



**AUSTRALIAN BANKERS'
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Mr Andrew Forrest
Employment Review Taskforce
Department of Prime Minister and Cabinet
PO Box 6500
CANBERRA Act 2600
indigenousjobsandtrainingreview@pmc.gov.au

Dear Mr Forrest,

Creating Parity – The Forrest Review

The Australian Bankers' Association (ABA) appreciates the opportunity to provide comments on the recommendations made in the report, 'Creating Parity - The Forrest Review'.

Introductory comments

The ABA notes that the objectives of the Forrest review are to end the disparity between Indigenous Australians and non-Indigenous Australians, improve Indigenous employment outcomes and tackle disadvantage, and ensure sustainable outcomes are achieved. The banking industry believes that having in place a comprehensive strategy and national plan for the social and economic inclusion of Indigenous Australians is vitally important for Australia's future.

The ABA recognises that many Indigenous Australians face social, economic and financial disadvantage. The ABA and member banks have been working in partnership and collaboration with Indigenous communities and their representatives for many years. In our experience, it is clear that the banking industry cannot tackle these challenges and issues alone. Notwithstanding, there have been some significant achievements and learnings and with collaboration and coordination between the Federal Government, banks and other businesses and Indigenous community representatives, real results can be achieved to foster financial and economic participation.

Therefore, we strongly support the implementation of workable and effective strategies to address these challenges and issues, particularly those that target Indigenous employment and promote financial literacy and financial inclusion. We are concerned that without a full appreciation for the challenges and issues and full consideration of the impact of particular efforts, including on existing programs and activities, adverse and unintended consequences can result for Indigenous Australians, the banking industry, other businesses and services providers, and the community.

However, we do not support the implementation of the Healthy Welfare Card for all welfare recipients (excluding age or veterans' pensions). Currently, there are technology and infrastructure limitations to implement this card in the form described; the technology to develop this card would be costly and complicated involving changes to be made throughout the payments system at all levels, to retail banking systems and product offerings and to the Government's Centrelink and payment administration systems.

Additionally, the ABA does not support using the banking industry to block access to cash or prohibit the purchase of goods and services available to other Australians.

The ABA has confined its response to a number of recommendations in the report, addressing the issue of employment, the proposed implementation of the Healthy Welfare Card, and other banking initiatives that the industry is involved in which could be inadvertently and adversely impacted.

Specific comments

1. Employment

The ABA agrees that employment gives people the ability to control their own futures, independent of Government, and is critical to closing the gap in the life outcomes for Indigenous people¹.

The ABA and member banks are committed to closing the gap that currently exists, and reducing the 30% difference in employment outcomes between Indigenous and non-Indigenous Australians.

The Reconciliation Action Plans (RAP) of the major banks in Australia illustrates the commitment of the banking industry to increasing the social and financial inclusion of Indigenous Australians. A key area targeted is employment of Indigenous Australians within the banking industry. An indicator of this success is the continued increase in the number of Indigenous employees in the banking industry.

The ABA believes that traineeship, mentoring, experience, and opportunity to gain valuable knowledge, skills, competence and confidence provided to Indigenous Australians can not only lead to jobs, but meaningful careers in banking or other industries. In addition to creating career pathways in banking and financial services, banking experience provides useful development of core workplace skills that can be transferred into other industries.

Examples of programs include:

- School based traineeships for students in year 10-12;
- Fulltime traineeships for candidates who have completed school are interested in a career in banking and financial services;
- Cadet opportunities targeting Indigenous university students;
- Graduate programs providing multi-year support and mentoring;
- Internships for university students seeking a career in banking and financial services, managed in partnership with CareerTrackers²;
- Promotion of leadership positions for Indigenous employees; and
- Direct employment and general recruitment.

The banking industry has and will continue to develop and collaborate to identify sustainable workplace strategies and initiatives that provide training and career opportunities and allow Indigenous Australians to foster employment and support financial and economic participation. This is a long-term commitment and priority for the banking industry.

Moving forward, the banking industry welcomes the opportunity to work with the Federal Government on strategies to 'close the gap' by supporting employment and social and financial inclusion. This commitment is discussed below, with reference to particular recommendations in the report.

Forrest Review Recommendation 19: Top 200 Employees

That the Commonwealth Government provide the top 200 companies in Australia, and those with a strong track record of first Australian employment, with tailored contracts to increase the proportion of first Australians among their employees.

¹ <https://www.pm.gov.au/media/2014-08-01/forrest-review-indigenous-training-and-employment>

² <http://www.careertrackers.org.au/>

The ABA supports the invitation to the banking industry to participate in the 'Corporate Leaders Group', sharing best practice across employers and industries. However, we need to ensure that the objectives of this forum are clear and the forum does not duplicate with existing forums.

Banks currently have a strong track record of the employment of Indigenous Australians. However, the ABA is concerned with the reports best practice recommendation which requires an increase of 4% over four years, with a minimum of 4% over five years of first Australian employment. A 4% target over five years is a significant increase for most of the top 200 employers. For the banking industry, this will exceed the current RAP commitments of the major banks and thus is unachievable. While there are concerted efforts to promote Indigenous employment, there are factors that must be taken into consideration, especially the availability of candidates to take part in necessary employment programs. Banks experience shows that greater success for Indigenous employment in banking and financial services involves initial traineeship or graduate programs which provide the necessary education and training for banking as well as mentoring in the workplace. That said, while we do not support the 4% target, particularly if it were applied across all industries, the banking industry remains committed to increasing Indigenous employment, and reducing the employment gap between Indigenous and non-Indigenous Australians.

Specifically, while the ABA supports achieving population parity, we are concerned that setting overambitious targets brings the risk of employers focusing on the numbers and not building long-term career pathways in a sustainable manner beyond the 26-week retention term. We acknowledge that employers face challenges in providing culturally-appropriate support and retaining Indigenous employees. The banking industry has expressed its commitment to ensuring that employment for Indigenous Australians stimulates meaningful employment and long-term career pathways. However, to strengthen this commitment, we recommend that the Government work together with the banking industry, to research and implement effective mechanisms and strategies to better understand and support Indigenous employees in banking and financial services.

The ABA also supports providing data in the annual reports of banks and other employers of overall growth of Indigenous Australians in the workforce, and this being monitored quarterly on the "CreatingParity" website. It is important to monitor and evaluate this employment data, to be able reflect on progress made and where appropriate incentivise further areas with greatest demonstrated success and/or potential, and to identify areas where further work or support is required.

2. Healthy Welfare Card

Forrest Review Recommendation 5: Healthy Welfare Card

That the Commonwealth Government implement immediately a Healthy Welfare Card scheme in conjunction with major financial institutions and retailers to support welfare recipients manage their income and expenses.

The ABA agrees that social security payments and assistance is intended to provide support during difficult financial and economic times for covering life's essential costs. The banking industry supports providing individuals and communities with the knowledge, skills and capabilities to ensure they manage their finances, including social security payments and assistance. While it is always desirable for individuals and communities to function in a manner absent of drug, alcohol and other substance abuse or addiction-related problems which can cause social and economic dislocation, this may not always be a reality. Importantly, while these social problems can exist, it is important to recognise that it is not correct to assume these social problems are impacting on all individuals or communities within the social welfare system.

The ABA does not support using the banking and payment system for the implementation of the Healthy Welfare Card or an extension of the income management policy as a mandatory approach for all recipients of social security payments and assistance. There are a number of technological and practical considerations associated with the Healthy Welfare Card, which undermines the implementation of a workable, efficient and effective scheme.

Furthermore, the ABA believes that any changes to the social welfare system should be conducted within an examination and context of the Review of Australia's Welfare System³ (known as the "McClure Review"). This would ensure that the policy objectives, processes and outcomes would be embedded in a comprehensive and integrated system and the interests of welfare recipients are protected.

2.1. Technology and system considerations

The ABA notes that this scheme is to be implemented so that an individual's social security payment (other than age or veterans' pensions) would be paid into a savings account drawn on with a Healthy Welfare Card (issued by banks and other financial institutions) and restricting the use of the card to certain goods and services only. This approach as described would require substantive changes and at all levels of the electronic payments system, including card issuers (banks and other financial institutions), acquirers, devices (EFTPOS, ATM), cardholders (all users of the system), and the system overall.

There is currently banking technology available to create a transaction account which will allow for the deposit of welfare payments, cash access blocking at the ATM and EFTPOS terminal, and blocking the ability to purchase gifts cards at the EFTPOS terminal. These products are currently available and do not require substantial costs. Cash access blocking at the ATM or EFTPOS terminal is simple to implement and effective and can be achieved through adjustments to existing electronic messages. However, the blocking of goods or services at the EFTPOS terminal, via blocking a Merchant Category Code (MCC), would not provide a solution. At the store level it would be inaccurate as it would not capture goods purchased under a mixed supply, for example, alcohol purchased from a store which sells both groceries and liquor, which is more common in non-city locations.

2.1.1 Payments technology

The Healthy Welfare Card would only apply to certain welfare recipients. The recommendations exclude individuals who receive an age or veterans' pension. As a result, this will require banks and other financial institutions to determine the type of payment being received by their customer (the welfare recipient) and allocate funds upon receipt accordingly. The capacity of each bank or other financial institution to determine the type of payment being received is currently not available.

Under the payment system for the disbursement of social security payments and assistance, this capability does not exist to facilitate information about the welfare payment being made through the transaction instruction (electronic messages and codes). A new payment system would need to be developed by both the Federal Government and the industry (across all payments participants) to apply restrictions to certain types of payments and not others.

The Government would need to include an identifying field in the payment file (electronic message) allowing each bank or other financial institution to correctly identify the payment, and then apply the correct user restrictions. All existing and new customers identified in this category would need to be given a new account card to ensure the required user restrictions. However, the direct entry clearing system does not currently allow for the inclusion of this additional information and would require development across the industry. New system rules would need to be implemented by the Australian Payments and Clearing Association (APCA). The Reserve Bank of Australia (RBA) would be required to ensure payment system stability and efficiency issues are addressed in any proposed changes. The Government would need to make the necessary changes to their Centrelink and payment administration systems.

2.1.2 Product technology

The Healthy Welfare Card would require the programming of the card to block the purchase of certain goods and services, such as alcohol, gambling, illicit services and any other goods and services designated by the Government. Through blocking the MCC, banks and other financial institutions could feasibly block products and services assigned to a particular merchant code at the merchant level. However, this would involve blocking all transactions and payments to all merchants classified in that category and for all purchases from that MCC. As

³ <http://www.dss.gov.au/our-responsibilities/review-of-australia-s-welfare-system>

noted above, this could either allow/not allow mixed supply retail stores, which would impact on either the operation of the Healthy Welfare Card, or significantly inhibit the supply of goods in remote and regional areas.

Specifically, currently there is no technology that would enable a card to block transactions or payments at individual purchases or allow some purchases and not others from a particular MCC. This change would require a substantial overhaul of the existing EFTPOS system in use by all Australian retailers to identify goods individually and if necessary preclude their purchase prior to check-out. It would require new EFTPOS devices and new transaction instructions (electronic messages and codes) to be introduced, which would potentially disrupt the efficiency of the payments system and increase the cost of point of sale transactions for all users.

2.1.3 Administration

Currently banks have fraud and security systems in place that monitor accounts for unusual or suspicious payment activities. However, changes to business practices and processes may be required to be able to identify unauthorised or unusual patterns of purchasing on the Healthy Welfare Card to expose potential fraud or misuse by retailers and cardholders. This would result in significant business inefficiencies and additional compliance burdens and costs for all banks and other financial institutions. The additional electronic messages and codes required to substantiate that a particular card is able to make a purchase or not would increase costs and would likely cause significant inconvenience for all users as verification instructions (electronic messages and codes) may result in delays and declines.

2.1.4 Practical example of a transaction and impact on electronic payments system

A practical example is as follows:

- Customer puts their card in an EFTPOS facility (device) to pay for goods and services at a retail store. Electronic messages are sent between the device, through the acquirer, to the card issuer (bank or financial institution) to verify the PIN entered matches the account card and there is money available to make the purchase or payment. In reality, there are already several electronic messages needed to establish this part of the transaction.
- New electronic messages need to be coded to establish whether this card, versus all other cards issued to all other users, is somehow restricted. New codes need to be developed for those restricted cards.
- New electronic messages need to be coded to indicate to the device that this card is restricted.
- New electronic messages need to be coded to indicate that this merchant is restricted. Merchants are identified by the category to which they belong and are not identified individually. The bank authorisation instruction will approve or decline the transaction as a whole and is not able to identify individual products sold by a merchant. (It is not possible to select some merchants and not others, or some products sold by a specific merchant and not others.)
- New electronic messages need to be coded to validate the purchase or payment and authorise the transaction as either accepted or declined.
- Customer takes their card back and will have either successfully or unsuccessfully made a purchase or payment.

We are concerned that additional electronic messages not only causes increased costs and decreased efficiencies, the electronic payments system operates through minimal electronic message interventions to ensure stability and efficiency of the payments system, and therefore, transaction interventions could disrupt the payment system.

2.1.5 Summary

Accordingly, an 'immediate' implementation of the Healthy Welfare Card would not be possible. Significant investment by the Federal Government and across the industry would be required involving substantive changes to current technology, significant costs, time and resources.

Furthermore, any proposal to utilise the electronic payments system needs to sufficiently enable banks and other financial institutions to implement restrictions in a practical, effective and efficient manner and to identify and block

transactions in real time. This type of technology solution and product is currently not available and unable to be supported by the payments system.

2.2. Practical Considerations

In addition to technology and system considerations which conclude that the implementation of the Healthy Welfare Card is not possible, there are also practical and everyday considerations which the ABA believes are important.

From a short-term perspective, the blocking of transactions related to the purchase of certain goods and services is likely to be very challenging, particularly for small merchants and retailers. Therefore, this may limit the number of stores that are able to process transactions utilising the Healthy Welfare Card. This could have a significant impact on competition in the retail sector.

Additionally, not all retailers or small businesses have access to EFTPOS facilities for payment or have separate business areas for purchase control and item distribution, like the large retailers, which have separated groceries from other items, such as cigarette and/or alcohol purchases. Where accessibility to retailers is limited, welfare recipients are restricted from making decisions about where and how they wish to spend their money. Welfare recipients will be forced to shop at selected retailers, limiting consumer choice and potentially not allowing people to purchase goods and services at a competitive price or from competitive providers. Welfare recipients, in these circumstances, are likely to be spending more of their welfare payments on more costly items. Furthermore, this would particularly be a problem in remote and regional areas where options are limited already, and thus will result in the further disadvantage and marginalisation of welfare recipients, particularly Indigenous Australians living in these areas.

Loss of individual autonomy and independence from imposing transaction restrictions will result in unintended consequences. The implementation of the "BasicsCard" (under the income management policy) has seen some adverse and unintended consequences, such as welfare recipients resorting to alternative forms of transacting (e.g. bartering, 'black market' sale of items for cash and other non-cash related exchanges of goods and services). The desire and market for this type of behaviour will not be eliminated through the implementation of the Healthy Welfare Card, instead it could perpetuate this behaviour creating new or additional social problems.

3. Banking industry initiatives

The ABA believes that it is important to recognise that there are already a number of voluntary initiatives implemented by banks to help address issues related to access to cash, retail banking services and financial literacy by Indigenous Australians. It should be noted that banks have taken the following actions:

- **ATM Fee Proposal:** Banks with customers in certain very remote Indigenous communities have entered an agreement with the ATM deployers which operate these devices to provide free ATM transactions for their customers. A fee payment from the bank to the ATM deployer is made based on the transactions conducted by their customers. The Identified ATMs must meet the eligibility criteria set by the Federal Government. The initiative is operated under a commercial contract signed by the parties to the agreement. However, to implement the agreement, the industry required regulatory approvals from the ACCC and the RBA to implement the initiative⁴. (It should be noted that the future of this initiative is uncertain if the Healthy Welfare Card was to progress as proposed.)
- **ATM fees:** A number of banks have applied various measures to ensure Indigenous bank customers have access to ATMs and other banking channels for reduced costs, including fee waivers, fee reductions, network arrangements, and special partnerships, such as with the Traditional Credit Union (TCU).
- **Basic bank accounts:** Banks have introduced fee-free bank accounts for eligible customers, including Indigenous customers receiving certain social security payments (being a holder of a Pensioner Concession Card, Health Care Card or Commonwealth Seniors Health Card)⁵.

⁴ <http://banking.treasury.gov.au/content/atms.asp>

⁵ <http://www.affordablebanking.info/Which-Australian-banks-offer-a-basic-bank-accounts->

- **Banking support:** Banks have implemented specialised service support for Indigenous customers. For example, a major bank has established a dedicated Indigenous customer assistance line to provide relevant banking service support for Indigenous customers to assist them with their money management needs.
- **Financial literacy:** A number of banks have implemented substantial financial literacy activities and programs targeted at Indigenous customers and located in areas with higher Indigenous populations⁶.
- **Financial inclusion:** A number of banks have provided financial support for Indigenous peoples and Indigenous business enterprises via micro-finance programs and other discrete and culturally appropriate partnerships. For example, a major bank works with Many Rivers Microfinance Ltd to Indigenous entrepreneurs to develop sustainable businesses through microfinance loans.
- **Indigenous partnerships:** Banks have already entered special arrangements with a number of Indigenous communities and organisations or provided dedicated customer support services for Indigenous customers. For example, a major bank offers a dedicated Indigenous Customer Assistance Line. This service allows customers living in remote Indigenous communities to call a toll-free telephone number to speak with a specially trained team to access a range of banking services, including balance inquiries, money transfers between linked accounts or to third party accounts, bill payment, and opening accounts.

Notwithstanding existing actions and responses, the ABA believes that there are areas for possible further action. It is clear that the banking industry cannot tackle these challenges and issues alone. The banking industry remains committed to exploring possible additional efforts which could be undertaken to assist in addressing social and financial exclusion of Indigenous Australians, especially living in remote areas.

Concluding remarks

The ABA believes that the complexity involved in creating a system that allows banks and other financial institutions to determine the type of welfare payment being received and required to implement transaction restrictions on a specific card at a merchant level would have significant ramifications for the payments system, impose substantial costs on banks, other financial institutions and the Federal Government, and have adverse and unintended consequences for welfare recipients exposing them to further disadvantage and marginalisation.

Furthermore, the negligible positive impact on individuals, families and communities experiencing social problems would be far outweighed by the cost and inconvenience to other welfare recipients and the wider public due to the impact on the payments system. It is unlikely that the costs associated with the implementation of the Healthy Welfare Card would deliver the benefits the report endeavours to achieve – that is, that Australia's welfare system should be used as it was intended, to help people build healthy lifestyles and make the best choices they can for themselves and their families, particularly their children.

While the ABA does not support the implementation of the Healthy Welfare Card, a scheme that does not have the technology or infrastructure to support its implementation and one which could result in adverse and unintended consequences for welfare recipients, the banking industry is committed to providing employment programs and financial literacy and financial inclusion programs to support Indigenous Australians financial and economic participation.

The ABA believes that the challenges and issues facing Indigenous Australians are complex and involve social, economic, financial, educational, cultural and other factors. Banks are willing to work with the Federal Government to identify and implement short-term and longer-term strategies to address these challenges. Furthermore, to ensure that effective policy outcomes are achieved, it is imperative that Government and the banking industry work together with Indigenous community representatives. We would welcome the opportunity to work with the Federal Government on developing a national plan for the social and economic inclusion of Indigenous Australians.

The ABA looks forward to the outcomes of the Forrest Review.

The ABA would be happy to discuss any of the issues raised in this submission with you further. If you have any queries, please contact me or Lena Rizk, Policy Manager, on (02) 8298 0419: LRizk@bankers.asn.au.

⁶ <http://www.bankers.asn.au/Consumers/Financial-Literacy>

Yours sincerely,

A handwritten signature in black ink that reads "Diane Tate". The signature is written in a cursive style with a large initial 'D' and a long, sweeping tail on the 't'.

Diane Tate