent decline was congruent with seasonal trends. Similarly it reports:

3.50 ... Seasonality was not taken into account in the department's reporting on other social indicators to the Minister, despite the data being available. For example, Social Services reported to the Minister on the decline in the number of pick-ups by the Kununurra Miriwoong Community Patrol from April to May 2016, but the department did not analyse all available data (April to August), did not account for seasonality and did not measure pick-ups related to alcohol to more accurately assess change. ANAO analysis showed that there was a consistent decline in alcohol related pick-ups over time, not just over the trial period. There was a decline from April 2014 to August 2014 (61.7 per cent); with further declines shown from April 2015 to August 2015 (35.4 per cent) and April 2016 to August 2016 (36.1 per cent).

3.51 The Minister was advised that there was a decrease in the total number of St John Ambulance call-outs in September 2016 compared to September 2015. Accounting for seasonality in the data, ANAO found, in analysing the data over a longer period, there was a 17 per cent increase in call-outs from April to October 2016 when compared to the previous year.

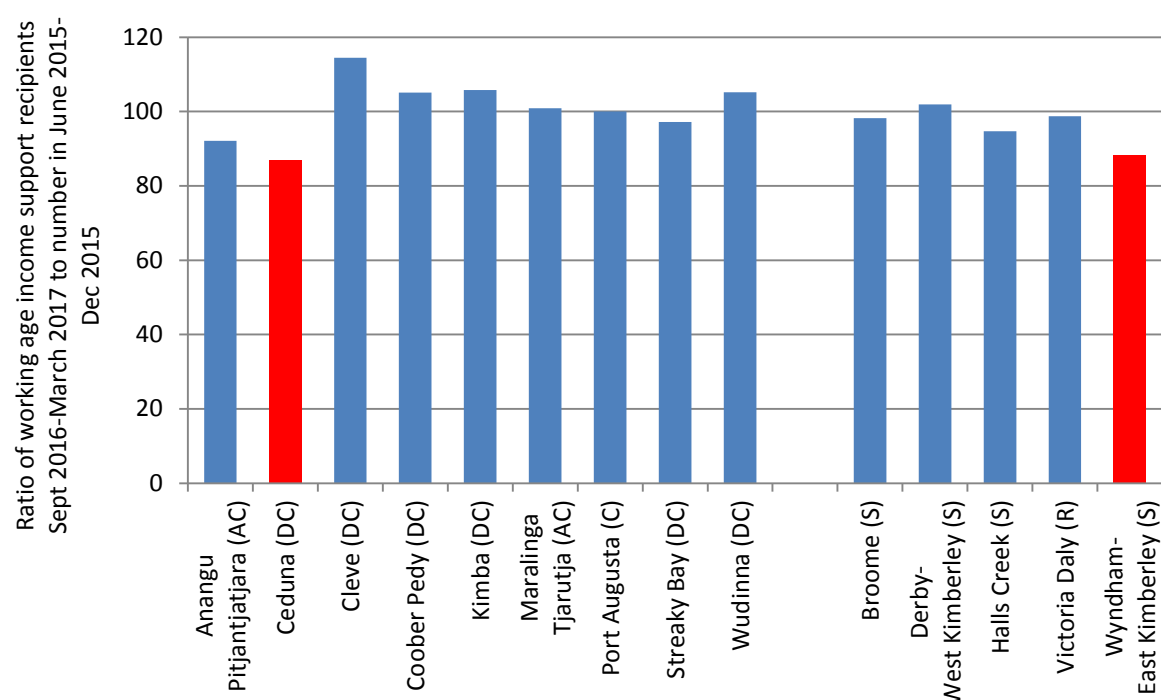
3.52 Anecdotal information reported to the Minister suggested an increase in school attendance, but ANAO analysis of state data available to Social Services showed that attendance was relatively stable for non-indigenous students but it had declined by 1.7 per cent for indigenous students, after the implementation of the trial compared to the same period (between May to August) in 2015. (Auditor General: page 45)

Similarly Hunt (2017a) provides an analysis of gambling data in the Ceduna region, one of the 'positive' outcomes cited by ORIMA. She notes that not only is analysis of the data complex due to wide fluctuations over time, but more significantly needs to be seen in the context of a long term decline. She publishes a chart of this data noting that this "shows gambling revenue in the Ceduna region fluctuating considerably month by month both before and after the trial. Furthermore, data for South Australia shows revenue from poker machines dropping in Ceduna Local Government Area (LGA) and across the State over at least a five-year period" (Page 3). She also provides (Hunt 2017b)

an analysis of police data on assaults in Kununurra and Wyndham which shows that “Assault incidence reports from the Western Australia Police rose sharply around the time the CDCT [Cashless Debit Card Trial] began in the East Kimberley in mid-2016” (page 1).

We ourselves have looked at the claim in the ORIMA report that “It was considered a possible risk that people could leave the area before or after the commencement of the Trial, but there is little evidence of this happening to any significant extent” (ORIMA 2017: page 37). We reproduce below the chart we provided in evidence to the Senate Standing Committees on Community Affairs: Inquiry – Social Services Legislation Amendment (Cashless Debit Card) Bill 2017 (Gray and Bray 2017).

**Figure 1 Ratio of current working age income support recipients to pre-cashless debit card trial, selected Local Government Areas, SA and WA.**



Note: Ratio of average number of working age income support recipients in the four quarters to March 2017, relative to average number of working age income support recipients in the four quarters to December 2015.

Source: DSS Payment Demographic Data, data.gov.au.

In our commentary at the time we noted:

Figure 1 shows the ratio of the average number of these recipients in the two trial sites, and neighbouring locations, in the year to March 2017 relative to the number in the year to December 2015.

As shown in the chart, the ratio in Ceduna is well below that of the nearby South Australian sites, as is also the case for the East Kimberly region in Western Australia. On average we estimate that the ratio for the two target locations is some 10 per cent below that of the equivalent locations. This is strongly suggestive of there having been a movement out of the location at the time when the application of the policy to the region was first being discussed. (Gray and Bray 2017: page 2).

This issue is not addressed at all in the final report.

## References:

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