



## Social Security and Family Assistance Legislation Amendment (Weekly Payments) Bill 2010

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## Social Security and Family Assistance Legislation Amendment (Weekly Payments) Bill 2010

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**House:** House of Representatives

**Portfolio:** Families, Housing, Community Services and Indigenous Affairs

**Commencement:** On Royal Assent

**Links:** The [relevant links](#) to the Bill, Explanatory Memorandum and second reading speech can be accessed via BillsNet, which is at <http://www.aph.gov.au/bills/>. When Bills have been passed they can be found at ComLaw, which is at <http://www.comlaw.gov.au/>.

### Purpose

This Bill seeks to amend the *Social Security Act 1991*, the *Social Security Administration (Administration) Act 1999*, the *A New Tax System (Family Assistance) Act 1999* and the *A New Tax System (Family Assistance)(Administration) Act 1999* to enable welfare payments, as well as Family Tax Benefit (FTB) and baby bonus payments, to be made on a weekly rather than fortnightly basis to vulnerable income support recipients.

### Background

Typically, welfare payments (including income support and income supplement) are paid on a fortnightly basis. While most welfare recipients are able to manage their finances over this period, some disadvantaged people experience great difficulty in doing so. Vulnerable people—such as people who are homeless or at risk of homelessness and people with mental health and substance abuse problems—can struggle to organise a budget such that they are able to pay their bills and purchase groceries over a fortnightly period. In many instances, these disadvantaged Australians live on a day-to-day, hand-to-mouth basis and find themselves spending their payments too quickly. Where this is the case, this is not only bad for these people's immediate health and well-being—increasing the risk of their going without food and necessary health services and becoming homeless—but it can also serve to prolong and exacerbate their experience of disadvantage.

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## Tangentyere weekly payment trial

It has long been recognised that certain welfare recipients struggle for various reasons to maintain a budget over a fortnightly period. There has also been a longstanding interest in determining whether a shorter pay period might assist these people.<sup>1</sup>

During the past decade two trials of the weekly payment of income support have been conducted in Australia. The first of these was carried out from September 2001 to March 2003 as a part of a broader trial of culturally sensitive banking and financial services in Town Camp communities in Alice Springs. The trial of services offered to Town Camp residents by the Tangentyere Council<sup>2</sup> through a Westpac agency located on its premises included: the delivery of face-to-face, over the counter banking services to Aboriginal clientele; a financial literacy program designed to assist Aboriginal clients in the shift from cheque-based to electronic banking; and, a weekly payments trial.<sup>3</sup>

The Tangentyere weekly payments trial, which was funded through the then Department of Family and Community Services (FaCS), was intended to help in countering the 'feast-and-famine' cycle experienced by many Indigenous welfare recipients, and to ameliorate the worst effects of this fortnightly cycle. According to Siobhan McDonnell, a former visiting fellow at the Centre for Aboriginal Economic Policy Research (CAEPR), many Indigenous people face a feast-and-famine cycle as a result of their 'low personal incomes, distinct cultural patterns of immediate expenditure often for a wide social network, combined with a lack of access to savings'.<sup>4</sup> The consequences of a feast-and-famine cycle can be severe. Families that have spent their income support payment early can end up going without food and, in the worst case scenario, this can create problems of child malnutrition.<sup>5</sup>

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1. In 2003, the then New South Wales (NSW) Liberal leader, John Brogden, is said to have written to then Prime Minister, John Howard, to urge him to consider allowing weekly payments to welfare recipients who experienced difficulty in managing their finances. In the context of his release of an annual report card on the state of NSW, Brogden indicated that he had heard a number of stories 'where the fortnightly cycle is not managed and there is no money left in the last week or few days of the fortnight'. M Saunders, 'Weekly Centrelink payments: Brogden', *The Australian*, 9 December 2003, p. 5.
  2. A council established in 1979 to provide services to the Aboriginal population of the town camps located around Alice Springs.
  3. S McDonnell, 'Chasing the money story: an evaluation of the Tangentyere Bank Pilot Project and its relevance to Indigenous communities in central Australia', Centre for Aboriginal Economic Policy Research Working Paper No. 2/2003.
  4. *Ibid.*, p. 15.
  5. *Ibid.*

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### Trial benefits

Based on a limited study of the trial conducted by FaCS, weekly payments would appear to have helped Tangentyere weekly payments trial participants to better manage their money and, as a result, had some impact on the feast-and-famine cycle and its effects. The weekly payments trial was reported to have resulted in less people going without food, and people either buying more food or buying food more often.<sup>6</sup> Another positive outcome of weekly payments, according to FaCS, was that they ‘reduce the amount of money available to buy alcohol in one sitting, thus reducing potential intake amongst Indigenous customers who binge drink.’<sup>7</sup> In this respect, FaCS contended that weekly payments could be viewed as a harm minimisation strategy.

### Trial limitations

On the strength of her own assessment of the weekly payments trial, and FaCS’ evaluation of the trial, McDonnell was generally supportive of the use of weekly payments as a strategy to overcome the fortnightly feast-and-famine cycle in the Tangentyere town camps. However, while noting that the initial results of the trial had seemed positive, McDonnell identified some problems that would, she argued, need to be addressed if the trial were to be expanded to other Indigenous central Australian communities. Some of these problems were of a technical nature, with Centrelink experiencing difficulties in putting weekly payments in place. Others related to people choosing to exit the trial and return to fortnightly payments because weekly payment amounts were insufficient to allow them to make larger purchases.<sup>8</sup>

McDonnell also highlighted the fact that a limited number of people had participated in the trial, and that this could have influenced the trial’s results. It is worth noting that while the evaluation results may certainly have been biased towards the small number of people who chose to remain on weekly payments this does not detract from the benefits reported by these participants. Nevertheless, the point is that we do not know, on the basis of the trial’s limited results, whether or not those people who dropped out of the trial suffered ill effects as a result of returning to fortnightly payments. All that we can safely say, then, based on available trial results, is that there is evidence that weekly payments are helpful to some people—and especially when combined with additional services—and worth making more widely available, as a result.

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6. Ibid.

7. Ibid., p. 15.

8. Arguably, this highlights broader issues to do with the adequacy of income support payments, per se. Welfare rights groups and community services organisations have consistently argued that social security payments are insufficient, with John Falzon, Chief Executive Officer of the St Vincent de Paul Society recently calling for a review of payment adequacy. J Falzon, ‘Macklin’s measures a far cry from fairness’, *Canberra Times*, 1 December 2009.

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The main point made by McDonnell in her assessment of the Tangentyere trial was that if weekly payments were to prove successful, then this demanded that they be voluntary. Participants in any program of weekly payments, she argued, should be able to return to fortnightly payments at any time, to ensure that their consumer choices are not unduly limited.<sup>9</sup> So long as this condition could be met, McDonnell supported an expansion of the weekly payments trial beyond Town Camp communities in Alice Springs to other Indigenous communities throughout central Australia.

### The Weekly Payments Trial

Following the success of the Tangentyere trial of weekly payments, a weekly payment trial was conducted in the broader Australian community by FaCS, the then Department of Employment and Workplace Relations (DEWR) and Centrelink.<sup>10</sup> From 24 October 2005 to 30 April 2006, the option of weekly payments was made available to disadvantaged welfare recipients across 69 Centrelink Customer Service Centres located throughout Australia. A majority of these sites were located in Western Australia and South Australia. Around 1700 disadvantaged welfare recipients are reported to have been involved in the trial, with most of these people in receipt of the disability support pension and suffering from some form of mental illness.<sup>11</sup>

The trial sought to determine the costs and benefits of weekly payment arrangements, both for participants themselves, and for other stakeholders. These stakeholders included Centrelink social workers and support services that cater to the needs of disadvantaged welfare recipients, and Centrelink staff who may have had to deal with these recipients' requests for advance or urgent payments when their fortnightly payments had been exhausted. It is important to note that weekly payments were not offered in isolation; trial participants were also provided with access to other support services that were calculated to assist in stabilising their circumstances.

While the evaluation report on the trial has not been made publicly available, it is generally recognised that the trial, with its combination of weekly payments and services to assist participants, was reasonably successful.<sup>12</sup> The Minister for Workplace

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9. S McDonnell, *op. cit.*, p. 16.

10. With the machinery of government changes of October 2004, the administration of working age payments and, with them, the weekly payments trial, was transferred from FaCS to DEWR.

11. S Peatling, 'Weekly payment trial ends despite success', *Sydney Morning Herald*, 7 April 2006, p. 6.

12. During Supplementary Estimates 2009–10, Senator Rachel Siewert requested, in writing, that a copy of the evaluation on weekly payments be made publicly available. In response DEWR stated: 'An evaluation report on the Weekly Payments Trial was provided to relevant Ministers in 2006. The Homelessness White Paper, *The Road Home*, launched by the Australian Government in December 2008 outlines the Government's plan to reduce

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Participation during the time in which the trial was conducted, Dr Sharman Stone, is reported as having stated, ‘preliminary results suggest the trial is a positive initiative for disadvantaged income support recipients when weekly payments are accompanied by other contact arrangements’.<sup>13</sup>

A similar assessment was made by the then president of the National Welfare Rights Network, Michael Raper. Based on feedback provided to him by community groups, Raper is reported as having stated that, as a result of the weekly payments trial, ‘very vulnerable clients have been able to turn their lives around with improved health and personal outcomes, more stable accommodation and reduced costs in terms of demands on the health and legal systems.’<sup>14</sup> Indeed, given the reported success of the trial for participants and Centrelink, Raper was ‘at a loss as to why it [was] being wound up’.<sup>15</sup>

It would appear that the reason for the trial’s being finalised was that, under existing arrangements, income support payments must be paid in arrears, and in respect of a 14 day instalment period. Hence, to have continued to pay income support recipients on a weekly basis would have been to pay them in advance of when they were entitled to receive their payment—that is, at day 15 in respect of a 14 day instalment period. Weekly payments were able to be made to Weekly Payment Trial participants on a limited, trial basis only.

The current Bill would provide for weekly payments to be made to vulnerable income support recipients through two part payments in respect of a 14 day instalment period. This would enable weekly payments to be made by treating the two part payments as though they were a single payment being paid at the end of a 14 day instalment period, while preserving the 14 day instalment period that applies to most income support recipients.

### **Basis of policy commitment**

In the context of the 2007 Federal election campaign, then opposition leader, Kevin Rudd, made a commitment to tackle the issue of homelessness in Australia as a matter of national priority. The problem of homelessness was to be addressed within Labor’s broader housing affordability and social inclusion agendas through a focus on the prevention of homelessness, improved crisis services, and the creation of exit points to secure longer term housing and stop the cycle of homelessness.

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homelessness by 2020. A weekly payments measure is one element of a larger suite of measures announced in the White Paper’. Senate Standing Committee on Education, Employment and Workplace Relations, Answers to Questions on Notice, Education, Employment and Workplace Relations Portfolio, Supplementary Estimates 2009–10, Question EW538\_10.

13. S Peatling, op. cit.

14. S Peatling, op. cit.

15. Ibid.

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On gaining office, the Rudd Government signalled its intention to develop a comprehensive, long-term plan to tackle homelessness. To this end, it commissioned the development of a Green Paper to ‘promote public discussion of homelessness, highlight the challenges faced by people who are homeless, and suggest ways forward’. The paper, *Which Way Home? A new approach to homelessness* was released in May 2008.<sup>16</sup> This was followed on 21 December 2008 by the homelessness White Paper, *The Road Home: A National Approach to Reducing Homelessness*, which seeks to provide a national plan of action on homelessness for the years leading up to 2020.<sup>17</sup>

The paper outlines three strategies through which homelessness is to be tackled. These are: a focus on early intervention in the provision of homelessness services; increased responsiveness of and connectivity between homelessness services so as to achieve sustainable housing, improve economic and social participation and reduce homelessness; and moving homeless people quickly out of the crisis accommodation system and into stable housing with the necessary support to ensure that their homelessness does not recur. One of the initiatives identified under the first of these strategies was the weekly payment of income support. The Government made a commitment to make weekly payments available to people who are homeless or at risk of homelessness as a means to help prevent homelessness.<sup>18</sup>

Weekly payments are to be voluntary, with people who are homeless or at risk of homelessness to be offered the option of receiving their welfare payments weekly, where it is determined that this could help them. Centrelink has introduced a ‘flag’ in its systems to identify claimants who are either homeless or at risk of homelessness. This ‘flag’ lets Centrelink staff know that a Centrelink Social Worker is needed to provide assistance to the person identified, including, if appropriate, access to weekly payments.

#### Position of significant interest groups/press commentary

While there has been very little comment on the Bill, all of the commentary in relation to the weekly payments measure has been supportive.

Both the Australian Council of Social Services (ACOSS) and the Welfare Rights Centre have welcomed the measure. Each organisation has expressed the view that weekly

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16. Commonwealth of Australia, *Which Way Home? A new approach to homelessness*, May 2008, viewed 18 February 2010, [http://www.fahcsia.gov.au/sa/housing/pubs/homelessness/green\\_paper\\_homlessess1/Pages/default.aspx](http://www.fahcsia.gov.au/sa/housing/pubs/homelessness/green_paper_homlessess1/Pages/default.aspx)[http://www.fahcsia.gov.au/sa/housing/pubs/homelessness/green\\_paper\\_homlessess1/Pages/default.aspx](http://www.fahcsia.gov.au/sa/housing/pubs/homelessness/green_paper_homlessess1/Pages/default.aspx)

17. Commonwealth of Australia, *The Road Home: A national approach to reducing homelessness*, December 2008, viewed 18 February 2010, <http://www.fahcsia.gov.au/sa/housing/progserv/homelessness/whitepaper/Pages/default.aspx>

18. Commonwealth of Australia, op. cit., p. 35.

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payments, along with Centrelink's Centrepay bill-paying service, are a more effective and empowering means of assisting vulnerable income support recipients to manage their finances than a compulsory income management scheme.<sup>19</sup> The Government has indicated that it does not intend weekly payments to serve as a substitute for income management, which it proposes to extend beyond Indigenous communities in the Northern Territory.<sup>20</sup> However, in specific cases it is possible that weekly payments may be offered to income support recipients who are subject to income management.<sup>21</sup> In the absence of further detail, it is to be assumed that this would be in instances where the income support recipient concerned was homeless or at risk of homelessness.

## Financial implications

According to the Explanatory Memorandum, the measure has no administered costs and Departmental costs are to be 'absorbed within existing resources by the responsible departments'.<sup>22</sup>

It is worth noting at this point that the Government appears keen to restrict the availability of weekly payments to only those people who are the most disadvantaged. This is despite the fact that weekly payments could potentially be of some benefit to a broader range of income support recipients. It is to be assumed that the Government wishes to restrict the scope of the measure as a means to avoid increasing administrative costs. In 2008–09, Centrelink completed over 6 billion transactions on customer records.<sup>23</sup> Were income support payments to be made on a weekly basis for a substantial number of claimants, this

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19. Australian Council of Social Services, 'Weekly Centrelink payments will help homeless Australians', media release, 10 February 2010, viewed 23 February 2010, [http://www.acoss.org.au/media/release/weekly\\_centrelink\\_payments\\_will\\_help\\_homeless\\_australians](http://www.acoss.org.au/media/release/weekly_centrelink_payments_will_help_homeless_australians); Welfare Rights Service, 'Weekly Centrelink payments on the money', media release, 10 February 2010.
  20. Department of Families, Housing, Community Services and Indigenous Affairs, Weekly Payment of income support to Centrelink's vulnerable customers, Questions and Answers, viewed 22 February 2010, [http://fahcsia.gov.au/sa/housing/payments/Pages/q\\_a\\_weekly\\_payment.aspx](http://fahcsia.gov.au/sa/housing/payments/Pages/q_a_weekly_payment.aspx)
  21. For further details on the government's proposed extension of existing income management arrangements, see L Buckmaster, J Gardiner-Garden, M Thomas and D Spooner, *Social Security and Other Legislation Amendment (Welfare Reform and Reinstatement of Racial Discrimination Act) Bill 2010*. Bills digest, no. 94, 2009–10, Parliamentary Library, Canberra, 2010, viewed 22 February 2010, <http://www.aph.gov.au/Library/pubs/bd/2009-10/10bd094.pdf>
  22. Explanatory Memorandum, Social Security and Family Assistance Legislation Amendment (Weekly Payments) Bill 2010.
  23. Centrelink, *Centrelink annual report 2008–09*, Canberra, 2009, p. 11.

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would undoubtedly increase the number of Centrelink transactions by a considerable amount.

### Commentary and analysis

A substantial body of US research evidence indicates that many income support recipients, and especially disadvantaged income support recipients, experience a feast-and-famine cycle. For example, a 2003 study of the response of household consumption expenditures to the monthly arrival of social security benefits found

an increase in the amount of and probability of spending across multiple categories of expenditure in the first few days following social security check [sic] receipt relative to the day before the check arrives ... when the sample is limited to households for which social security is a significant portion of their income, the spending increase is more pronounced and statistically significant across all categories of instantaneous consumption.<sup>24</sup>

Further research shows that disadvantaged income support recipients (and people on low incomes in general) do not save very much and do not have access to credit that would enable them to avoid the ‘famine’ part of the feast-and-famine cycle.

Where disadvantaged income support recipients spend their payments shortly after receiving them, this can have a range of adverse consequences for themselves and others, both in relation to the expenditure itself and the lack of finances that results. A recent US study found evidence of a causal relationship between income support payment times and a cycle in drug and alcohol related hospitalisations and mortality.<sup>25</sup> It was found that drug and alcohol related hospitalisations increased abruptly immediately following the receipt of income support payments. The study also found evidence of a monthly cycle in crime, with a large increase in arrests for drug possession and sale and decreases in arrests for some revenue generating crimes immediately after social security recipients receive their payments.<sup>26</sup>

Ultimately, the study’s authors conclude that alternative disbursement policies—such as weekly or biweekly rather than monthly payments—could help to reduce drug and alcohol

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24. M Stephens, “‘3<sup>rd</sup> of the Month’: Do Social Security Recipients Smooth Consumption Between Checks?”, *The American Economic Review*, March 2003, p. 408.

25. C Dobkin and S Puller, ‘The Effects of Government Transfers on Monthly Cycles in Drug Abuse, Crime and Mortality’, *Journal of Public Economics*, vol. 91, no. 11/12, 2007, pp. 2137–2157.

26. *Ibid.* Financially motivated crimes include burglary, larceny-theft, motor vehicle theft, robbery and prostitution.

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bingeing. This, they argue, could in turn significantly reduce drug-related hospitalisations, arrests for drug possession and mortality among income support recipients.<sup>27</sup>

Based on available evidence of the benefits of weekly payments in an Australian context, it would appear that weekly payments are most helpful to disadvantaged income support recipients where they are combined with other forms of assistance. The Government has indicated that such assistance, which could include financial counselling, alcohol, drug or gambling rehabilitation services, will be offered to weekly payment recipients.<sup>28</sup>

## Main provisions

### **Amendments to the *A New Tax System (Family Assistance)(Administration) Act 1999***

The amendment to subsection 22(1) under **Item 1** provides that while the Secretary must give notice of a determination of a FTB claim to a claimant, the Secretary is not obliged to let the claimant know whether or not they fall within a class of persons for whom weekly payments has been approved by the Minister.

The grant of claim notification requirements do not extend to those who have been approved for weekly payments.

**Item 2** repeals and substitutes the existing definition of instalment period of 14 days to enable weekly payments to be made to classes of persons specified by the Minister to be vulnerable and likely to benefit from a weekly rather than fortnightly payment cycle.

**Item 3** inserts new subsections (3A), (3B), (3C) and (3D) at the end of section 23. The effect of this insertion is to: enable the Minister to specify by disallowable instrument a class of persons to whom the Secretary may determine that weekly payments may be made; enable the Secretary to determine whether any individual in a class of persons specified by the Minister should be offered weekly payments; and provide that the Secretary must return a claimant to fortnightly payments where they are determined to no longer be vulnerable, but may also return claimants to fortnightly payments for other reasons, at their discretion. This arrangement leaves the decision as to when to move claimants between weekly and fortnightly payments to the Secretary. That said, the initial decision about whether or not claimants wish to be moved to weekly payments will be made by relevant claimants themselves. In this sense, weekly payments are to be voluntary.

The intent of subsection (3C) would appear to be that weekly payments be reserved only for those income support recipients who are deemed to be in need of a reduced payment cycle. Weekly payments are thus envisaged as a means to an end, that is, ensuring that

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27. Ibid.

28. Department of Families, Housing, Community Services and Indigenous Affairs, op. cit.

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vulnerable people's circumstances are stabilised sufficient to enable them to return to mainstream (fortnightly) payment arrangements.

Section 25 of the *A New Tax System (Family Assistance)(Administration) Act 1999* deals with general notification requirements of people in receipt of FTB. It requires that they notify of changes of circumstances that relate to their qualification for payment.

**Item 4** inserts a new subsection (3) at the end of section 25 to provide that claimants on weekly payments of FTB must notify the Secretary if their circumstances change such that they no longer fall within a class of persons specified by the Minister as being able to receive weekly payments. Nevertheless, because the rate of payment remains the same whether claimants are on weekly or fortnightly payments, it is not an offence for claimants to fail to notify the Secretary of such a change of circumstances.

**Item 5** repeals and substitutes section 47, with new subsection (23) providing that the Secretary must make baby bonus payments in 26 weekly instalments rather than 13 fortnightly instalments to claimants determined to have weekly payment periods, where the determination is made before the end of the first fortnightly baby bonus instalment period.

Subsections (8), (9), (10) and (11) mirror those amendments at **Item 3**, above.

New subsection (3) extends the Secretary's current ability to make advance or urgent payments under fortnightly instalments to weekly instalments, and to determine that income support recipients can be moved from one payment period to the other.

New sections 47AA and 47AB provide for the Secretary to pay maternity immunisation allowance in a way and at a time that he or she considers appropriate, so long as this is to the credit of a bank account nominated by the claimant.

#### **Amendments to the *A New Tax System (Family Assistance) Act 1999***

**Item 8** provides for the Secretary to direct that people currently in receipt of or entitled to baby bonus can receive this on a weekly rather than fortnightly basis if the Secretary determines that they may be paid weekly payments.

#### **Amendments to the *Social Security (Administration) Act 1999***

**Item 9** inserts new subsections that provide for weekly payments to be made to vulnerable persons as determined by the Minister and the Secretary as two part payments in respect of a 14 day instalment period. (Subsection (3B) allows for the Minister to specify by legislative instrument a class of persons to whom weekly payments may be paid.) Thus, under subsection 43(3C), the Secretary has the discretion to pay the first part payment at any time from day 8 of the 14 day instalment period and the second part payment at any time from day 15 (under Section 43(3D)).

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Subsection 43(3E) ensures that a person who is paid two weekly payments in respect of a 14 day instalment period is taken to have received one instalment of their payment. This enables weekly payments to be made to approved claimants while preserving and not undermining existing fortnightly payment arrangements.

## Concluding comments

The legislative changes contained in this Bill will enable the payment of welfare payments to disadvantaged people on a weekly rather than fortnightly basis. Such a measure, when combined with other forms of social support, is likely to assist these people to better manage their finances and to help in stabilising their circumstances. The measure is thus beneficial both to disadvantaged people themselves and to society more generally.

It is clear that the Government does not intend for weekly payments to become a mainstream, alternative payment option. Rather, it envisages that weekly payments will be reserved for those welfare recipients who are the most highly disadvantaged.

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