



Australian Government
Department of Social Services

Finn Pratt AO PSM
Secretary

Ms Jeanette Radcliffe
Committee Secretary
Standing Committee on Community Affairs
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Ms Radcliffe

SOCIAL SECURITY LEGISLATION AMENDMENT (DEBIT CARD TRIAL) BILL 2015

Thank you for the opportunity to make a submission to the Community Affairs Legislation Committee about the *Social Security Legislation Amendment (Debit Card Trial) Bill 2015* (Bill), referred for inquiry by the Selection of Bills Committee on 20 August 2015. The Department attended the Committee hearing on Friday, 11 September 2015 to further inform the Committee's deliberations however, I am pleased to subsequently provide a brief written submission on behalf of the Commonwealth.

As the Committee would be aware, Government continues to consider new ways of delivering welfare payments that:

- ensure these payments are spent in the best interests of families and children;
- encourage social and economic participation while providing a short-term safety net during periods between employment or study; and
- minimise costs and streamline processes for a more sustainable and less complex system for all Australians.

The Cashless Debit Card trial would aim to test whether limiting the amount of welfare payments spent on alcohol, illicit drugs and gambling, reduces community level social dysfunction including substance related hospitalisations and violent crime.

Unlike the income management programme, which directs a percentage of welfare funds to priority goods and services, trial participants would be able to use the card to buy anything other than alcohol and gambling products. In addition, cash would not be able to be withdrawn from the card, limiting the amount that can be used to purchase illicit drugs. This model will test a more mainstream delivery of welfare restrictions.

The trial is intended to be different from income management. It will build on experiences of income management models across Australia, contributing to the Government's evidence base about what works in welfare payment delivery and identifying improvements.

Across all income management evaluations, a substantial number of people reported the programme has made their lives easier, made it simpler to manage their money, made them feel safer, and has improved their lives and the lives of their children.

There are some key differences between the income management programme and the cashless debit card trial that I would like to draw to your attention:

Proportion of restricted funds

A large proportion of income managed funds are still not spent in the interest of families and children. Income management normally restricts about 50 per cent of a participant's fortnightly welfare payments. Under the trial, a higher proportion - 80 per cent - would be issued to the Cashless Debit Card and 20 per cent would be issued to a trial participant's nominated bank account, in recognition that we do not yet live in a cashless society. The trial will aim to limit a higher proportion of funds available to be spent on alcohol, drugs and gambling decreasing harm at a community level and make more funds available to be spent in the best interest of families and children.

Mainstream delivery

The Cashless Debit Card will look and operate similarly to a regular bank card. This will alleviate any potential concerns about associated stigma.

Participants will be able to use the new card anywhere in Australia with a payment machine and for any expenses, except alcohol or gambling. A proportion of their welfare payment can still be accessed as cash via their regular bank account.

Less interaction with Government agencies

The Cashless Debit Card would be delivered by a commercial partner and less intensive interaction between Government agencies and participants would be required. The commercial partner will issue debit cards via mail and provide ongoing services like balance checking, transaction history, phone and internet services, a smartphone application and replacement of lost or stolen cards.

You may also be aware that community leaders in Ceduna in South Australia and the East Kimberley in Western Australia have written to the Government expressing strong support for a trial in their communities. These communities are seeking a stronger tool to address alcohol, drug and gambling issues at the community level.

In proposed trial communities where income management currently operates, more people will use the debit card than currently participate in income management. This will result in a significant reduction of cash available in the community to be spent on harmful goods and rates of harm affecting the whole community are expected to decline.

The trial is limited in scope - a trial in the true sense - and will include an independent comprehensive evaluation considering the impact of limiting the amount of welfare funds on community level harm. The evaluation will include qualitative and quantitative data analysis providing clear findings for Government and the communities.

Yours sincerely

Finn Pratt

17 September 2015