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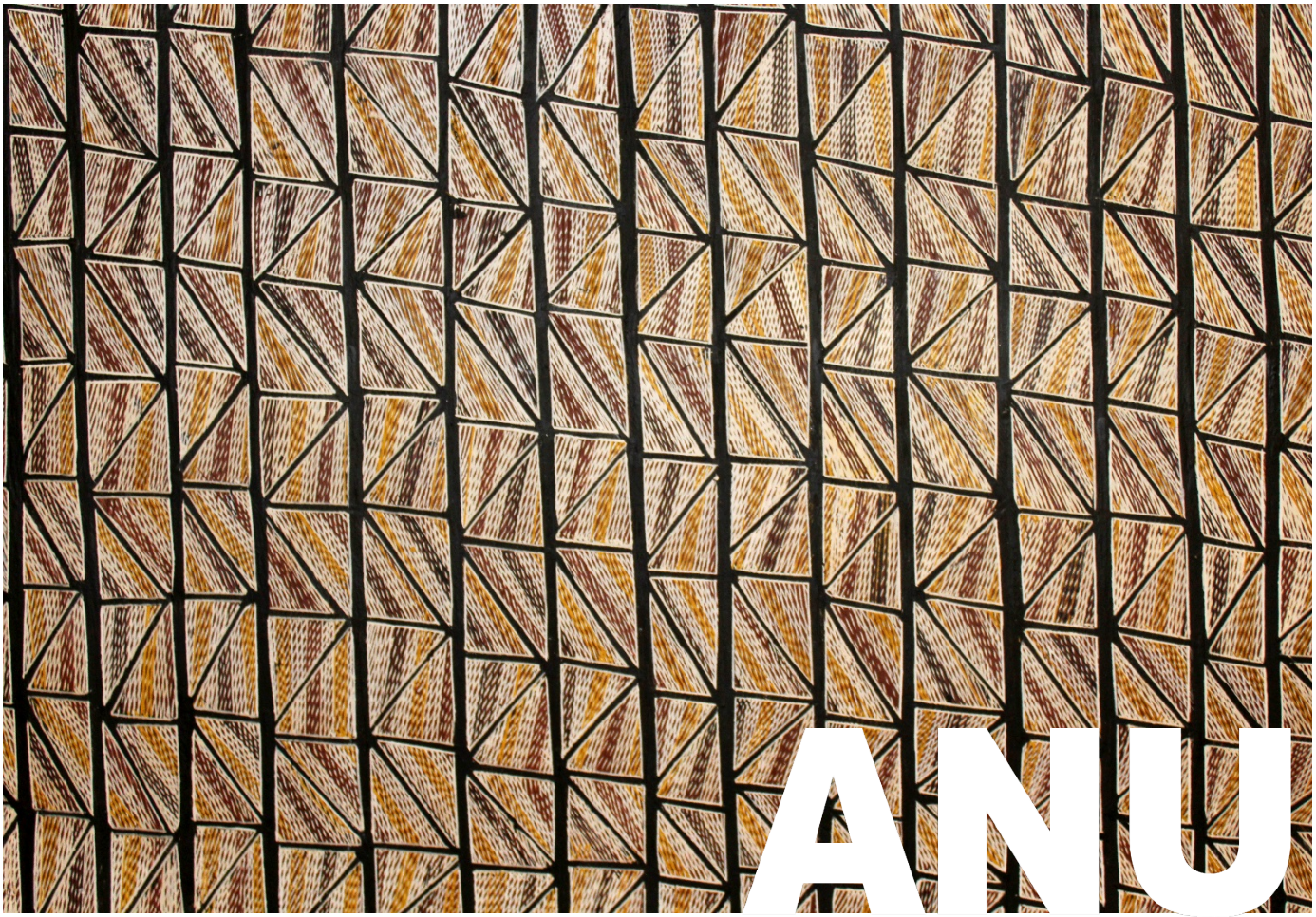

EVALUATING THE CASHLESS DEBIT CARD: HOW WILL IT SOLVE POVERTY AND UNEMPLOYMENT?

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Evaluating the Cashless Debit Card: How will it solve poverty and unemployment?

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Abstract

This paper explores data from two early reports related to an evaluation of the trial of the Cashless Debit Card (CDC) roll-out in the Electoral Division of Hinkler, Queensland, which began in January 2019. This trial, which includes residents of Bundaberg and Hervey Bay, is the first in a non-remote area where the population is predominantly non-Indigenous. It is focused only on persons aged 35 years or under, who are on four income support payments (Jobseeker Payment, Parenting Payment (Single), Parenting Payment (Partnered) and Youth Allowance (Jobseeker)). The baseline study includes what is termed a 'Quantitative Data Snapshot' (Mavromaras et al., 2020) and a Qualitative Study (Mavromaras et al., 2019b). An analysis of the reports raises real doubts about why the trial is deemed an appropriate response to the problems of the area at all, and how the evaluation will even assess the CDC's impact due to the disruptive economic and social effects of COVID-19.

Keywords: cashless debit card, Indigenous, unemployment, poverty, evaluation

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Acronyms

AEDC	Australia Early Development Census
ANU	Australian National University
CAEPR	Centre for Aboriginal Economic Policy Research
CDC	Cashless Debit Card
COVID-19	Disease caused by the coronavirus SARS CoV-2. Used here as a cover term for both the disease and virus.

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Evaluating the Cashless Debit Card: How will it solve poverty and unemployment?

On 6 May 2020 the Commonwealth Government Department of Social Services quietly released two reports from a baseline study undertaken by the Future of Employment and Skills Centre at the University of Adelaide. These related to an evaluation of the trial of the Cashless Debit Card (CDC) roll-out in the Electoral Division of Hinkler, Queensland, which began in January 2019. This trial, which includes residents of Bundaberg and Hervey Bay, is the first in a non-remote area where the population is predominantly non-Indigenous. Unlike in other CDC trial sites,[1] it is focused only on persons aged 35 years or under, who are on four income support payments (Jobseeker Payment,[2] Parenting Payment (Single), Parenting Payment (Partnered) and Youth Allowance (Jobseeker)). The evaluation reports were released the day *after* the government also quietly extended all CDC trial sites for another six months.[3] The Guardian report of these developments (Henriques-Gomes, 2020) highlighted that half the cardholders interviewed were opposed to the trial and only 2% supported it, while many complained of the stigma and shame of using it, as well as of many practical problems it caused them. A closer analysis of the reports raises real doubts about why the trial is deemed an appropriate response to the problems of the area at all, and how the evaluation will even assess its impact due to the disruptive economic and social effects of COVID-19.

The baseline study includes what is termed a 'Quantitative Data Snapshot' (Mavromaras et al., 2020) and a Qualitative Study (Mavromaras et al., 2019b), which together reveal a great deal about the region. The Quantitative study outlines eight areas relevant to theories about the effects of introducing the CDC into the electorate of Hinkler (including hospital presentations, crime data, gaming in hotels and labour force participation) plus some analysis of administrative data (e.g. about types of benefits and cancellations, as well as crisis and emergency payments). However, the value of some of the first group of indicators seems low since some will not distinguish between CDC participants (or even their age cohort) and the rest of the population *(all* 15–34 year olds account for less than 20% of the population).[4] Thus attributing change in many of these indicators to the card, or even assessing the card's contribution to any change, will be extremely difficult.

Socio-economic data (Mavromaras et al. 2020) reveal that almost half the population of Hinkler are in the lowest decile on the Index of relative socio-economic disadvantage, and very few are in the top five deciles. This is clearly a very poor area, with low levels of education and a relatively high number of children vulnerable on multiple domains of the Australia Early Development Census (AEDC). Hinkler has higher rates of unemployment and a larger proportion of people not in the labour force than the average for the rest of Queensland and all Australia. However, the rate of youth employment is closer to the state and Australian averages than for the working age population as a whole (Ibid., Fig 2.4, p. 25).[5] Youth unemployment is nearly 5% higher than the state or national average according to the Qualitative study (Mavromas et al., 2019b, p. 28), but this seems largely due to the higher labour force participation rate for under-35 year olds in Hinkler, compared to the average for Queensland or Australia as a whole (see Mavromas et al., 2020, Fig 2.4, p. 25). The rationale for targeting under 35s is not particularly strong in the face of these data, especially as well over half of those on CDC have Year 12 or equivalent Certificate qualifications, so would seem capable of taking up

[1] Other sites are in Ceduna and East Kimberley, as well as the Goldfields, WA.
[2] The Jobseeker Payment was formerly known as the Newstart Allowance.
[3] This means the original 'trial' sites in the East Kimberley and Ceduna have now been operating for over four year; a further evaluation of them is due this year. This extension would have had to be legislated were it not for the sunset deferral powers established in the Coronavirus Economic Response Package Omnibus Act 2020 in March.
[4] According to the 2016 Census count.
[5] The rate of youth employment in Hinkler is 53.5%, in Queensland it is 57.9% and in Australia 54.4%. The rate of youth unemployment in Hinkler is higher than the Queensland and Australia averages, but the proportion not in the labour force is lower, so about 4% more young people are looking for work than in other parts of Queensland or Australia which accounts for the approximately 4% higher rate of youth unemployment.

many of the relatively lower-skilled jobs in the region (see Ibid., Table 2.9, p26 – only about 27% of jobs are managerial or professional). The availability of jobs seems to be the issue (unless many of these people have drug or alcohol problems, but the evidence is not provided – and it is an older cohort reportedly using drugs).

The report says that 8,061 people have been 'triggered' onto the CDC since January 2019, all aged 35 years or under, but now there remain 6,183 active participants. It is not clear what has happened to the 1,878 'no longer active' participants. Some may have become too old to be eligible or have got a job, but this is almost a quarter of the original participants. No comment is made about this in the evaluation, and some may have dropped out of the income support system altogether despite being eligible, (although it does appear that very few on parenting payments have left the scheme).[6] More women (57%) than men and a disproportionate number of Indigenous people are on the CDC; in the case of women, this is largely due to many women being on parenting payments (31% of the participants are on Parenting Payment Single). Indigenous people make up 4.1% of the Hinkler population, but 16% of the card participants (Mavromaras et al. 2019b, p. 21). Yet no Indigenous data is presented in the Quantitative Data Snapshot (2020). Interestingly, of the 979 people on the card who had left the Hinkler region (but remained on the card), more had accessed crisis payments than those who stayed put.

The Qualitative Study (2019b), which provides more information about the socio-economic nature of the region, explores what stakeholders and participants consider the likely impacts of the trial and examine what is and is not working during the early implementation. In this trial site evaluation, most participants had either not yet transitioned to the card or had only been on it a few days before being interviewed, so there is finally what might be considered a reasonable pre-implementation baseline for a CDC site.[7] For this study 74 'stakeholder representatives' and 66 CDC participants were interviewed. The Executive Summary, which is probably all most busy policy makers or politicians will have time to read, is an accurate brief summary but really does not convey vividly the many important issues raised in the interviews.

For example, there were many comments (Ibid., pp. 28–32) that the CDC was not going to create jobs in a region that badly needs them (and how people could be moved off welfare into the workforce without that occurring is unclear); the reality is that even people more than capable of holding down a job were unable to get jobs, and many of the social problems had their roots in unemployment. As one person said, people are being punished for being poor (p63), and reading the report, that certainly seems evident in the income management conditions attached to their income support payments. Structural poverty appears to be a feature of the region, and young people seem to be being blamed for the lack of jobs available. A likely rise in homelessness seems possible from the data provided, with over 20% of those on the card having informal rent arrangements (Ibid., p.63) (largely paying in cash one assumes). One interviewee argued that rather than paying Indue, the firm engaged to administer the card, the money would be better used creating job opportunities in the region (Ibid, p.92).

Furthermore, the whole theory of change that underpinned the original roll-outs of the CDC was that it would reduce cash available for non-essential purposes such as alcohol consumption and gambling in the communities, but in a region like Hinkler (which excludes the nearby town of Maryborough, a point made by a number of interviewees) with a population over 141,000, putting some 6,000 on a card will not achieve that. And various interviewees explained how they would capitalise on such cash availability with many ideas about how people would create work-arounds in return for cash they (or those on drugs) needed (Ibid., p.74).

[6] On p 50 of the Quantitative Study, Table 3.5, of "all participants" vs "currently active" participants by payment, one can see that very few people on parenting payment have left the card compared to a drop in the number of Newstart (Jobseeker) and Youth Allowance recipients.

[7] In all other so called 'baseline' evaluations of the 'trials' the CDC implementation was well underway before the baseline data was gathered.

Several interviewees also argued that the card was poorly targeted; many who used drugs or gambled were not on income support, while many on income support could manage their lives well without the card. Gambling in particular tended to be attributed to an older age cohort. Others wanted a gambling relative to be put on CDC (Ibid., p. 94). And for those with drug addictions it seems that people felt the card alone would not solve addictions without more accessibility of rehabilitation services (Ibid., p. 55).[8] Thus there are people who thought the card could be useful, but they thought it should be much better targeted to those whose behaviours warranted it (Ibid., pp. 49, 58, 88–89). There was a perceived injustice where people on the card were managing their lives well, and others not on it were causing some problems. So, just as there was in the Goldfields baseline study of the CDC roll out (Mavromaras et al., 2019a), there is quite a strong call for much better targeting of the card to those people whose behaviours are really problematic. And some people found the card helpful and would presumably stay on it if it were voluntary.

So while some see the card as potentially useful for a small group of people whose behaviours are socially disruptive or self-destructive, it seems it was only rarely seen as a solution to the real, underlying problem in the region – insufficient economic activity and a consequent dearth of jobs. And for parents, particularly single parents, whose children are faring poorly, much more support than a CDC may be required.

In 2018 when the CDC legislation for Hinkler was introduced to the Parliament, the Explanatory Memorandum for the legislation said it had ' the objective of reducing immediate hardship and deprivation, reducing violence and harm, encouraging socially responsible behaviour, and reducing the likelihood that welfare payment recipients will remain on welfare and out of the workforce for extended periods of time' (House of Representatives, 2018b, p. 2). So the purposes have broadened somewhat compared to previous CDC trial sites, with reducing hardship and deprivation and moving people off welfare and into the workforce added. The Explanatory Memorandum stated, 'The community has significant issues regarding youth unemployment, intergenerational welfare dependency and families who require assistance in meeting the needs of their children' (Ibid., p. 2), and it was suggested that the program had been tailored to address these in this context. From the baseline studies these comments about the problems in Hinkler seem confirmed, but how the CDC is going to provide a solution to many of them, especially long term unemployment, is very unclear. In the face of the COVID-19 pandemic, this is even harder to envisage.

COVID-19 will have impacts on what happens in Hinkler as well as other sites, with considerable implications for any of the evaluations. One interviewee in in Hinkler, for example, suggested that farmers employed backpackers who would work for low wages over local people who wanted a decent wage (Mavromaras et al., 2019b, p. 29). Any future evaluation will need to monitor what happens in Hinkler in relation to backpacker employment. If COVID-19 restricts supply of backpackers, more jobs may become available for locals. This outcome will not be as a result of the card – but of the COVID-19 pandemic. On the other hand, as a tourist destination, Hervey Bay in particular may suffer from the COVID-19 pandemic and inability of people to travel. Thus jobs in the tourism industry as well as many other jobs, may disappear in the Hinkler region. Indeed the overall impact of COVID-19 on the Australian economy, on an already disadvantaged area, and even more particularly on youth unemployment, which is already worsening across the country, may well make tracking the impact of the CDC more difficult.[9] It may bring a previously regularly employed young cohort onto the card, who will also be the first to get off income support when the economy allows. It will also bring more income for those on all the CDC eligible income support payments,[10] at least for a period, since these payments have all been effectively doubled for at least six months. The impact of these payments could be positive, particularly on child welfare, (except where it may cashed out for drug use). Evaluating the Cashless Debit Card trials in a time of COVID 19 will be nearly impossible, with so many factors swirling around that affect our society and its most

[8] There was no baseline data on the number or capacity of these types of services in the reports.
[9] See https://www.abs.gov.au/ausstats/abs@.nsf/mf/6202.0 The youth unemployment rate reached 13.8% nationally and the underutilisation rate reached 37.3% in the April 2020 Labour Force Survey:
[10] https://www.servicesaustralia.gov.au/individuals/services/centrelink/coronavirus-supplement/who-can-get-it.

disadvantaged members. It is not likely to be a magic bullet solution to the wide range of longstanding problems the Explanatory Memorandum says it is intended to solve.

Indeed, while defending the Cashless Debit Card during its Second Reading Speech, Mr Pitt, the Member for Hinkler, made the following comment, 'I accept that this is not a panacea. This is not the only way to deal with this, but this is the only policy that is on the table' (House of Representatives 2018a, 21 June 2018, p. 23).

This is precisely the problem. It should not be the only solution offered to the unemployed young people of Hinkler. They deserve more thoroughly researched, innovative and proven solutions than they are being offered here, because there is no single solution like a CDC. A mixture of strategies, economic, social, and educational will be required. Professor Jeff Borland (Economics, Melbourne University) following his participation in a dialogue organised by Social Ventures Australia about youth unemployment in Australia some years ago (Borland 2014), recommended an approach to youth unemployment involving job placement. Applying his approach would involve government developing strong partnerships with not-for-profit organisations and the private sector to develop a long-term community-based and regional strategy and the necessary programs for the young unemployed of this region. A well-designed social and economic strategy for this region will be necessary to solve the problems which both baseline reports reveal. The CDC may have a small place as part of a case management approach, or as a voluntary measure for those who find it helps them, but as a broad-brush policy and strategy for addressing young people's unemployment it seems unlikely to be effective.

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