

Inquiry into compulsory income management

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Introduction

We thank the Committee for the opportunity to offer these crucial insights for consideration in this important inquiry. As we will illustrate in this submission there is little evidence supporting the effectiveness of compulsory income management (CIM). In fact, there is a great deal of research that has found the reverse; that the policy delivers more harm than good, adversely impacting the very people it is intended to help. This submission concerns, in particular, the Committee terms of reference 1, 2, 4 and 5:

- whether CIM has been effective in achieving its stated aims;
- whether CIM has caused, or contributed to, beneficial and/or detrimental outcomes;
- how in practice CIM has been applied, including how individual exemptions from CIM have been considered; and
- the practical operation of the BasicsCard and SmartCard, particularly in remote communities.

In this submission we draw on a variety of existing scholarship and evidence around CIM. However, we pay specific attention to evidence arising from an Australian Research Council Discovery Project DP180101252 (2018-2021) we undertook, that examined the effects of CIM via a nation-wide survey and in-depth interviews across four case study CIM locations. This study elucidated the lived experiences of those compelled to participate in the scheme, as well as the views of others living in CIM areas, frontline workers, and related stakeholders. Although our study concerned the operation of the BasicsCard and former Cashless Debit Card, the findings we draw attention to in this submission concern aspects of CIM that remain highly relevant to the continued current operation of both the BasicsCard and SmartCard today.

Examining the assumptions & aims of CIM

We note that Inquiry TOR 1 concerns the effectiveness of CIM in achieving its stated aims. However, we argue that it is important to also critically examine the perceived ‘problem’ that CIM aims to solve, before considering whether CIM is an appropriate ‘solution’. This, we argue, is a core reason that CIM continues to not only fail to achieve its stated aims, but to also cause harm.

The Australian Government (2024) describes CIM as a “key tool” for supporting vulnerable groups, which is aimed at “encouraging engagement, participation, and responsibility”. At first glance, the higher order aim ‘to encourage’ would seem to set an appropriate tone to guide the implementation of initiatives to support vulnerable people. However, scrutiny of the specific objectives of CIM suggest that CIM may not only be ineffective but also unnecessary and even harmful. These state that CIM aims to:

1. “reduce immediate hardship and deprivation by directing welfare payments to the priority needs of recipients, their partner, children and any other dependents;
2. help affected welfare payment recipients to budget so that they can meet their priority needs;
3. reduce the amount of discretionary income available for alcohol, gambling, tobacco and pornography;
4. reduce the likelihood that welfare payment recipients will be subject to harassment and abuse in relation to their welfare payments; and
5. encourage socially responsible behaviour, particularly in the care and education of children” (Australian Government 2024).

We address each of these aims separately below. In doing so, we respond not only to TOR1, but also TORs 2, 4, and 5 (relating to CIM’s detrimental outcomes, how CIM has been applied in practice, and the practical operation of CIM cards including in remote communities).

Objectives 1 & 5: CIM, reducing hardship, and caring for children

In relation to **objective 1**, which seeks to “reduce immediate hardship and deprivation by directing welfare payments to the priority needs of recipients, their partner, children and any other dependents”, there is strong evidence that CIM can often do the opposite. This evidence also shows that **objective 5** is problematic, since CIM makes caring for children more difficult in many cases.

For participants in our study, the most frequently cited challenge was not having enough cash to pay for essential items (n=68, 86%), including food and accommodation. When we asked about this challenge directly ('Is the amount of cash available to you while on income management enough to support your needs?'), most respondents (n=62, 76%) said 'No', while 15 (18%) said 'Sometimes' and five (6%) said 'Yes'. For our respondents, this was due to a mixture of low/inadequate welfare payments in the first place, for which access was then further complicated by use of CIM cards – including because of technical glitches when using the cards (e.g., loss of internet – especially in remote areas, means that cashpoint facilities fail and cards cannot be used), but also because they meant that *cash* was less available. **This raises an important point that has not been dealt with through iterations of CIM policies: although technical issues with use of the cards may be (more or less) resolved, the central issue of not being able to participate in the cash economy is not.**

A lack of access to cash means many individuals are unable to purchase second-hand goods, which are generally less expensive, and also means that individuals cannot shop for basic needs at markets and other lower-cost outlets where cash is required. For instance, one of our respondents explained:

"It [CIM] has negative[ly] impacted my ability to buy second hand, ESPECIALLY TEXT BOOKS FOR UNIVERSITY. As these are quite expensive brand new, if I want to buy second hand ones I need 'approval' and then a waiting period for the buyer before I can purchase, most people want the ready cash so I lose items to someone who has the availability to pay instantly."

These accounts relate to previous findings about the impacts that CIM has on participants' abilities to meet their everyday needs. For instance, Coddington (2018: 534) stated that "[c]ashless technologies exacerbate issues with subsistence; simply obtaining food and necessary living supplies becomes more difficult without access to cash." Participants in our study reported that not having access to sufficient cash made it harder for them to care and provide for their children. For example:

"They impact what I can and can't do with my children like take them out in the community."

"School excursions are cash only. The fair and Christmas parade activities are predominantly cash only. I have 4 children and 20% doesn't get us far."

“My children now feel we are poor as we can no longer take them to local fun fairs etc. as a small treat.”

These findings directly contradict the objective of ensuring families and dependents are cared for: an issue that has not been resolved in updated iterations of CIM (such as the SmartCard).

Objective 2: CIM and budgeting

Objective 2 assumes that individuals placed on CIM find it difficult to budget. However, this is not grounded in evidence. In our study, the majority of survey participants on CIM reported that they had no trouble managing their own money before being placed on CIM (67% reported no issue), and those on CIM versus *not on* CIM considered themselves equally strong in terms of their financial behaviour (i.e., there was no statistically significant difference found between these two groups). As one CIM respondent explained:

“I have been a single mum on Centrelink for almost ten years and have lived on my own with my children for most of that time. I have always budgeted well and done whatever I can to make our money stretch to meet our needs for food, etc. such as shop at Aldi, buy second hand, etc. and have never had issues budgeting and paying bills. It is one of if not my top priority when it comes to my finances.”

For many in our study, CIM had actually *caused* financial strains:

“I had no problems in the past, now I have received payment defaults, [late] ... payment fees, etc. All because my banking and income was changed. I am struggling to come back from almost complete ruin.”

“I have had more financial issues being on the [CIM] card than I have when I wasn’t on it.”

“It [CIM] has added extra challenges and financial strain”

Some found that their finances had become more difficult to manage because their direct debit payment schedules had lapsed upon being moved onto CIM. This leads to fees and charges that participants were not receiving before moving onto CIM, which can worsen their financial situations:

“Also the bills I pay have always been direct debited from one account for almost ten years and I’ve had to redo every payment.”

“Bank now overdrawn every fortnight [and] I am charged for that, everything is harder.”

Managing separate pools of money deposited into separate accounts, and having to negotiate non-cash payments, has also made budgeting more difficult for some respondents:

“It in fact has made it worse, especially having my money divided into two accounts, if one doesn’t have enough for a bill I have to transfer between”

“Income management has actually made it harder to budget”

“[I] have difficulty budgeting since being placed on it [CIM].”

As much of the remaining qualitative data of our study also revealed, a core challenge for participants was not *managing* money but rather the inadequacy of income support payments, a problem which CIM fails to address.

In our study, there were also a minority of accounts that indicated how CIM had sharpened thinking around budgeting. However, in many cases there was a sense that this same objective could have been achieved through other means that were more developmental and less punitive in nature:

“It just made me focus, well this money is that money, this money is that – it was more because the money was split up ... It sort of just showed me to plan with the money. But it could have definitely been achieved other ways.”

Indeed, as we argue elsewhere (Marston et al. 2022: chapter 7), the available evidence indicates that – *if* it is anticipated that budgeting skills require improvement – it would be better to invest in financial counselling and similar voluntary services than the blunt tool of CIM.

Objective 3: CIM and discretionary spending on alcohol/other drugs

Available evidence shows that the assumption embedded in **objective 3** – that welfare recipients use alcohol and other drugs – is erroneous. Even if it were true, CIM is a poor instrument for reducing such expenditures. In contrast to the dominant assumption that all (or even most) welfare recipients have problems related to alcohol and other drugs, CIM participants in our study reported they did not have a problem with alcohol (87% reported no issue), drugs (95% reported no issue) or gambling (91% reported no issue) prior to being put on the cards (Marston et al. 2020). These findings support an earlier study by Bray et al. (2012: 185-186) who reported that most CIM participants in the Northern Territory indicated that

expenditure of social security benefits on alcohol was not a challenge for their household. The findings also provide tentative support for other Australian and international research which demonstrates that welfare populations are generally not overrepresented in terms of use and reliance upon alcohol and recreational drugs (e.g. Grant and Dawson 1996; Schmidt and McCarty 2000; Jayakody, Danziger and Pollack 2000; Zabkiewicz and Schmidt 2007; ABS 2017; Australian Institute of Health and Welfare 2017, Bielefeld 2018; Staines et al. 2021). Recent Australian surveys have shown that those receiving social security generally spend less on alcohol, as a proportion of total household expenditure, than those not receiving social security (ABS 2017, Bielefeld 2018). Nevertheless, even where CIM recipients *do* experience drug and/or alcohol dependencies, CIM is a poor tool to respond to this, particularly because it is relatively easy to circumvent.

The issue of circumventing CIM has been raised in numerous previous evaluations, which have found that those placed on CIM can relatively easily find informal ways to 'get around' the policy where needed (e.g. Bray et al. 2012, 88; Bray et al. 2014). Our study's survey supported these earlier findings, with 44% of survey respondents on CIM indicating that they had tried to circumvent it at some point. These respondents relied on a range of strategies, such as "buying approved goods and selling them for cash" (28%) or "taking someone else's cash/bank card with/without their permission" (24%). Survey responses also indicated the small proportion of people experiencing drug dependency appear to be the most likely participants to informally circumvent the policy:

"Those with REAL drinking problems and drink way too much and do violence and stuff probably aren't sticking on the card anyway. They are still getting grog by other means. If it's voluntary then people WANT help so they can sign up and ask to be put on it ... People have to want the help because otherwise they will just find a work around. And we see that a lot." (emphasis in original)

"If people want to get around it they will."

Objective 4: Protecting welfare recipients from harassment and bullying

While **objective 4** aims to *protect* welfare recipients from harassment and bullying, there are multiple studies – including our own – that show CIM fails at this. First, CIM cards can be taken and used by those who are not their owners just as easily as other cash benefits can (Scott et al. 2018). Moreover, being a CIM participant can result in significant feelings of

shame and stigma, which also directly counter this objective. For example, participants in our study described the feeling of being placed on CIM as follows:

“Degraded and dehumanizing and have no control over my life or financial affairs [and] have had people stare and make sly comments ... so humiliated”

“Like we are bludgers and don’t deserve anything better but to be treated like children.”

“I feel like I am less of a person.”

Another respondent indicated a range of occasions where they, after fleeing a domestic violence relationship and being placed on CIM, had felt stigmatised and isolated by their community:

“When my [CIM] card declined despite there being more than sufficient funds. When my children had to sit and watch all the other kids going on cash only rides and activities at the community festival. When people on social media bully me for being on income management and having 4 kids, they accuse me of being a drug addict, bad parent, making poor choices in life, being lazy, wasting their ‘tax payer money’, telling me I should stop breeding and get a job, I am a poor example for my children, I should have stayed in a DV [domestic violence] relationship, the list goes on.”

In addition to this, a recent study of CIM in the NT by Roche et.al (2024), found that CIM was not only ineffective in reducing social harms, but that it may also have contributed to situations of family violence. Our own study also found this, with both interviewees and survey respondents indicating that CIM and the economic stress that it caused raised household tensions, contributing to the frequency and severity of violence (Marston et al. 2020; Marston et al. 2022).

Other detrimental impacts of CIM

Ultimately, existing evidence indicates that not only does CIM fail to succeed at achieving its objectives, but also that many of the assumptions underlying these objectives are fundamentally flawed. Overall, in a similar vein to unemployment (which is assumed to be a consequence of an unwillingness to do whatever it takes to secure work), being in receipt of a welfare benefit is deemed to be the fault of the individual. Unemployment is seen as a reflection

of personal deficits, poor life choices and continued lack of effort. To remedy this situation, policy solutions have invariably led to the application of paternalistic principles. In the case of unemployment, this is the ‘targeted compliance framework’, a system in which sanctions and suspension of income support payments are used to ‘encourage’ participation. CIM is another clear example of such a policy.

The use of sanctions to influence human behaviour is predicated on an assumption that people’s behaviour can be influenced or changed through the administration of rewards and/or punishments; essentially, the belief that humans respond to the use of ‘carrots and sticks’. Yet a breadth of research from contemporary psychology across many life domains shows that the use of external controls such as CIM frustrates the individual’s basic psychological needs for autonomy, competence and relatedness, and consequently, are likely to adversely impact both motivation and well-being/ill-being (Ryan & Deci 2017, 2019). In our study, we found that when compared with those *not* on CIM, those on CIM reported a statistically significantly lower ‘locus of control’ or feeling that they had autonomy over their lives and wellbeing (Marston et al. 2020). In other words, attempting to control others using ‘sticks’ (or even ‘carrots’ for that matter) is not only insufficient to sustain positive behaviour change in a person but is instead likely to lead to them experiencing lower confidence in their abilities, and to produce diminished effort and performance (Slomp 2020). Research has also found that thwarting the psychological needs of unemployed people has concerning consequences for their mental health, a consequence of engagement in the punitive system of employment services in Australia (Sykes 2023).

A significant decline in the mental health and well-being of CIM participants was reported in our ARC project. Extreme mental exhaustion, depression and anxiety were expressed, with some reporting a ‘ripple effect’ on the families and friends. Another respondent likened being on CIM to being in a former domestic violence relationship:

“Someone in an office who doesn’t know me is in charge of my financial existence. Same abuse as my former marriage.”

Overall, 87% of survey respondents in our study did not see any benefits in CIM, with the remaining 13% seeing only some minor advantages that we argue would be better served through voluntary counselling and other less paternalistic approaches.

Policy directions for CIM

Our study, alongside other extant research, illustrates that the empirical case for continuing with the current policy settings on CIM is weak at best. We are certainly not the first to suggest these set of policy measures require a fundamental rethink (e.g., Vincent 2019; Mendes 2013). Given the evidence outlined above, we submit that CIM needs to be reconsidered and replaced by a policy which begins from the premise that people deserve to have respect and autonomy regardless of their position in our economic system. Such a policy would take a person-centred approach, seeking to provide support to those who need it without relying on coercion and control.

At the bare minimum, we submit that CIM should be voluntary and it should be offered to recipients as one of a suite of resources welfare recipients can access to support them in their lives. Individuals should be assisted by suitably qualified, culturally informed and appropriate support staff who take the time to understand the challenges facing the individual and can assist them to access help from a range of relevant wrap-around services. In either case, the design and implementation of any policy in the space needs to be community-led, place based and evidence-informed, which CIM is not.

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