

# WESTERN AUSTRALIAN SEPTEMBER 2009 SUBMISSION

## WELFARE & HOUSING

### Key Points

- The beneficiary method of assessing socio-demographic influences does not provide an accurate measure of States' needs:
  - the relationship between Commonwealth beneficiaries and State service demands is associational rather than causal
  - Commonwealth benefits and State services have different eligibility criteria
  - the application of the beneficiary method to family and child services relies on thin and unrepresentative data
  - the best available data suggests that the proposed assessment of disability services is untenable
  - the high proportion of Commonwealth beneficiaries who are not State service recipients leaves substantial statistical room for non-policy variations in the proportion of beneficiaries who are State service recipients
  - the distributions of "Indigenous status unknowns", "other beneficiaries" and "non-beneficiary expenses" have problematic features.
- The Commission may wish to consider a method closer to the existing method.
  - At the least, the disability services component of the proposed method should use the potential population measure developed for the *Report on Government Services*, or the Survey of Disability, Ageing and Carers data. Adjustments to other components suggested in this submission should also be implemented.
- Western Australia's housing needs are increased by lack of private housing in some areas, which means that Commonwealth Rent Assistance is not available.
- State funding to Indigenous Community Housing Organisations should be recognised.
- The Commission should carefully review the relative use and cost data for Indigenous public housing.

## **THE BENEFICIARY METHOD**

The Commission proposes to assess socio-demographic composition (SDC) in the category using a beneficiary method, which assumes that underlying demand for State welfare services is proportional to the number of Commonwealth beneficiaries (with additional weighting for Indigeneity).

Western Australia considers that there are associations between Commonwealth beneficiary numbers and State client numbers, as there is some commonality in the driving factors. However, a reliable needs assessment cannot be based on a national average statistical association. It requires a causal (or reasonably causal) relationship to exist. We show that this is not the case, through consideration of eligibility criteria, direct measurement of disability services demand, and the limited use of State welfare services by beneficiaries.

## **ELIGIBILITY CRITERIA**

Eligibility criteria for State services and Commonwealth benefits vary significantly.

Eligibility for public housing assistance through the old Commonwealth-State Housing Agreement (now the National Affordable Housing Agreement) is governed by principles which include the impact on financial circumstances of income and disability, which are Commonwealth benefit related. But they also include the value of assets and the ability to obtain adequate and appropriate housing through the private sector (availability of private sector housing is discussed further below).

Eligibility for priority housing in Western Australia and most other jurisdictions includes risk of violence.

Similarly, Western Australia's Disability Services Commission (DSC) has advised that there are different criteria for eligibility for State services than for Commonwealth benefits. State services are not means tested while there is an income test for the Disability Support Pension.

With regards to the impact of impairment, eligibility for the Disability Support Pension is work-related - that the beneficiary be unable to work at least 15 hours per fortnight - and is subject to review. For State services, eligibility is related to personal circumstances:

- a substantially reduced capacity in at least one of the areas of communication, social interaction, learning or mobility; and
- requires significant, continuing support or long-term episodic support.

A relationship has been found between the number of Disability Support Pensioners and the state of the economy,<sup>1</sup> suggesting that higher unemployment States have more people 'parked' on Disability Support Pensions.

The wider focus of State services, and the impact of the economy on Disability Support Pension numbers, creates a disjunct between State service clients and Commonwealth beneficiaries.

## **DATA ISSUES**

### ***Family and Child Services***

For the Family and child services component, SDC is based on State proportions of:

- Disability Support Pension – 5.7%;
- Parent Payment (Single) – 43.3%;
- Parent Payment (Partnered) – 5.1%;
- New start – 9.7%;
- CDEP – 1.1%; and
- no benefit, 0-14 year olds - 35.1%.

This distribution is based on data on child protection, rather than on all family and child services. The 2004 Review category Family and Child services had comprised not only child protection but also other activities such as marriage counselling.<sup>2</sup>

The data is also from only two States:

- Victoria, where income data on families investigated for child abuse is categorised into Parent Payment (Single), New start, "other benefit" and no benefit; and
- South Australia, where child protection notification data, which has been cross matched with emergency financial assistance data, provides source of income data categorised as Parent Payment (Single), New start, Parent Payment (Partnered), Disability Services Pension, "other benefit" and no benefit.

---

<sup>1</sup> Ernest Healy (2002) *'Disability' or 'Disadvantage': Spatial variation in the Disability Support Pension recipient rate 1996-2001* Centre for Population and Urban Research, Monash University. Landt & Pech (2002) *Work and Welfare in Australia: The changing role of income support* Welfare Review Team, Department of Famil and Community Services.

<sup>2</sup> 2004 Review Working Papers, page 486

The South Australian data is proposed to be used to distribute Victoria's "other benefit" data (13.7% of total), specifically into Parent Payment (Partnered), Disability Support Pension and "other benefit".

The South Australian data is selective, as it is based on those child protection clients (less than 20%) who also seek financial assistance. The number of records (one third) with no income source recorded also makes the data less reliable.

Given the lack of reliable data, it would seem more appropriate to distribute the "other benefit" component in line with the general indicator (0-14 year olds) used for the no benefit component.

### ***Disability Support Pension***

This is a crucial part of the proposed assessment, because data from other sources is available to check whether beneficiaries constitute a reliable guide to need for services. This enables the reasonableness of the methodology as a whole to be checked.

We have examined 2006 Census data on "core activity need for assistance" and data from the 2003 ABS Survey of Disability, Ageing and Carers (SDAC), published in ABS 4430.0. Both sources provide a measure of the number of people with a profound or severe disability.

The Survey data is considered of useable quality, although it does not cover remote regions. The ABS publication notes (page 57) that "Data for the household component of the survey were collected by trained interviewers" and "Where possible a personal interview was conducted". 550 cared accommodation establishments were also systematically sampled.

Unfortunately, the Census data (which is on a self enumeration basis) is unusable.

- Up to about age 44 years, there is an extreme number of "not stated" responses – 4.4 times the number who state a need for assistance at a national level.
- The "not stated" response level is significantly higher in Western Australia – up to age 44 years, the number of "not stated" responses is 5.8 times the number who state a need for assistance.<sup>3</sup>

Western Australia's Disability Services Commission has advised that, where possible, it uses the Survey instead of the Census.

---

<sup>3</sup> This explains why Western Australia's disability rate in the 0 - 44 age group, based on stated responses (i.e. 1.34%) is lower than the national level (1.52%). The 0.18 percentage point difference for the "stated" rate (Western Australia less national) compares with a -1.06 percentage point difference for the "not stated" rate.

ABS advice regarding these sources, taken from its website, has a similar tenor:

*The Census 'Core Activity Need for Assistance' (ASSNP) concept was developed to indicate the disability status of people in Australia according to geographic area, and for small groups within the broader population. **Of all ABS collections of disability data, only the Survey of Disability, Ageing and Carers (SDAC) is considered to comprehensively measure disability populations, and to provide rates of disability prevalence at the national and state levels [emphasis added]. ...***

*The rates of persons stating a Core Activity Need for Assistance in the Census are lower than rates for the same concept from the SDAC. This is as expected based on testing before the census...*

*The more the concept of need for assistance is collapsed into a reduced question set, the smaller the resulting population becomes because there are fewer 'trigger points' for inclusion. Other factors having an influence on population levels would be the difference between collecting the information via a personal interview or via a census self-completed paper or e-form questionnaire where one household member generally completes the form on the behalf of others.<sup>4</sup>*

Data from the publication and related on line data was used to compare Western Australian and national numbers of people with a disability aged less than 65, to develop a per capita relativity. The results are shown in Table 1 below. (Disability manifesting from age 65 is not a State responsibility, although clients with previously manifested disability may continue to receive services.)

**Table 1: Western Australian and National People with a Disability**

	Western Australia	Australia
Profound & severe <65 '000	71.6	682.8
Total population '000	1,964.1	19,811.1
Disabled/total %	3.6	3.4

The numbers in Table 1 derive a relativity for Western Australia of 1.0577. It is worth noting that this will be an underestimate, as the survey did not cover remote and sparsely settled parts of Australia<sup>5</sup> where Western Australian Indigenous health needs are higher.<sup>6</sup>

---

<sup>4</sup> <http://www.abs.gov.au/Ausstats/abs@.nsf/0/304E60A454FD00D2CA25729E0008A89F?opendocument>

<sup>5</sup> ABS 4430.0 2003, page 56.

<sup>6</sup> Western Australia 2008-18 Admitted Patients – Supplementary Submission – Indigenous Health

In comparison, the Commission is proposing the following primary indicators of disability for Western Australia:

- Under 16 years – Carer Allowance (Child) – a relativity of 0.858
- Over 16 years – Disability Support Pension – a relativity of 0.826

We have previously suggested that a measure of demand for State disability services is the potential population estimates produced for the *Report on Government Services* (ROGS). Pages 14.105 to 14.106 of the 2009 ROGS indicate that potential population figures were estimated by applying the 2003 national age and sex specific rates of profound or severe activity limitation to the age and sex structure of each jurisdiction. This is adjusted by an Indigenous weighting of 2.4, sourced from the Australian Institute of Health and Welfare, in recognition of the higher Indigenous disability prevalence rate and representation in CSTDA funded services.<sup>7</sup>

This measure similarly implies very different results from the Commission's proposals.

The potential population figures do not only provide an existing, objective, measure of the need for disability services in each State, which should replace the application of the beneficiary method in assessing need for disability service expenditure. They also constitute a check on the beneficiary method as a whole, reinforcing its lack of connection to actual needs.

### ***Use of State services by Commonwealth beneficiaries***

If a significant proportion of Commonwealth beneficiaries do not use State services, then conclusions about the relationship between Commonwealth beneficiaries and State service use should be drawn with even greater care. Where a low proportion of beneficiaries are State clients, it is possible for non-policy factors to have a greater influence on interstate patterns of beneficiary/client overlaps.

As examples:

- the proportion of family and child support service clients who are Parent Payment (Single) (PPS) beneficiaries is 43.3%, but the proportion of PSP beneficiaries who are family and child support services clients is 11.0%;
- the proportion of CSTDA service clients (aged 16 and above) who are Disability Support Pensioners (DSP) is 91.5%, but the proportion of DSP who are clients of this service is 14.3%; and

---

<sup>7</sup> Two further variants of the potential population figures are adjusted for labour force participation and using the members of the potential population who have a primary carer, which are used for employment and respite services respectively.

- the proportion of CSTDA service clients (aged below 16) who are Carer Allowance (Child) (CAC) recipients is 76.6%, but the proportion of CAC recipients who are clients of this service is 33.9%.

### ***Treatment of “Indigenous Status Unknown”***

There are large numbers Commonwealth beneficiaries whose Indigeneity is not known. For Old Age Pensions, the number of recipients of unknown Indigeneity outnumbers the number of Indigenous recipients by 87 to one. Other benefits for which the corresponding ratio exceeds one are Wife Pension (Aged) (56 times), Wife Pension (DSP) (32 times), Disability Support Pension (5.3 times), Carer Allowance (Child) (3.0 times) and Carer Payment (1.8 times). Given the greater use of welfare and housing services by Indigenous people, the distribution of the Indigenous unknown figures could have a significant impact on State needs.

The allocation of a number of payments according to the ratio of known Indigeneity is of concern, as there may be a higher propensity of Indigenous people to not identify, especially where historical injustices are more strongly remembered and/or where Indigenous undercount is a greater issue.

Even more problematic is the distribution of Age and Widow Pensioners of unknown Indigeneity according to population shares of people age 65 and over. It is difficult to understand intuitively why this should be a reasonable approach, and it appears implausible to assume that Indigenous and non-Indigenous people have the same ability to meet Centrelink’s eligibility criteria.

### ***Treatment of “Other not specified” Commonwealth benefit recipients***

The Commission has allocated these beneficiaries on a pro-rata basis back to the main beneficiaries (e.g. Age pension, Disability Support Pension).

This can have a significant impact – for example, in the disability services assessment, the weight for disability support pensioners is increased from 84% to 92%.

As the State distribution of the “other not specified” beneficiaries is not known, the fallback distribution should be the general population indicator for each welfare service, which is used to distribute the non-beneficiary expenses.

### ***Consistency between the treatment of beneficiaries and non-beneficiaries***

The Commission has used general population indicators to distribute non-beneficiary expenses (e.g. for family and child services, number of 0-14 year olds). As these indicators include Commonwealth beneficiary numbers that are separately assessed, the general indicators need to be adjusted to prevent double counting by excluding beneficiaries.

## HOUSING

### *Alternative housing support*

The Western Australian Department of Housing has advised that in the more populous States on the East coast individuals can readily access Commonwealth Rent Assistance (CRA) due to the availability of private housing. However, particularly for Indigenous people in the Kimberley, Pilbara and Goldfields regions of Western Australia, CRA is not accessed to the same extent.

This points to the need for a location demand factor, as used in the 2004 Review.

### *Indigenous Community Housing Organisations*

The Department of Housing has advised that the vast majority of this funding comes from a Commonwealth/State pool, which as a general rule is funded 30% by the State. Details of the total funding for Western Australia are provided in the table below.

**Table 2: Total Indigenous Community Housing Funding in Western Australia**

Year	Funding \$
2003-04	3,989,700
2004-05	5,008,156
2005-06	6,096,352
2006-07	8,993,199
2007-08	10,987,678
2008-09	14,661,434

State funding for this purpose should be recognised.

### *Indigenous Housing Weights*

The Grants Commission has found that, at 14% of dwellings, Indigenous people make more use of housing services than their population share, and that gross outlays per Indigenous client are 25% higher than for non-Indigenous (50% on a net basis).

The issue of Indigenous use and cost is complicated by the existence of a number of housing programs, and in some cases the difficulty of determining the proportion of Indigenous and non-Indigenous use within a program.

Western Australia has previously supplied the Commission with the following data for 2007-08.

**Table 3: Cost of Managing and Maintaining Public Housing Dwellings**

	Cost per Indigenous Household \$	Cost per Mainstream Household \$
<b>Non-ICHO*</b>		
Greater Perth	5,168	4,231
Regional	9,583	7,205
<b>ICHO*</b>		
Remote Towns	9,416	-
Remote Discrete Communities	11,573	-

\*Indigenous Community Housing Organisation

An ongoing concern with this data, and quite likely with other data received by the Commission from other States, is that mainstream housing programs are provided to both Indigenous and non-Indigenous tenants. There will, therefore, be many Indigenous tenants included in the calculation of mainstream costs above.

We have been working to obtain better data, but it is still not clear what results can be generated. In the meantime, we request that the Commission be cognisant of this issue, and do what it can to correct any biases.