



Response to 2010 Review Draft Report:

Welfare and housing services

Department of Treasury and Finance

September 2009

Tasmanian Position

- Consistent with our previous submissions, Tasmania reiterates its support for the Welfare and housing broad indicator approach based on Commonwealth Government welfare payments method.
- Unless otherwise noted we consider the payments-based 'use rates' to be appropriate and this approach is preferred to the previous use-weighted approach. We do not have any suggestions as to additional or complementary non-policy related data that could be used to allocate expenses to pension types differently.
- We do not consider the Western Australian argument in support of an alternative "potential population" approach to the disability component assessment to have been sustained.
- We support the data refinements to the family and child payment composition data as detailed in the staff email of 21 September 2009. Further we consider this approach to be both sufficiently robust, notwithstanding the limited states' input to the derivation of payment composition weightings, and likely to be more robust than possible alternative indicators.
- Our preference would be for a housing-specific remote location adjustment as more direct and transparent than an "adjusted" general location factor with respect to public housing maintenance and depreciation costs.
- We query why the Commission would seek to retain the CDEP placeholder factor rather than replace it with the explicit CDEP factor derived from the South Australian data decomposition.

The adjusted Australian government income support approach

1. The Commission uses national administrative data (with the exception of family and child services) on principal sources of income of service users to derive national average expenses per pension recipient - the equivalent to a (cost-weighted) 'use rate' for each pension type.
2. States have been asked to identify in their submissions whether the 'use rates' proposed in the draft assessment report are correct¹. Specifically, it is understood that the Commission is interested in whether:
 - there are additional or complementary data that can be used to allocate expenses to pension types differently, for example any data that would suggest the allocation of expenses to any particular pension type should change; and

¹ Refer email from Anthony Nicholls of the Commission staff, dated 24 July 2009, titled "Welfare and Housing".

- there are data that support inter-state differences, so that a state should not receive the average expense (use rate) per pension recipient.
3. Tasmania reiterates its support for the proposed assessment approach based on national administrative data :
 - the approach is based on a conceptually sound premise (ie. that the unifying characteristic of users of these otherwise disparate services is low income/low socio-economic status);
 - Australian Government income support payments provide a reliable, policy neutral proxy measure of this;
 - the national expenditure data sets (HACC, CSTDA etc) and other information generally support and quantify² the correlation between income support payments receipt and state service use, including indigenous use; and
 - the adjusted weighted expenditure approach that has been proposed provides a more robust measure than the previous use-weighted approach where data limitations prevent a robust assessment.
 4. Tasmania is not aware of additional or complementary state-based data which would suggest the allocation of expenses to any particular pension type should change relative to that proposed in the draft assessment.
 5. On the contrary, Tasmania is strongly of the view that service policy differences between states mean that while a state-based service-use indicator may provide a useful time-series indicator within a particular state, it should not be relied on to be a policy neutral indicator of relative need at the national average level.

Disability services 'use' indicators?

6. Western Australia has reported the Western Australian Disability Services Commission uses take-up rates of service users per 1000 recipients of the disability support pension (DSP) as an "effectiveness indicator" in its outcome performance reporting. The Disability Services Commission's *2007-08 Annual Report* indicates that for 2007-08, Western Australia's take-up rate was 27 percent higher than the Australian average. Western Australia is seeking to use this effectiveness indicator to substantiate its

² As previously noted, the response rate by jurisdictions for CSTDA service information varies from 70 per cent to 100 per cent. While it is not possible to estimate the number of service users missing from the dataset, a 70 per cent response rate is still statistically robust. There is no evidence to suggest that the non-response distribution is subject to systematic bias. Tasmania's experience is that non-responses occur across all CSTDA-provided services to some small extent rather than systematically affecting a particular service or region. We further noted that the HACC MDS, HACC MDS Version 2 (ie. data after January 2006) is recognised as a more robust data source than the earlier version. .

argument that the interstate distribution of DSP recipients is a poor proxy for relative state-based disability services needs.

7. However, disability services take up rates are a highly policy-driven indicator. There is a wide spectrum of disability conditions, needs and possible policy responses and different states have very different policy approaches. The Commission has recognised this through its reluctance to introduce use or cost weights for disabled persons in other services such as in the education categories.
8. In this context, the Tasmanian Department of Health and Human Services has advised that the Western Australia disability services policy orientation is towards a comparatively high volume provision of lower unit cost disability services relative to the Tasmanian policy approach, which is more heavily weighted towards a lower volume but higher unit cost pattern of disability services provision³. It is the Tasmanian health department's considered opinion that there is no evidence of robust non-policy related reasons for different state/territory take up rates.
9. Western Australia has also argued that a better indicator of need would be the Productivity Commission's "potential population". However, this is a notional service population not an actual service population. The Commission has consistently refused to adopt measures that encompass unmet needs but rather focuses on what states "do". The CSTDA national minimum data set indicator of the principal source of income of users of CSTDA services provides a national indicator of the actual serviced population's national average income profile. When used to weight state populations against total national expenditure, the Commission appropriately only recognises the national average level of 'met' demand (and not unmet demand).
10. State disability service provision is not subject to means testing. Western Australia has further argued that "potential population" is a preferred measure because, unlike the DSP, it is not means-tested. However, the DSP means test could be argued to act as a proxy indicator of the severity of the disability condition in terms of, other things equal, the lack of/limited capacity to earn income otherwise. This could be expected to result, other things equal, in a greater likelihood of reliance on state disability services. That is, while states do not means-test disability services use, there are good reasons to expect that users of disability services have a reasonably high likelihood of also being Commonwealth income support recipients, most specifically DSP recipients.
11. While some low cost disability services may not correlate strongly with clients being DSP recipients (the nub of the Western Australian argument), these clients are still captured and weighted in the national average profile derived from the CSTDA income profile data.

³ Refer Tables 4.8 (page 177) and 4.12 (page 182) of the AIHW publication *Australia's Welfare 1*

12. Finally, Western Australia has argued that the DSP is not a good indicator because it is subject to rorting. While Tasmania has no particular view as to whether or not such “rorting” occurs, it is noted that it is a Commonwealth payment, administered nationally by the Commonwealth Government. A priori, there is no reason to suppose that any state would be subject to more or less “rorting” than any other so there is no reason to suppose that there would be a bias in the degree to which Commonwealth DSP payments vary between states due to “rorting”.

Family and child services ‘use’ indicators

13. The Northern Territory has previously noted concerns in relation to the compositional weightings of payment indicators used within the family and child services component of the assessment based on Victorian data. The draft assessment report partially addressed this through the melding of additional South Australian payments data decompositions within the Victorian data.
14. In a subsequent email of 21 September 2009 titled “2010 Review: Welfare and housing assessment: Family and child sources of income”, the Commission staff flagged additional possible adjustments to these data based on further data decompositions recently provided by South Australia. The new data break-downs allow differences in payment indicators of indigenous relative to non-indigenous families to be recognised in the assessment method (specifically two-parent indigenous families addressing the Northern Territory’s concern). It further re-weights the Victorian income support profile (implicitly based on a Victorian population structure) to one based on a national population distribution structure.
15. Tasmania acknowledges that the two-state melded payments indicator data could be expected to be less robust than the national payments indicator profiles used for other components of the Welfare and housing assessment. However, we consider that the adjustments outlined in the email of 21 September 2009 will further improve the national representativeness and robustness of this two-states payments indicator relative to the earlier data used in the draft assessment report.
16. Further we consider that this two-state payments indicator is still likely to be more robust than an alternative indicator based around published notification, substantiation or investigation data (the only other potential assessment avenue that we can see).
17. That is, the primary data sources for child protection services are AIHW *Child Protection Australia* and the Productivity Commission *Report on Government Services* (ROGS) – Chapter 15 – Protection and Support Services. Both sources publish jurisdictional data for notifications, investigations and substantiations.
18. However, Tasmania notes that different events and policies within states lead to wide variations in reported notification, investigation and

substantiation rates such that these cannot be taken to be indicative of underlying differences in relative needs. In addition, states have significant differences in counting and reporting rules for notifications, investigations and substantiations. Together these make unviable the direct use of these data to derive a policy neutral indicator of states relative needs.

19. These data could support the derivation of national average indicator (such as rate of investigations or substantiations per 1000 children) for both indigenous and non-indigenous children but would not allow recognition of other material socio–demographic drivers.⁴
20. The AIHW also publishes family compositional data in relation to notifications which result in substantiations. However, there are significant qualifications around the interstate comparability of these data and there are no data reported for New South Wales⁵. Further, the AIHW family composition data reported does not align with the Commonwealth payment data or state population structures more broadly. Nor are these data broken down by indigeneity or remoteness.
21. Conversely, while the two-state indicator melds South Australian data based on notifications with Victorian data based on investigations, such that some may argue that the data are state-policy contaminated or that mixing notifications and investigations data is confusing ‘apples with oranges’, Tasmania does not believe that this argument holds. These data are being used to indicate and weight principal sources of income of family and child services clients. This would be expected to be independent of state-specific policy influences. The flagged re-weighting of the payment indicator derived to a national population distribution base then corrects for differences in population structures between Victoria and Australia as a whole.

Use and cost adjustments

22. Tasmania reiterates its support for the Commission’s previous Position Paper decisions replicated in the draft report with respect to the:
 - assessment of additional cost weights for Indigenous housing (allows net outlays of 50 per cent higher per Indigenous dwelling based on evidence from a number of states);
 - non-assessment of additional use weights for remote indigenous populations (given the general indigenous recognition already implicit in the approach);

⁴ Consistent with previous Tasmanian submissions, both the Productivity Commission RoGS and the AIHW publication acknowledge that research shows that children and families who come into contact with the protection and support services often share common social and demographic features (such as sole parent families, low income families, families reliant on pensions and benefits etc). Refer, Productivity Commission *Report on Government Services 2009*, volume 2 page 15.4; AIHW *Child Protection Australia 2007-08*, page 35

⁵ Refer to footnotes to table 2.12, page 36, *Child Protection Australia 2007-08*

- non-assessment of CALD weights (due to absence of material substantiating evidence); and
 - non-assessment of a cost of living adjustment (not substantiated by reference to what states do in reality/state incurred costs).
23. Staff email advice of 31 August 2009 indicates that the Commission is re-evaluating the evidence in support of a remote housing adjustment for maintenance and depreciation costs (in lieu of applying the general location factor to this component of housing costs).
24. We have worked through the method as outlined in that email for a housing-specific location adjustment and have no specific issues to raise with the method.
25. We understand that the Commission has yet to determine whether:
- the finalised general location factor would understate the maintenance and depreciation costs for remote public housing; and
 - related to this, whether the general location factor, when applied to the “housing component would need to be “grossed up”.
26. Should the finalised general location factor be found to understate these costs for housing, Tasmania considers that the preferred approach would be to apply the housing specific location adjustment (as outlined in the email). This provides a more direct, precise and transparent measure of the “grossed up” housing-specific maintenance and depreciation costs than an “adjusted” general location factor.
27. The Draft Report notes that a CDEP placeholder adjustment applies for both the family and child and housing components. However, the Commission anticipates it will be able to directly quantify the appropriate share of housing expenses to allocate to CDEP recipients (refer dot point 3 of paragraph 27 and footnote 6 within Attachment 13 of the draft report).
28. It was noted in the email of 21 September 2009 titled “2010 Review: Welfare and housing assessment: Family and child sources of income”, that the further data decomposition in the South Australian data had allowed an explicit CDEP/Newstart factor of 0.4 to be calculated compared to the (assumed) placeholder in the draft report of 0.5.
29. The email then noted “Therefore, based on this limited dataset, CDEP participants are around 40 per cent as likely to draw on child protection services as someone on Newstart. Staff are therefore of the view that we should maintain the approach in the Draft Report of adding a CDEP expense per recipient, calculated as 50 per cent of the Newstart expense per recipient, additional to the overall pension/benefit shares calculated in the spreadsheet.”

30. Tasmania queries why the data-based factor of 0.4 would not be accepted as more indicative within this context.