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CASH OR NON-CASH: THAT IS THE QUESTION – THE STORY OF E-PAYMENT FOR SOCIAL WELFARE IN IRELAND PART 2

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Abstract

E-Government in its various forms and extensions, notably T-Government, is often presented as the panacea for resolving such complex social problems as social exclusion, lack of governance transparency, poor value for money and other ailments of modern societies. Yet, E-Government has not been adopted up to predicted levels. Many case studies investigating success factors, maturity models, and the application of acceptance models have been presented over the last 15 years, but a deep understanding of the potential impact and consequences of E-Government is still lacking. This is especially true for those initiatives that involve socio-economic and cultural contexts, which makes their evaluation and the prediction of their impact difficult.

This paper reports on an on-going E-Government initiative in Ireland aimed at implementing E-payments for G2C, notably in the social welfare area. Three sets of personal surveys have been carried out to understand the perceived impact of governmental plans of moving from an almost fully cash-based payment system to a fully electronic based solution. Early results indicate that perceived pre-requisites for the planned change may be misleading. The impact on recipients' lives cannot solely be measured in terms of economic gains: the consequences of such implementation may well reach further than expected.

Keywords: E-Government, transformational government, payment instruments, E-Payments, social welfare

1 PROLOGUE

This paper reports on the second phase of a three-phase research project aimed at understanding the issues associated with the introduction of E-Payment solutions into governmental social and welfare payments services in the predominantly cash-reliant society/culture of Ireland. The first phase – reported in O'Brien *et al*. (2001) at the 2011 tGov Workshop – addressed questions related to contextual topics such as political motivations and readiness; the second phase – reported here – investigates in detail the perceptions of social welfare recipients – ie their *current practices with respect to cash, cheques, payment cards and bank accounts*; and the *perceived value of potential E-Payment solutions to them going forward*; while the last phase – still on-going at the time of writing – focuses on recommendations including offering alternative technology solutions and discussion of the prerequisites for and consequences of using alternative technologies.

2 INTRODUCTION – PAYMENT INSTRUMENTS IN E-GOVERNMENT CONTEXT

Despite uncertainties about the positive impact of the use of modern ICT technologies in reducing social exclusion (van Windem, 2001), such programs are increasingly being initiated with the intent to transform government processes (Weerakkody *et al.*, 2007) and change the relations between a government and its citizens (King and Cotterill, 2007). As the increasing number of detailed case studies in the field suggests (see various Chapters in Weerakkody *et al.*, 2009), E-Government (eGov) activities are inherently complex and do not always produce the expected outcome (Heeks, 2003; Palanisamy, 2004; Bolgherini, 2007). Furthermore, there is ample evidence that turning eGov initiatives into practice, so as to change the daily life of citizens, is not a straight forward exercise in implementing IT systems or introducing new technology solutions (Andersen and Henriksen, 2006; Beynon-Davies, 2007; Homburg, 2009). Often there are unintended consequences – consequences which are difficult to predict due to the complex interactions between the wide range of elements involved (differing agendas, expectations, concerns, and views of various stakeholders, as well as differing sets of areas affected (Pardo and Scholl, 2002; Beynon-Davies, 2007; Azad and Faraj, 2008). In addition, misunderstanding, misinterpreting or misrepresenting prerequisites for such change programmes may lead to failure.

Financial exclusion, that is the lack of access to and use of modern banking services, has been a key problem area both in the context of social welfare and E-Government research (Marshall, 2004). While this aspect of E-Government moved at the forefront of current debates, the use of various electronic means for financial transactions in the public sector has remained uneven, even across European countries. The use of various instruments in commercial and consumer transactions has been thoroughly investigated (Snellman *et al.*, 2001; Klee, 2006; Jonker, 2007), however, the relationship between the use of payment methods by governments and by their citizens does not seem to be at the forefront of current research. While myriad of aspects of e-Gov have been investigated, the use of e-Payment methods by government agencies does not seem to attract significant interest.

There is anecdotic evidence however that the lack of bank accounts or availability of low-cost alternatives might not be the only roadblock preventing those affected by the problems associated with the direct use of cash. Indeed, social, cultural, historical and psychological reasons and motivations influence individuals' perception of finances and their use of cash. This is illustrated by Ireland's low ranking for the proportion of E-transactions in Europe, despite the availability of the same payment instruments as in other leading countries in Europe. Furthermore, government policies regarding the use of various instruments in state controlled payments (such as various forms of social welfare and support vehicles) may also influence recipients' behaviour and attitudes.

This paper focuses on the rich description of one particular case – that of the question of using E-Payment based methods to replace the dominant use of cash in governmental social welfare schemes in Ireland. The paper is structured as follows: in the next section, we review key issues associated with payment instruments and the role of E-Payment in an eGov context. Section 4 presents the case of Irish social welfare payment at a high level, thereby setting the context in which the issue of an Irish E-Payment platform has emerged. Section 5 describes the key concerns of this research and the methods and sources used in the investigations. Section 6 introduces the immediate research context, while Section 7 discusses detailed results of the data collection exercise and offers empirical findings extracted. Section 8 concludes the paper by offering some lessons for the future.

3 PAYMENT INSTRUMENTS AND SOCIAL WELFARE IN EGOV CONTEXT

3.1 eGov, tGov and the e-Payment instrument

The introduction and use of ICT in the public sector is often termed E-Government (Grant and Chau, 2005). As a research area it focuses on the fundamental issue of change in governmental services enacted through the application of technology (Homburg, 2009; Cordella and Iannacci, 2010). Early days initiatives often addressed issues of increased efficiency, improved capabilities – including better access to services by citizens and businesses in their dealings with government – and cost savings

(Danzinger and Andersen, 2002). Over time the changes brought about by technology reached a 'critical mass' and the concept of transformational government (T-Government or tGov) has emerged emphasizing the changing nature of government work and its relationships with the outside (Danziger and Andersen, 2002; Foley and Alfonso, 2009; Weerakkody *et al.*, 2009). While even basic access to government information or individual services may require data integration 'behind the scenes', it is the drastic reorganisation of intra- and inter-unit processes that differentiate tGov from eGov (Andersen and Henriksen 2006; Dhillon *et al.*, 2008).

TGov programs often aim at social inclusion as a final – albeit abstract – objective. Other goals which may be pursued may involve changing people's attitude towards alternatives means of transport through promotion of infrastructure, or advancing payment methods through legislation to reduce the public's reliance on cash. Typical key dimensions of T-Gov initiatives concern issues such as *social-political-cultural context* (Homburg, 2009), *strategies as expressed in policies*, *stakeholders' interest*, *availability and design of technology* (Cordella and Iannacci, 2010), *actual use of ICT* (Treiblmaier et al., 2006; Azad and Faraj, 2008), evaluation of outcomes and impact (Foley and Alfonso, 2009), governmental processes and their reengineering (Palanisamy, 2004; Weerakkody and Dhillon, 2008), services to be provided (King and Cotterill, 2007), organizational and functional context of government (Homburg, 2009; Cordella and Iannacci, 2010), regulatory requirements and related decision making (Csáki and Adam, 2010), the development process and critical success factors of implementation (Rose and Grant, 2010). The first five – in italics – are discussed in this paper.

3.2 Payment methods in consumer context

One area of exclusion where consequences are particularly evident is financial exclusion (Marshall, 2004), that is the lack of access to financial services such as bank accounts and payment options. The lack of financial service provision is typically associated with social and spatial segregation (Fuller and Mellor, 2008). Thus financial exclusion exists without the emergence of Internet capabilities or E-Government services but in the presence of those it becomes even more prevalent. In fact, it is often claimed that E-Government initiatives should be able to address issues of financial exclusion, for example through the implementation of E-Payment options. This might or might not require, however, the availability of basic bank accounts as well (Fuller and Mellor, 2008).

The lack of access to and use of modern banking services has been a key problem area in the context of social welfare in general (Barr, 2004). It has been established that 'non-banking' is most dominant in low-income families and poor neighbourhoods (Hogarth and O'Donnell, 1999). Yet, it has been demonstrated that using cheques and cash is actually more expensive than maintaining bank accounts. Various programs in several US states have focused on securing 'low-cost' bank accounts including the cheap lodging of cheques. Yet, it has been argued that those most affected often have no access to banking facilities and utilize the more expensive cheque and cash outlets (Humphrey et al., 2003; Rhine et al., 2006).

However, lack of bank accounts or availability of low-cost alternatives might not be the only roadblock to changes in attitude. Indeed, social, cultural, historical and psychological reasons and motivations influence individuals' perception of finances and their relation with cash (Humphrey et al., 2001; Bounie and François, 2006; Jonker, 2007; Littwin, 2007). Furthermore, government policies regarding the use of various instruments in state controlled payments (such as various forms of social welfare and support vehicles) also influence recipients' behaviour and attitudes, as incentives and disincentives are provided, purposefully or unwittingly.

The utilization of payment instruments is an important issue because the use of payment systems in general is an important component of a well-functioning market economy: "[in 2002 in the US] payment flows were over six times the dollar value of GDP" (Klee, 2006, p. 1). Furthermore, paper forms of payments (such as cash and cheques) are more resource intensive than electronic payments, (Humphrey et al., 2001; Garcia Swartz et al., 2004). The claim is that a change in the payment system from paper-based to electronic vehicles should increase economic efficiency by reducing costs

(Humphrey et al., 2001; Snellman et al., 2001). Generally, a reduction of the reliance on cash brings many benefits as the extent of cash transfers and the threats to public safety are reduced[1].

However, to the consumer, using cash compared to paying with electronic payment cards in daily routine situations of low amounts appears to be inexpensive mode of payment (Jonker, 2007). There are additional factors, other than price, that influence choice of payment instruments: number of acceptance points for electronic/card options, acceptance by retailers, convenience, transaction speed and safety (Humphrey et al., 2003; Rhine et al., 2006; Jonker, 2007). Education and promotion may also have a role in changing behaviour (Hogarth and O'Donnell, 1999). Surprisingly, while the use of payment methods by consumers as well as by citizens towards their governments is well studied (see for example Klee, 2006 and Treiblmaier *et al*., 2006, respectively), few are the investigations questioning how governmental use of payment methods and related policies may impact citizen/consumer behaviour and what may hinder effective government influence (apart from Hogarth and O'Donnell, 1999). There are also issues pertaining to the cost of social welfare payments and who bears that cost. In Ireland the burden is current shouldered by the state, which is not sustainable.

4 SOCIAL WELFARE PAYMENT IN IRELAND

The case at hand is the decision by the Irish Social Welfare Agency (the Department of Social Protection, DSP) whether to go ahead with a move to the full use of electronic payment only for social support (O'Brien *et al*., 2011). This is coloured by a number of key factors: an ageing population, the financial crisis, the devastating increase in social welfare payments due to the increasing number of unemployed and the cost of handling payments in cash (circa €1bn a year). The issue is not simply of technical nature – whether the DSP could manage this transformation and install secure payment and identification methods, rather, the issue is how to manage the potential consequences of this change for recipients given the dominant use of cash in Ireland. Based on three sets of in-depth surveys the research reported here highlights key problems with public service e-Payments. Citizens affected based their choices on their daily experience and their daily financial reality, such that there are very good reasons why certain behaviours and attitudes are prevalent, despite the costs associated with living on cash or the reluctance to avail of bank accounts.

At its core, the project is about developing a common platform for E-Payment for the Irish Government with specific focus on one of the most visible targets for such an initiative, social welfare payments. This project is characterised by its obvious rationale (the size of the total social welfare budget, set at €22bn per annum) and its timeliness (as the number of social welfare recipients in Irish society has quadrupled since 2008). At the same time there are a broad range of divergent views on the shape of the solutions that could be pursued by the DSP and by the Irish Government in tackling such thorny issues as fraud or the unacceptable cost of dispersing these payments, whilst at the same time reducing social exclusion.

The Irish Government published the 'Inter-Departmental Report on the Development of an Integrated Social Services System' in 1996 that highlighted administrative deficiencies and the lack of integration between various departments that administer social services. It also recommended the normalisation of the use of electronic methods through governments and citizens and the use of a social services card to support customer identification and the support of new electronic payment options (O'Brien et al., 2011). The DSP's broad policy on payment methods was to eliminate all cash payments and move to electronic payments. It was concluded that a service wide payment platform should be created and that electronic payment channels should be used where possible as these offer greater security and reduces the risk of loss and overheads, i.e. fraud and administration costs (O'Brien et al,. 2011)

Developments in E-Government have focused on: streamlining background processes; facilitating cross-organisational collaboration; continuing to develop organisational culture with a user-centric

[1] Ireland has known a wave of so called *tiger kidnapping* in recent years.

focus, and achieving the full benefits from the substantial investments in technology across the public service. 'Transforming Public Services, citizen centred – performance focused' was published in November 2008 by the Taskforce on the Public Service. The report comments on the strategy for E-Government and notes that it has the 'potential to facilitate [the] policy integration, collaborative activity' and 'enhanced citizen engagement'. This commitment to develop strategies and solutions to improve existing services, to replace inefficient payment methods, offer a wider range of options and to address e-inclusion and financial inclusion was restated in the 2001-2004 strategic plan.

Since 2004, the development of efficient payment methods in a modern payment environment is recognised as a key element of a dynamic and competitive economy. In addition to development in the area of E-Government, there is an acknowledgement that Ireland is the most intensive cash user in Europe and is the fourth most extensive user of cheques in the EU (behind France, Cyprus and Malta; but has the highest cheque value per capita in the EU). A Government Decision of 7 December 2004, (No. SP290/08/02/0003A) prompted action throughout the various Government Departments as well as the DSP. The Government stated 'Where individuals in receipt of State payments did not have an account with a financial institution capable of handling EFT, the Government Decision directed relevant Departments to explore, in consultation with the individuals concerned, other mechanisms to facilitate EFT such as payment cards, taking account of developments in technology in this area' .

A 'Request for Tender for The Production of Public Service Cards (PSC) and the Provision of Associated Card Bureau Services' was issued on 18 February, 2008. The PSC is designed to interact with public services in general and to authenticate individuals. It is anticipated that its use will help reduce fraud and error which results from incorrect identification of benefit claimants. In addition, the Garda National Immigration Bureau registration card is introducing biometric photographs: an integrated system using biometric dates in passports, residency cards and visa applications would virtually eliminate the possibility of producing fraudulent documents in benefit applications.

The Social Welfare Bill 2010 was presented to the Dáil on 16 November, 2010. It was enacted on the 21st December, 2010 as the Social Welfare and Pensions Act 2010. Section 9 amended the name of the Public Service Card to Public Services Card allowing for more than one service to be provided on the card (this name is already used by all informed parties). The Act also provides for the use of electronic means of making and capturing the declarations of unemployment that are required for the purposes of claiming Jobseeker's Benefit and Jobseeker's Allowance. The Act also sets out a new definition for electronic communication.

The DSP undertook a range of measures along with introducing Electronic Information Transfer (EIT) as an electronic payment method. While this allows for the electronic verification of a recipient and benefit amount, and was considered an E-Payment method by the Department, the provision of services is done through manual payment and is still made in cash. This payment method accounts for 52.36% of all payments made by the DSP. The Department stated that the total number of E-Payments being made at the end of April 2010 was 91%, however this includes EIT payments which are clearly not electronic and result in a major overhead for the DSP.

The Payments Strategy Project (PSP) was established in September 2010 to develop a customer payments strategy which enables the Department to continue to modernise the payment of welfare benefits in line with wider Government policies such as E-Payments and the National Payments Strategy. The PSP Project Board identified the following strategic vision: 'By 2020, or earlier, all customer payments will be 100% electronic, recognising both the DSP and customer needs'. It is precisely these customer needs that are the focus of this paper.

5 RESEARCH QUESTION AND DATA COLLECTION METHODS - A PRELIMINARY STUDY

This research paper was prepared as part of a broader research project which seeks to analyse the potential for the development and deployment of E-Payment platforms at a national level. In this phase of the research – focused on welfare recipients – face-to-face surveys were conducted in the Cork area of the country to establish social welfare recipients' use of means of payments and evaluate their acceptance of e-payment solutions.

There were three steps involved in the surveys. The first step was a pilot survey aimed at the development and evaluation of the survey instrument. This pilot was carried out in order to fine tune the questions involved in such a survey in the field. The survey questionnaire was then adjusted based on the results of the pilot study. The refined survey was then conducted among two separate groups – jobseekers (coded as JS in the rest of the paper) and pensioners (coded as P in the rest of the paper), which together account for 55% of the total social welfare bill. The questions asked in the JS and P surveys are presented in Appendix 1. Comments and opinions were also recorded during interviews to understand the reasoning behind recipient's choices. In total, there were interviews with 107 jobseekers, and 103 pensioners. Jobseekers interviews matched current registry age distribution (see Figure 1).

Interviews were also carried out with key individuals, namely: (1) staff from the DSP connected to the current projects, (2) staff from the DSP working on other related projects (eg: the Public Services Card project), (3) members of organisations in charge of planning future policies for Ireland in the area of E-Payment (e.g.: the Irish Payment Services Organisation - IPSO), with suppliers of potential solutions and with political figures speaking on behalf of their parties in the area of social welfare. While the recipient surveys followed a structured approach, other stakeholder interviews used a loose interview guide to allow the richness of interviewees' experience to come through (Bouchard, 1976).

This phase of research also relied on an extensive review of published documents and reports pertaining to social welfare in Ireland, especially the data published by the statistics office, relating to social welfare programmes, payments, and recipients from 2007 to 2010 (Stats 2010 and 2011).

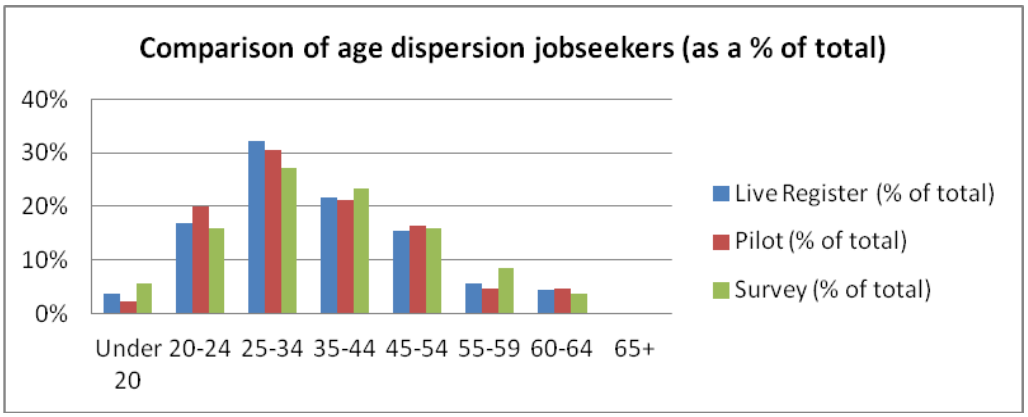


Figure 1: Demographics of jobseeker welfare recipients in the live registry (Stats, 2010) and in the first survey

This paper is written as an intrinsic case study (Stake, 1994) of the current project led by the Irish DSP which started in early 2010 and is now at the end of the Request for Information (RFI) phase. This is an interesting point in time to analyse this case study because, whilst many important aspects of the decisions ahead are known and the challenge facing the DSP is well understood, the key decisions that need to be taken are on hold. Thus, this paper offers a rare opportunity to discuss a live case, as it unfolds in reality.

Whilst descriptive, this case study relies on a comparison with current literature on tGov as a guide to analyse the challenges currently faced by the DSP and seeks to learn from the current project as it stands. Currently, cash (in various forms) vs. electronic payment are the two main candidates to distribute welfare payments (see Table 2 later) – and these choices impose the "big" question for DSP and, therefore, represent the key focus of this study: should and could DSP move to a fully electronic solution? This paper seeks to answer the question from the viewpoint of the welfare recipient.

6 IMMEDIATE CONTEXT OF THE PAYMENT INSTRUMENT SELECTION PROBLEM

6.1 Social welfare and its recipients in Ireland

Social welfare in Ireland is distributed amongst 9 main scheme categories/programmes, each of which consists of various schemes totalling over 50 altogether and paying out close to €21billion in total (see Table 1). Figure 2 depicts the ratio of recipients for the main categories in 2010.

Programme	2009	2010(1)	Change 2010 over 2009
	€000	€000	
Older People	4,569,861	4,614,970	1.0%
Widows,Widowers or Surviving Civil Partners and One Parent Families	2,608,226	2,570,545	-1.4%
Child Related Payments	2,877,010	2,650,751	-7.9%
Illness, Disability and Caring	3,504,680	3,469,550	-1.0%
Jobseeker's Supports	3,738,372	4,094,732	9.5%
Employment Supports	454,318	597,095	31.4%
Supplementary Welfare Allowance	969,724	950,919	-1.9%
Miscellaneous Payments and Grants	1,221,209	1,324,101	8.4%
Administration	592,640	575,567	-2.9%
Total Expenditure	20,536,040	20,848,230	1.5%

(1) Provisional

Table 1: Recipient categories and corresponding payments (Stats, 2011)

The main categories in Table 1 relate to the following recipients and expenses:

- Older People: State Pension; Pre-Retirement Allowance;
- Widows, Widowers and One-Parent Families: Widow/er's Pension; Deserted Wife's Benefit; Deserted Wife's Allowance; Prisoner's Wife's Allowance; One Parent Family Payment; Widowed Parent Grant;
- Child Related Payments: Maternity Benefit; Adoptive Benefit; Health and Safety Benefit; Guardian's Payment; Child Benefit; Domiciliary Care Allowance;
- Illness, Disability and Caring: Illness Benefit; Invalidity Pension; Disability Allowance; Blind Pension; Carer's Benefit; Carer's Allowance; Injury Benefit; Disablement Benefit; Death Benefit; Respite Care Grant; Medical Care;
- Jobseeker's Supports: Jobseeker's Benefit; Jobseeker's Allowance;
- Employment Supports: Family Income Supplement; Back to Work Allowance; Back to Work Enterprise Allowance; Back to Education Allowance; Part-Time Job Incentive Scheme; Farm Assist; Others;
- Supplementary Welfare Allowance: Basic Supplementary Welfare Allowance Payments; Rent Supplements; Mortgage Interest Supplements; Other Supplements; Exceptional and Urgent Needs Payments; Back to School Clothing and Footwear Scheme; Direct Provision Allowance; Humanitarian Aid;
- Miscellaneous Payments And Grants: Treatment Benefits; Household Benefits, Free Travel and Fuel Allowance; Rent Allowance; Bereavement Grants; Combat Poverty Agency; Schools Meals; Citizens Information Board; Money Advice and Budgeting Service; Other Grants/Payments;
- Administration.

In the last few years (2007-2010), the total number of recipients has increased from 1.06M to 1.43M – a growth of 35%. During the same period, payment to jobseekers has shot up from €1.42bn to €4.1bn – an almost three-fold increase.

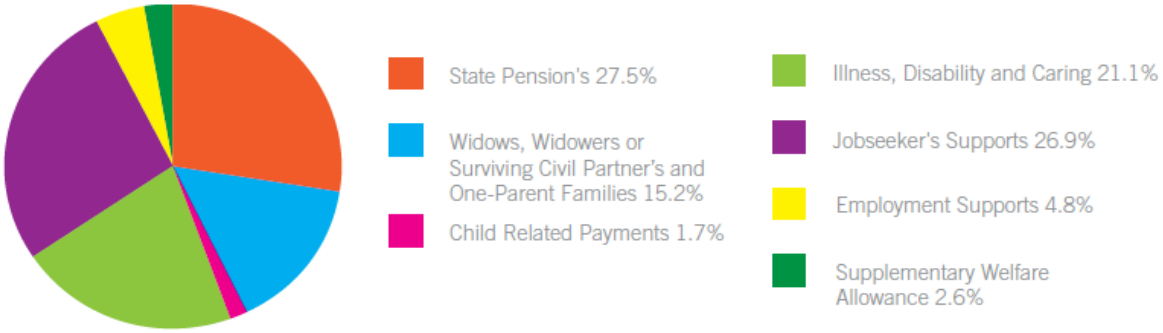


Figure 2: Number of recipient by main scheme categories (Stats, 2011)

The typical welfare payment is in the range of €170 or up while the expense associated with each welfare payment draft is approximately €17. This implies that the ratio might be as high as 10%. Indeed, published data suggests the same ratio (Stats, 2011).

6.2 Current use of payment instruments in social welfare

Currently there are four main payment methods exercised by the state: Electronic Fund Transfer (EFT), Postdraft, Personal Payable Order Book (PPOB), and Cheque:

- EFT: EFT is a paperless money transmission system which enables the Department to transfer payments directly into a personal account at a Bank, Building Society or Post Office.
- Postdraft: Postdraft payments are made in cash at a Post Office nominated by the recipient. These payments are made weekly using one of two methods of identification; (i) the recipient presents their social welfare services (SWS) card in an automated/computerised Post Office, which is scanned for proof of identification and payment information, and (ii) in a non-automated/computerized Post Office, a recipient must provide a valid proof of identification and their payment information is checked on a book.
- PPOB: a book is issued once or twice a year, which is cashable weekly at a Post Office nominated by the recipient.
- Cheque: sent weekly or monthly directly to the recipient's home address. They can be deposited at banks or other financial institutions, or cashed at any of the issuing banks branches.

Not all of these social welfare payment instruments are available to be selected for the various social welfare schemes. For some schemes the recipient can choose what payment instrument they wish to receive their payments by, for others there is limited or no options available. For example, EFT, PPOB and cheque are not available to non-long-term jobseekers – such jobseekers must present themselves weekly at the Post Office to collect their payment in cash. Pensioners on the other hand have a choice of whether to receive their payments by EFT or by postdraft. The DSP are currently in the process of phasing out the PPOB method of payment and have also significantly reduced the number of cheques issued; however these payment methods are still being used to some degree.

Category	EFT	Postdraft	PPOB	Cheque
Pensioners	176,269	201,552	4	921
Jobseekers	38,996	248,040	0	76,333
Child Benefit	361,973	240,959	0	0

Table 2: Number of recipients using available payment options in the three main categories (Stats, 2010)

Available information on social welfare payment instruments for each scheme is very sketchy and often contradictory, for this reason it is difficult to accurately illustrate the distribution. However, based on available material, Table 2 shows the number of recipients in each of the three main social welfare categories in receipt of social welfare payments through each of the four available payment instruments (note that for pensioners postdraft includes EIT, electronic identification).

The task at hand for the DSP is characterised by conflicting objectives pursued by a number of key stakeholders such as the Government, the DSP, and An Post – as discussed in O'Brien *et al*. (2001). The survey thus intended to go further and look at citizens' concerns.

7 KEY FINDINGS OF THE SURVEYS

7.1 Bank account: banked vs. un-banked

Unlike in many countries (as discussed in Section 2 and 3), having no bank account does not appear to be a problem – at least not in the groups investigated.

For example, as demonstrated in Figure 3, the majority jobseekers surveyed have bank accounts or other forms of money management instruments. Furthermore, jobseekers do utilize their accounts in every day financial transactions.

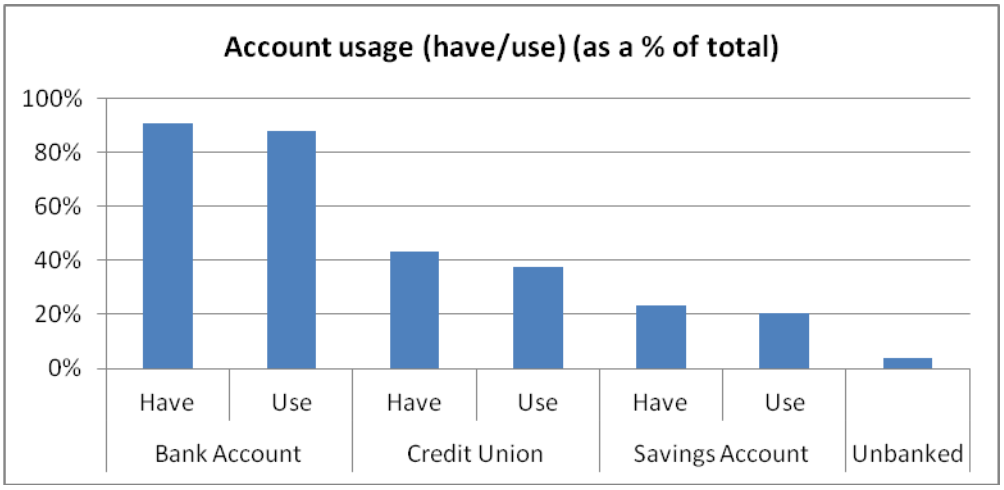


Figure 3: Availability and use of bank accounts – jobseekers

In addition, the use of ATM and other cards is also common place amongst the jobseekers surveyed (Figure 4).

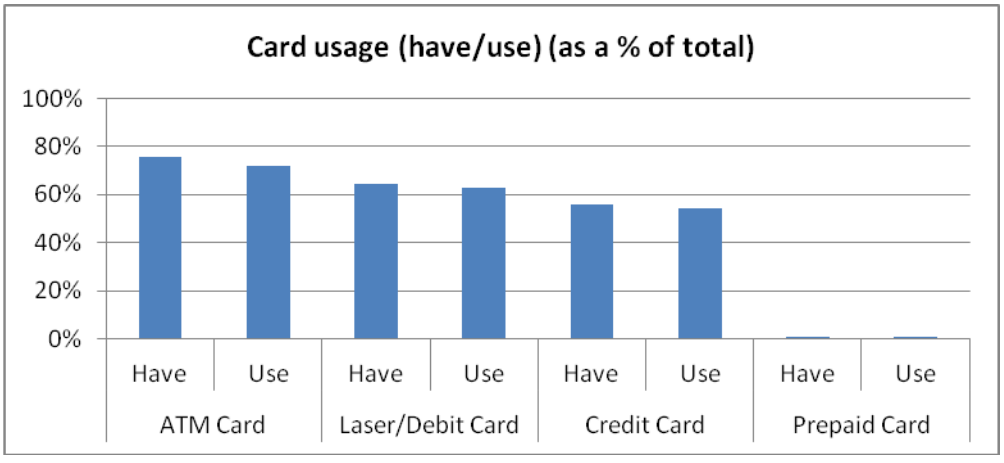


Figure 4: Use of various forms of bank cards – jobseekers

The numbers are similar in the pensioner groups as well. One may safely conclude that the availability of account and access to those accounts is not an issue.

7.2 The use of cash and other payment instruments

At the same time, as comments revealed, the majority of people prefer to use cash in their everyday transactions. This dominance of cash was motivated mostly by convenience and in cases of smaller, regular daily purchases:

> "*Cash is handy for everyday.*" (JS-23)

> "*small amounts for most purposes…*" (JS-12)

Despite the high availability of some form of debit or even credit card (see Figure 4) the use of those cards is specific:

> "*rarely, for large items…*" (JS-9)

> "*for big value shops….*" (i.e. bigger, weekly groceries (JS-18)

Choosing between payment instruments seems to happen along simple lines:

> *"[depends on] value of payment…"* (JS-102)

> *"security of payment, location…"* (JS-77)

> *"Like to pay with card where possible because of records."* (JS-100)

> *"Cash is handy but if making larger purchases, card is better."* (P-3)

Online payment is almost exclusively used for bills, travel expenses, or home gas – by those who utilize that option:

> "*Prefer to deal with cash, but bills paid by [electronic means] or through Post Office.*" (P-7)

The patterns observable are in harmony with patterns and reasons reported for other countries (e.g. the Dutch review from Jonker, 2007): choice is based on value, type and convenience and perception of security. If one is used to it, why change:

> "*Use cash for everything, it was the way we always did things*" (P-35)

> "*very rarely use card if I have cash*" (JS-71)

Irish people seem to have no problem with going to the Post Office to pick up their money:

> "*Cash is handy, can pay all bills at Post Office*" (P-14)

However, there was another pattern emerging which was not similar to other research results. The preference of cash is also influenced by what people call the "bread-line": Welfare recipients manage daily finances by "feeling" how much money they have left in their pockets. They need to feel and see how much they have left at the end of the week: they actually, literally count the cash in their pocket before the next payment arrives:

> "*cash allows good control*" (JS-44)

> "*Cash is easier, you know what you have*" (JS-95)

> "*Only use cash. No money left when finished [picking up money and paying bills] in the post office.*" (P-46)

> "*Only use cash, can pay money off bills once pension collected and then know what's left and can budget…*" (P-33)

Furthermore, one needs to take into consideration that there are restrictions. Debit cards may only be used for purchases over €5 at most POS places, while credit card often has a €10 limit or else there is a surcharge. Interestingly, when one is down to the wire and needs small amounts of cash (or just uses small amounts at a time) using ATMs is not possible as most machines only give out €20 bills. Not every machine has €10 bills (and €5 is not possible, the smallest increment is €10). Furthermore, it might happen – especially during week-ends when people usually make their shopping – that there is no €10 or even €20 bills left available (only €20 or €50). However, at the end of the week one might

need smaller amounts - or indeed might only have left very little on their account (should they have an account at all...). If there is €4.99 left on your account, you simply can not get it. And if there are restrictions on the bill size or the ATM has run out, it would be not possible to get your money if there is €9.99, €19.99, €49.99 or less left on your account. Now, most shops either do not have debit card POS terminals, or there are restrictions on the amount.

In addition, people still perceive bank account expenses as unnecessary:

> "*I am not going to pay banks just to get to my own money*." (P-74)

The preference towards cash almost inevitably influences the choice of receiving social welfare payment.

7.3 Current welfare payment method preference and choice

The jobseekers investigated belong to the group which includes people who are not on "long-term unemployment". Therefore, despite the availability of accounts they must receive their social payment as Postdraft (i.e. cash equivalent – mostly using electronic identification, EIT) – see Figure 5.

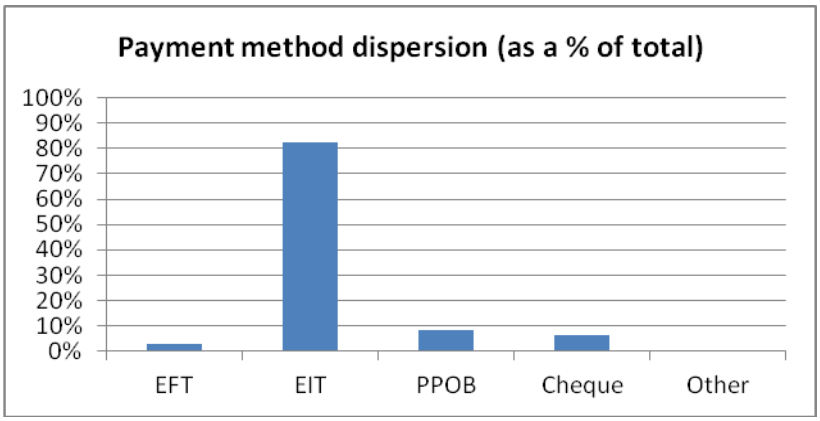


Figure 5: Methods of receiving payment – jobseekers

Pensioners, on the other hand may freely choose their method of payment, and while all of them requires electronic identification, only 38% of them has signed up for Electronic Fund Transfer.

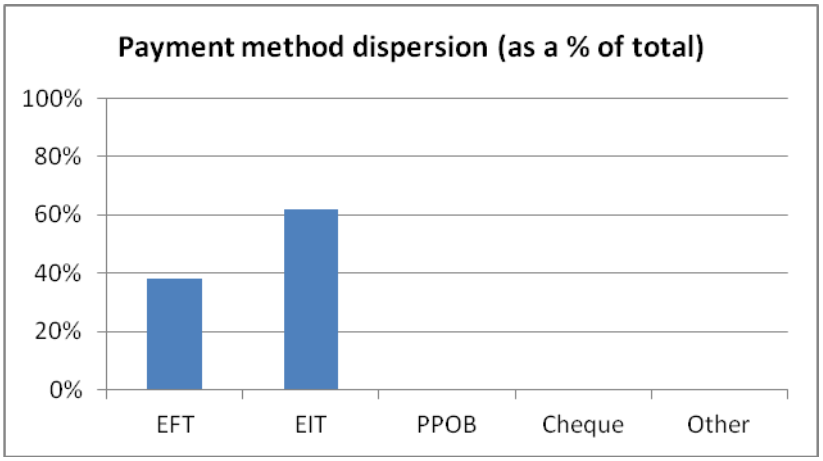


Figure 6: Methods of receiving payment – pensioners

Yet more than 60% (Figure 6) chooses to pick up their payment at the post office using EIT – instead of receiving the money into their bank account. However, as interviews reveal, their choice is often based on lack of knowledge or interest, or just convenience (as one can conclude from the quotes

above). Furthermore, as people prefer to use cash, they do not mind picking up their entitlement in cash either.

7.4 Perception of moving away from cash and potential far reaching impacts

Regarding the planned governmental move from pre-dominantly cash to full electronic instruments, although the current attitude is dominated by the preference for cash, there is some affinity towards "e" vehicles at the same time:

> "*Would like to be paid into account, then maybe could use card more*." (JS-38)

> "*Would use card for everything preferably*." (P-20)

The daily experience of most people still makes them to stay with cash tough.

An Post, the Irish Post Office has a business model that is critically dependent on three customers: DSP (social welfare payments), NTMA (savings services), RTE (TV licence fee collection). This business model has been facing challenges through reduction in postal volumes and increases in service provision costs. It is probable that advances in payments technology at the DSP would lead to a reduction in the role of the post office resulting in a loss income from the DSP source. The Irish Post Office has limited opportunities for increasing revenue from its current lines, with its existing business model. The reduction in the role of An Post in Ireland could be significant. For many people, the post office is the only place where they can conduct their financial affairs. Many rural villages do not have bank branches and if local post offices close they will need to travel to access their welfare payments.

The existence of such factors in the decision to switch to e-payments for the distribution of social welfare payments in Ireland complicates the problem very substantially as the need to save cost to reduce the overall social welfare budget collides with the need to sustain an administrative presence at local level, even in remote areas where it no longer financial sense.

8 CONCLUSIONS

In this case study, the potential for radical changes is high, with the possibility to introduce proven technologies to reduce the cost of dispersing the social welfare budget and reduce the overall volume of cash in circulation in Irish society. The political intent to pursue these avenues has been present for many years, but with only limited follow through on the ideas presented in the many reports published by the Irish government down through the years, as the 80,000 cheques still issued weekly by the DSP indicates. Our data indicates that even within schemes where cash and cheque payments have been discontinued in principle, exceptions are still being made.

The reasons why these anomalies exist are evident in the survey data: respondents reveal their fundamental ambivalence when it comes to their use of cash. On the one hand, they understand that cash is not the most effective mode of social welfare payment and they agree that the government should move towards e-payments, but on the other hand, they freely admit to their preferences for cash, a preference well anchored in Irish society generally, despite the existence of facilities for non-cash payments in Ireland on a par with any other country in Europe. The existence of a small minority of social welfare recipients who refuse to provide information about their financial status and even refuse to open a bank account by fear of revealing the state of their finances to the government is also revelatory on this state of mind.

Of course, there are limitations to the findings presented in this paper, notably due to the small sample sizes and the concentration on the Cork area of the country. Much broader surveys would be required to judge the acceptability of e-payments at the national level. However, beyond the preferences expressed by our respondents, there are also very harsh economic realities are play, where social welfare recipients are so close to the proverbial bread line that they could not manage their finances using e-means of payments, no matter how inexpensive. Recipients who find themselves on their last euro at the end of every week have no use for bank accounts or cards, not even the pre-paid variety.

The changes described in this paper seem to make sense. In particular, the excessive cost of issuing cheques (charged by the bank which holds the DSP's bank account) and the processing charge charged by An Post (estimated to be around €17 euro per transaction on average) can be seen as "low hanging fruits" ready to be harvested. In the current logic however, DSP's top management are in no mind for radical announcements: worried about the public reaction to sudden policy changes in a sensitive domain, they favour a scenario where paths would be offered to recipients to migrate from one form of payment to an e-payment over time. This migration scenario, entails offering new payment paths, without removing old ones and only gradually switching recipients voluntarily. Whilst this logic is clearly excellent as a means to reduce resistance to change, it is also the costliest and one which will only allow a slow harvest of even the lowest hanging fruits. Given the current pressures on public finances, it is likely therefore that this logic will mean that nothing in undertaken for quite some time, as the return on investment would be too slow in the case of a voluntary migration scenario. The problems inherent in the reduction of the amounts per transaction paid to An Post places the DSP squarely in front of its responsibilities.

Will 2012 be another year without a move towards e-payment?

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Appendix A: Survey Questionnaire

FSIC Financial Services Innovation Centre

UCC Coláiste na hOllscoile Corcaigh, Éire University College Cork, Ireland

Social Welfare Payment methods Survey

Carried out by Financial Services Innovation Centre (FSIC) at UCC

All data collected are strictly anonymous and will only be presented in aggregated form.

▪ ***DEMOGRAPHIC DATA** (tick the appropriate box – only one answer)*

1 (a) - Age: Under 20 ☐ 20-24 ☐ 25-34 ☐ 35-44 ☐ 45-54 ☐ 55-59 ☐ 60-64 ☐ 65 + ☐

1 (b) - Gender: Male ☐ Female ☐

1 (c) - Nationality: Irish ☐ EU ☐ Other ☐

▪ ***WELFARE SCHEME INFORMATION** (tick the appropriate box - multiple responses possible)*

2 - In which scheme are you currently a recipient?

Jobseeker's Allowance ☐ Jobseeker's Benefit ☐ One-Parent Family Payment ☐ Child Benefit ☐ Illness Benefit ☐
Maternity Benefit ☐ Invalidity Pension ☐ Carers Benefit ☐ State Pension ☐ Other _____

3 - How is your DSP payment currently made?

Electronic Fund Transfer (EFT - directly into an account) ☐ Electronic Information transfer (EIT - collected at post office) ☐
Personal Payable Order Book (PPOB - collected at post office) ☐ Cheque (sent to your home) ☐ Other _____

▪ ***USE OF PAYMENT METHOD INFORMATION** (tick the appropriate box - one answer only; or rank according to preference)*

4 - Do you currently (1) HAVE and/or (2) USE any of the following?

		1	2		1	2		1	2		1	2
(a) Accounts:	Bank A/C	☐	☐	Credit Union A/C	☐	☐	Savings A/C	☐	☐	No access to banking	☐	☐
(b) Cards:	ATM Card	☐	☐	Laser/Debit Card	☐	☐	Credit Card	☐	☐	Prepaid Card	☐	☐

5 (a) - Do you use the internet? Yes ☐ No ☐

5 (b) - Do you use online/internet banking? Yes ☐ No ☐

6 (a) - What is your preferred method of payment in your everyday life? (*RANK 1-4 in accordance with your preference*)
Cash ☐ Card ☐ Cheque ☐ Direct Debit ☐

6 (b) - What is your preferred method of payment when paying bills? (*RANK 1-4 in accordance with your preference*)
(i) Utilities (gas, electric, phone, etc.): Cash ☐ Card ☐ Cheque ☐ Direct Debit ☐
(ii) Services (doctor, plumber, electrician, etc.): Cash ☐ Card ☐ Cheque ☐ Direct Debit ☐

6 (c) - For each payment method (cash, card, cheque and direct debit), are there certain reasons and/or situations why you would choose to use one payment method over another? (e.g. type of payment, value of payment, location of payment, situation associated with payment, security of payment, etc.)

Cash: _____ / _____ / _____
Card: _____ / _____ / _____
Cheque: _____ / _____ / _____
Direct Debit: _____ / _____ / _____

▪ ***WELFARE SCHEME PAYMENT METHODS INFORMATION** (tick the appropriate box – one answer only)*

7 (a) - Would you be happy to switch to an electronic method of payment for your welfare entitlements? Yes ☐ No ☐

7 (b) - If so, would you prefer to be paid ... directly into an account ☐ directly onto a prepaid card ☐ no preference ☐

7 (c) - If paid electronically, would you like to be notified when the payment has been made via text/email? Yes ☐ No ☐

8 - Do you have security worries about carrying or using ... cash ☐ cards ☐ cheques ☐ online payments ☐

9 - Would you be open to the use of biometric methods that offer additional security and reduce fraud in welfare payments? (e.g. photo ID; fingerprint, facial or iris scanning; voice recognition etc.) Yes ☐ No ☐

10 - Can you think of any obstacle that would stop you from switching to being paid electronically (i.e. into your bank/credit union account or being paid into a Laser/Credit/Debit/Prepaid card account) from being paid in cash?

_____
_____
_____