

2019



Disrupting disadvantage **setting the scene**

About this publication

Disrupting disadvantage: setting the scene

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CEDA's objective in publishing this report is to encourage constructive debate and discussion on matters of national economic importance. Persons who rely upon the material published do so at their own risk.

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About CEDA

CEDA – the Committee for Economic Development of Australia – is an independent, not-for-profit membership organisation.

We identify policy issues that matter for Australia's future and pursue solutions that deliver better economic, social and environmental outcomes for Australia.

We deliver on our purpose by:

- Leveraging insights from our members to identify and understand the most important issues Australia faces.
- Facilitating collaboration and idea sharing to invoke imaginative, innovative and progressive policy solutions.
- Providing a platform to stimulate thinking, raise new ideas and debate critical and challenging issues.
- Influencing decision makers in government, business and the community by delivering objective information and expert analysis and advocating in support of our positions.

CEDA's cross-sector membership of 770 spans every state and territory and includes Australia's leading businesses, community organisations, government departments and academic institutions.

CEDA was founded in 1960 by leading economist Sir Douglas Copland. His legacy of applying economic analysis to practical problems to aid the development of Australia continues to drive our work today.

CEDA – the Committee for Economic Development of Australia

Level 3, 271 Spring Street

Melbourne 3000 Australia

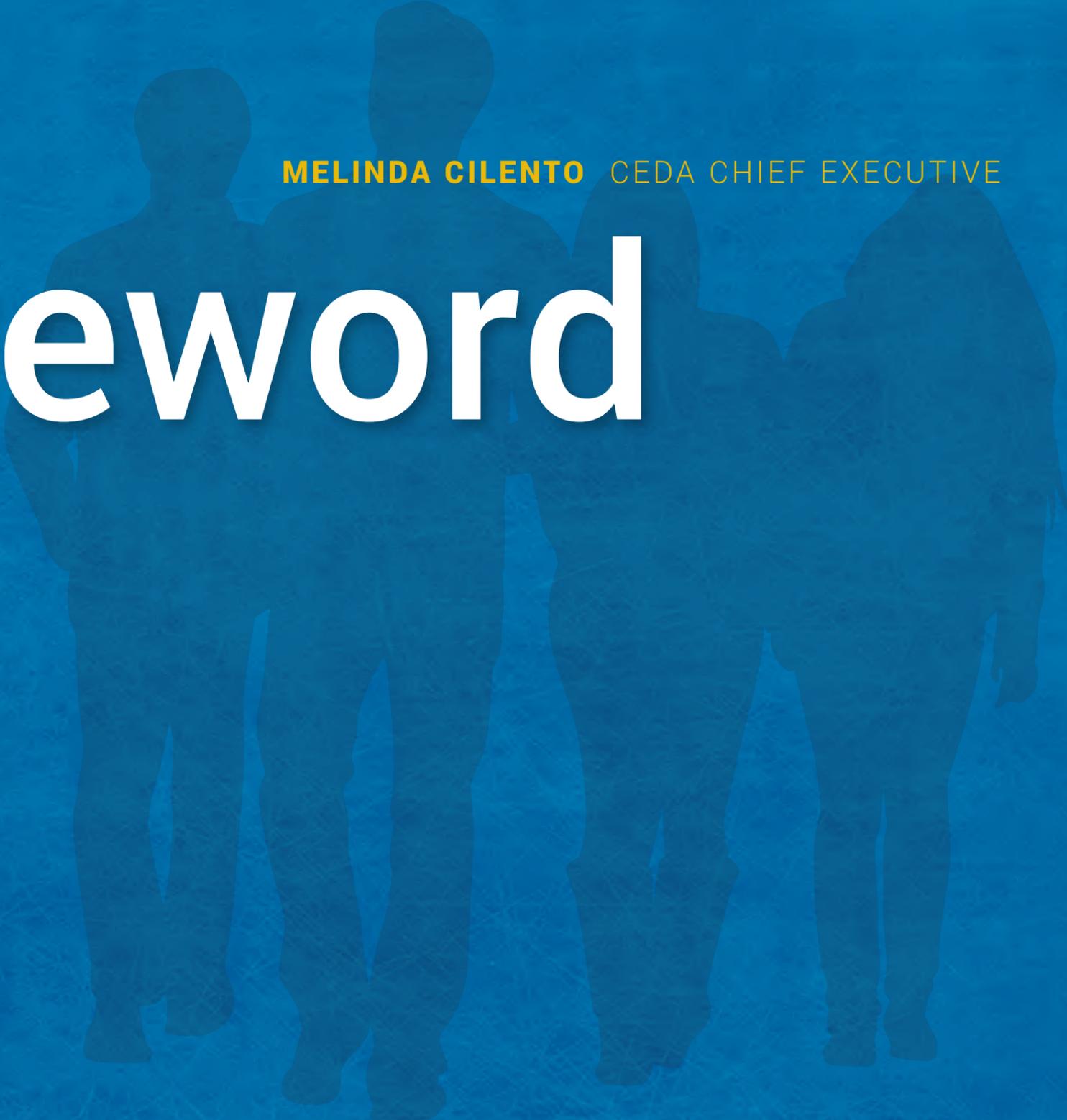
Telephone: +61 3 9662 3544

Email: info@ceda.com.au

Web: ceda.com.au

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Foreword

MELINDA CILENTO CEDA CHIEF EXECUTIVE

Entrenched disadvantage, by definition, is an issue that is 'stuck'.

Too many individuals and families remain persistently detached from the economic and social opportunities and connections that lie at the heart of wellbeing.

Similarly, many potential policy responses and solutions are also 'stuck'.

From the inability to address the inadequacy of Newstart, to the challenges of scaling up new approaches and a limited focus on prevention, too few inroads are being made into persistent, deep disadvantage.

This is a clear and concerning sign that our social safety net and social compact are fraying and this has significant consequences.

The financial and social costs, not just to those struggling with disadvantage, but to the broader community, should not be underestimated.

CEDA's purpose is to positively shape economic and social development for the benefit of all, and supporting a robust and reliable social safety net and social compact is a crucial part of this.

The intractable nature of this issue and the lack of progress means this is an area that needs policy disruption.

Our intention in producing this report, the first of three on this topic, is to leverage the voices of experience and expertise among our membership and beyond, and to use our voice to ignite policy change and momentum.

I hope that the reasoning and ideas put forward are read in that spirit and we welcome debate and discussion that can build on and generate further ideas and solutions.





Measures of disadvantage



Income poverty

2.2 million (9%) Australians live on less than half the median household income

700,000 Australians have been in income poverty continually for the past **four years**



Material deprivation

2.2 million (9%) Australians cannot afford essential items like food, housing and clothes



Social exclusion

More than 1 million Australians are deeply excluded from everyday social and economic connections

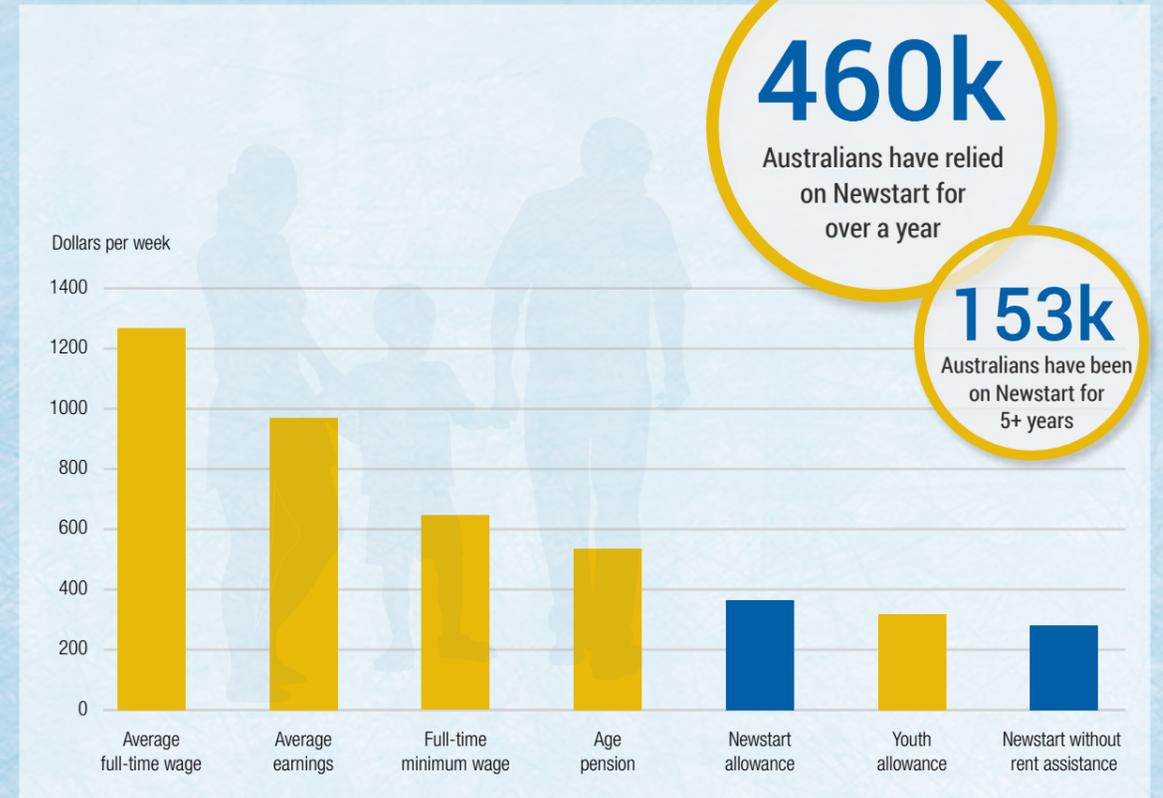
79%
of Australians believe the gap between rich and poor is unacceptable

30%
of people who were in poverty in 2001 were still in poverty in 2016

Poverty line
\$429
per week
Newstart
\$279
per week

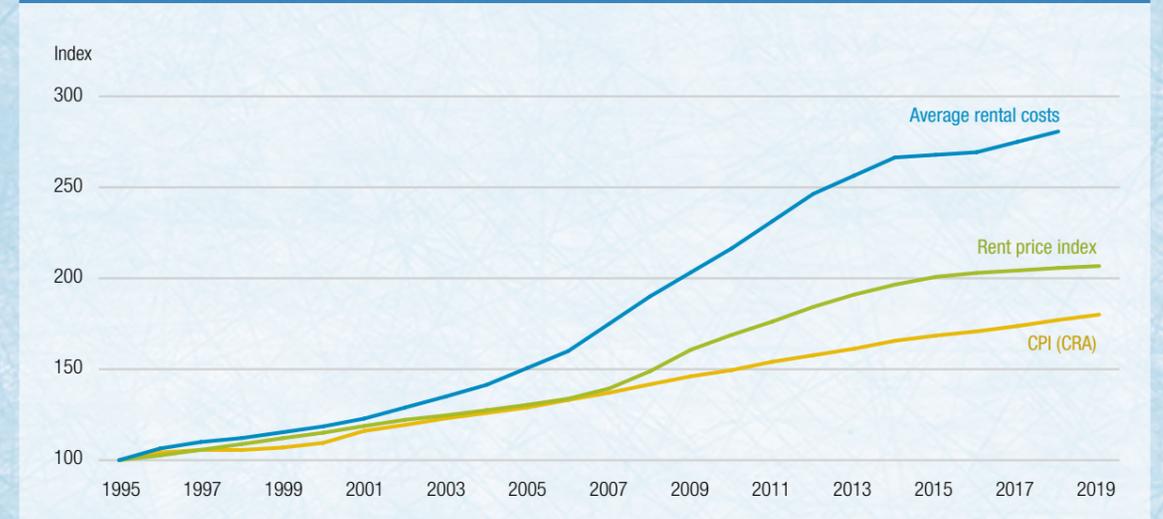
*Source included in the full publication, *Disrupting disadvantage: setting the scene*, unless otherwise noted

Policy shortfalls



Source: Deloitte Access Economics.
Note: Full-time minimum wage is for a 38 hour week; social security payments include full rent assistance.
All report income amounts are after personal income tax

Growth in rents vs Commonwealth Rent Assistance (CRA)



Source: Productivity Commission, 2019



Problems with the current approach to disadvantage



Misinformation in the public debate



Addressing symptoms and not causes



Not seeing the full person



Poor management of transitions across life



Government programs failing to keep pace



Limited use of evidence and data



Lack of policy consistency



Siloed approach to services and support



Not enough focus on prevention

Ways forward



MOBILISE DATA
TO HELP THOSE AT RISK



IMPROVE
NAVIGATION OF SERVICES



INVEST
IN A STRONGER SAFETY NET



GET SERIOUS
ABOUT EVIDENCE AND IMPLEMENTATION

Introduction



This is the first in a series of research papers from CEDA on addressing entrenched disadvantage. We are tackling this subject because ensuring that our social compact remains reliable, robust and relevant for those who need it most is a key priority for CEDA.

In 2015, CEDA released a policy paper examining issues associated with the economics of disadvantage. This earlier work, and the limited progress on practical solutions at scale since, has led CEDA to undertake further work on this important topic.

In recognition of the complexity and stubbornness of the problem, we are examining the policy challenges associated with entrenched disadvantage through a series of papers. This will allow us to test and build ideas, before exploring their efficacy and strategies for effective implementation.

This first paper seeks to identify areas where disadvantage might be disrupted, and to use this as a starting point for a more systematic approach to addressing the problem.

A key priority is to encourage governments and other providers to seize the opportunities now available through connecting and using data, and to work together in a concerted effort to use integrated data to better enable prevention and early intervention.

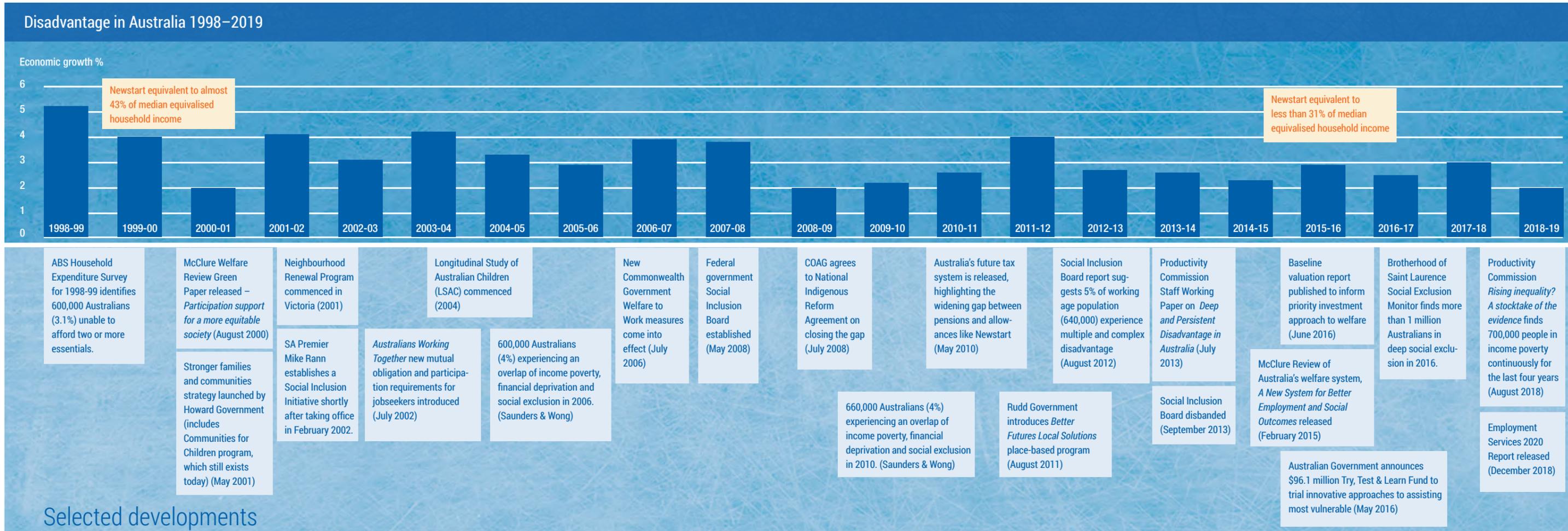
The ideas outlined in this paper are intended to spark further discussion, analysis and refinement. We want to encourage longer term change, but also use current experience and learnings to motivate more immediate responses.

Leveraging our cross-sectoral membership and connections to a wide range of stakeholders, CEDA is determined to bring a collaborative approach to one of Australia's most intractable challenges – a challenge that is critical to the future shape of our economy and society.

Setting the scene

Entrenched disadvantage is unfortunately a well-known feature of the Australian socio-economic landscape. CEDA's primary focus in this paper is on people who become stuck or are at risk of becoming stuck in disadvantage. Families, social groups, individuals, and people in particular locations can all find themselves unable to break out of adverse economic and social circumstances.

There are a range of estimates for the number of people currently in entrenched disadvantage. For example, 700,000 people have faced continuous income poverty for at least the last four years.¹ In addition, over one million people are estimated to be experiencing deep social isolation or exclusion.²



Selected developments

The consistency and predictability of these outcomes is unacceptable for a country as wealthy as Australia. While these numbers are in themselves staggering, it is important to acknowledge that focusing only on the headline numbers can mask the often hidden but very real individual despair of those in entrenched disadvantage or in serious risk of falling into entrenched disadvantage.

This is about individuals or families struggling to access basic and acceptable standards of living – having a safe and secure place to live, healthy and regular meals, being able to pay the electricity and phone bill and to buy shoes and clothes. It is also about exclusion from the social activities and connectedness that are vital to having a sense of purpose, self-esteem, and belonging.

These circumstances indicate that our social compact and safety net are systematically and consistently failing some people. This is concerning, because the strength of Australia's social safety net, and with it the belief that growth enables all in our society to attain a reasonable quality of life, has been a key feature and enabler of the generation of growth that Australia continues to enjoy. Failing to address the fraying of our social safety net will make it harder to progress the reforms needed to sustain opportunities and prosperity in the future.

We must not only continue to support the creation of new economic opportunities, but also work to ensure that as many people as possible benefit from and contribute to Australia's economic growth, development and prosperity. The success of Australia's economy means that we should be able to provide such opportunities. Not only is this good for achieving our economic potential, it reinforces social cohesion and underpins wellbeing.

Joining the dots of known evidence and all-too familiar feedback

Based on CEDA's research and consultations, there is broad agreement around a set of factors contributing to the stubbornness of disadvantage for many Australians. Many of these factors interact and compound each other.

Perhaps most importantly, the nature of the national conversation on disadvantage is itself a factor.

Public debates draw attention to the large amount of resources dedicated to the relative few in our community experiencing deep disadvantage, but most in our community have very little day to day contact with people in these circumstances. This can lead to the conclusion that the individuals and families experiencing disadvantage – and not the quality or efficacy of programs or services – are somehow at fault. This means that while there is broad concern for the most disadvantaged in our society, action is hampered by misconceptions and misunderstandings about the circumstances and capacity of the most disadvantaged – financially and more broadly – to lift themselves out of their current state.

Against this backdrop, and in the face of budgetary pressures, governments have adopted approaches that seek to limit or restrict access to services and supports for the most disadvantaged, such as the long-term unemployed. Some of these measures are advocated for or adopted despite a lack of clear evidence that they will deliver better outcomes, or in the face of evidence pointing to the detrimental impact of these measures.

For example, prioritising the value of work and the importance of people not being given a 'hand out', however well intentioned, reinforces the popularity of programs demonstrated to have adverse impacts on participants, such as Work for the Dole.

Some policies and supports have failed to keep pace and no longer provide adequate support or prevent people falling into deeper disadvantage. As is well recognised, payments like Newstart and Commonwealth Rent Assistance no longer reflect economic circumstances and community expectations. The inadequacy of these payments place many long-term recipients well below the poverty line and without the financial capacity they need to increase their prospects of securing a job and building self-reliance.

A failure of serious and consistent program evaluation and improvement based on data, evidence and analysis also means that poorly designed and implemented programs persist. Disrupting this status quo is made harder by a tendency for programs to focus on easier to measure inputs and outputs, rather than genuine outcomes and effectiveness. If desired outcomes are not clearly identified, defined and measured, how can they be evaluated? And if programs are not evaluated, how can we establish they are worth the dollars being invested?

Risk aversion also plays a part in inertia and lack of progress. The persistent nature of entrenched disadvantage means that new approaches are needed, and this requires an element of risk-taking. Taking these policy risks presents the prospect of reward in the form of better outcomes, but requires permission and encouragement, as well as the right skills on the part of those overseeing program delivery and assessment.

Risk aversion can manifest in other ways that hamper progress. New approaches are often piloted for too short a period – coinciding with budgetary cycles rather than the time required for impact. New approaches are also sometimes expected to deliver unrealistically large improvements in unrealistically short timeframes, to warrant the supposedly higher risk that goes with them. In other words, the hurdles set for the new programs are higher than those applied to existing programs.

Funding too often focuses on delivering services through specific channels or 'silos', often at a particular point of crisis and with insufficient resourcing to integrate or coordinate support. Individuals and families are expected to navigate often complex and disconnected programs and services to construct a broader safety net.

The practical result of these problems is a so-called safety net that is too narrow and with too many holes, gaps and thin threads to stop individuals and their families slipping through, much less building the capacity to climb back out. Within a framework of reactive and fragmented programs, experience shows it is very difficult to step above day to day activity to prioritise greater attention on prevention and early intervention.

Many slip through the safety net at points of critical life transitions or cross roads. For example, between primary and secondary school, or transitions out of and across institutional and support settings including out of home care or prison. These transition points are critical to lifelong prospects, and the 'wrong' transitions are difficult to reverse.

The costs of getting these transitions wrong and allowing people to slip through the safety net are escalating. For example, the cost of child protection services for the states grew at an average real rate of 8.5 per cent a year in the five years to 2017-18 and the operating cost of prisons grew at an average real rate of 6.7 per cent a year in the five years to 2017-18.

Many of these themes are present in debates around improving other areas of social and health services. For example, prior to the establishment of the NDIS, the Productivity Commission referred to the existing system of disability care as underfunded, unfair, fragmented and inefficient. The solutions identified focused on building better linkages, improving the use and flow of information, breaking down stereotypes, individually tailoring supports and taking a long-term view. Reform efforts over many years have also sought to adopt a more integrated approach to health care.

Reform opportunities

There is considerable opportunity to make progress now, based on a better understanding of what has held progress back and emerging examples of new approaches to addressing entrenched disadvantage.

Chapter 2 in this report provides greater detail on the emerging examples of innovative approaches to disadvantage, including place-based programs (e.g. Logan Together), age- and transition-based programs (e.g. The Smith Family's *Learning for Life*) and data-based programs (e.g. 100 Families WA).

The chapter identifies a wide range of suggestions that could help deliver better outcomes including:

- clarity and transparency of program objectives and outcomes
- new governance structures that facilitate collaboration and co-design across multiple sectors and bodies, and genuinely involve or consider the needs of community and those accessing programs and support

- building the collection, monitoring and evaluation of data into programs when they commence
- certainty of adequate, long-term funding and investment.

Not enough progress has been made in using this growing evidence to drive systematic change. Replicating particular models or examples more systematically can be difficult, not least because success is often attributed mostly to the energy and attributes of particular individuals, organisations or communities leading change.

Recognising this, CEDA has identified a small number of higher order 'lessons' that might play a part in more significantly disrupting the entrenched disadvantage policy status quo. In this regard, three themes or lessons stood out.

First, understanding and empathy underpin services and support; the focus is squarely on building and enabling capacity and capability, rather than presuming they exist.

Second, many of the newer, more successful approaches bring the safety net to individuals and the families in their orbit, rather than the other way around. In other words, these programs adopt a 'we find you' approach. There are different ways of 'finding' people in need – based on location, point in time (transitions), or based on risk profiles (data) – but these approaches establish a focal point for bringing services and support to those in need.

Third, once these people are found, successful programs take a more holistic approach to addressing complex and individual needs using a range of complementary services and supports. That is, silos are broken down and otherwise fragmented services and supports are stitched together.

Focusing our attention

CEDA believes there is an opportunity now to use these lessons to disrupt disadvantage. By making the most of the rapidly emerging potential to better access, use and connect data, we can begin to systematically apply and evaluate new approaches to the issue.

Prevention through 'we find you'

The current approach to data collection and use, and the lack of integration of data, makes it difficult to find people before they fall into disadvantage. While there is considerable evidence and insights on the characteristics associated with those who have become locked in disadvantage and the factors that contributed to getting to that point, it has proven hard to systematically find and assist those at risk of entrenched disadvantage before they fall into it.

Perhaps the greatest opportunity to get ahead of disadvantage right now is better using data, integrated data sets and data analytics to identify those most at risk of experiencing deep disadvantage.

Some states are already leading the way and making good progress in the better use of data (see Box 1). While these individual efforts are to be commended, collaboration must be actively encouraged and fostered. We should expect that lessons learned will be shared across jurisdictions. Equally, we will be able to achieve more with data if data-sets are integrated across jurisdictions. Progressing the Productivity Commission's *Data Availability and Use* report should enable the evolution of more effective data use and sharing across jurisdictions. This is the opportunity CEDA believes is worth pursuing very seriously.

Preventing the next generation of disadvantage – we find you first

Simply arguing for better use of data to drive early intervention and prevention is unlikely to capture policy imagination in a way that will urgently and fundamentally shift disadvantage.

Therefore, CEDA believes this approach should be adopted with a particular focus: preventing the next generation of entrenched disadvantage by seeking to assist children at high risk of disadvantage at birth, and targeting effective wrap-around support to address and respond to these risk factors.

CEDA's challenge to the current system is to proactively identify a relatively small number of risk factors based on data relating largely to the child and household that could, with a high degree of predictive power, find those children most likely to benefit from early and intensive support for the child and their family. But this is not simply about finding and providing support, it is also about better understanding the

Box 1.1 State Government use of linked administrative data

Over the course of three years, the New South Wales Government's *Their Futures Matter* program established a longitudinal linked administrative data set (from 1990 onwards) to identify vulnerable groups based on the outcome domains of home, health, education and skills, social and community, empowerment, economic and safety. The NSW Government is focused on two populations: vulnerable young children aged zero to five and, children and young people affected by mental illness. This work is starting to translate into new service delivery approaches, including the NSW Health First 2000 days framework, focusing on health from conception to age five.

There is also a similar data project underway in South Australia. While these data sets on their own are yet to drive an integrated, better navigated and predictive approach to service delivery, they demonstrate that state governments have the required data and linkage capacity to make this shift.

allocations of investment, whether funding is sufficient, and ensuring that governments are accountable for progress in assisting disadvantaged populations. Data would complement rather than replace human judgment and expertise.

The point of this approach is to improve the child's life and opportunities, and as such the identification process would not rely on compliance data. The process would also not use data for pecuniary reasons or disciplinary action.

The approach is intended to be pragmatic in identifying the smallest number of higher order data sets that deliver high – but not perfect – predictive power.

Once determined, this approach should be used to 'find' those children who at birth have a high likelihood of experiencing persistent disadvantage, and to then alter that course by building capacity and resilience early through the provision of integrated programs and support for the child and household.

Taking a systematic approach like this to a specific population should, over time, significantly reduce the numbers flowing into, and therefore the costs of, entrenched disadvantage.

What's needed to progress this approach?

CEDA recognises that many will rightly be very cautious in considering the approach being proposed. But risks need to be taken to make progress on entrenched disadvantage and the benefits as well as the potential costs or adverse impacts need to be taken into account. The approach seeks to reduce risks while focusing on very early intervention to maximise the potential benefits from improving individual wellbeing and opportunity and reducing the long-term costs associated with persistent disadvantage.

What is needed to progress this idea? The following list is by no means exhaustive but highlights some important elements for success.

- Commitment to the idea and its intention coupled with strong and consistent leadership from the highest levels of government, to activate support, resourcing, collaboration and accountability.
- A coordinated national approach to data integration and analysis. This could be led by the National Data Commission, with support from qualified institutions and stakeholders such as the Australian Institute of Health and Welfare.
- A clear statement of intent and commitment to not employing identification for the sake of anything other than the provision of additional support/services to improve the lifetime wellbeing of newborns.
- Genuine engagement across sectors and with key stakeholders to build the confidence and trust of service providers and the wider community.
- Further work on the most effective early interventions and supports, desired outcomes, and how these should be funded, coordinated and evaluated.

The bottom line: In 2017, some estimates suggest that the child poverty rate could be as high as 17 per cent, highlighting the proportion of children who are either at risk of disadvantage or potentially already in disadvantage.³ CEDA believes there is an opportunity for wise and careful use of data to stem the flow of children into persistent disadvantage and deliver significant individual and societal net benefit.

Better navigation can stitch together a better safety net

Despite the critically important opportunity presented by advances in data, Australia can't simply wait to solve the data puzzle before seeking to drive better outcomes for those currently experiencing entrenched disadvantage.

We know that navigating existing services and programs necessary to deal with and avoid disadvantage is difficult. The web of services and supports for those at risk of, or in entrenched disadvantage lacks a coordinating interface that sees the whole person or family and addresses underlying causes as opposed to symptoms. Addressing together the multifaceted and complex needs that typically characterise entrenched disadvantage is critical to sustainably improving individual circumstances and opportunities. The earlier this is done the better, so finding an efficient way to achieve this is a priority.

More integrated service delivery might be achieved through a wholesale restructuring of the delivery of existing services and programs. However, such an approach would take considerable time and involve significant cost and dislocation, not least because of the responsibilities of different jurisdictions, all for highly uncertain benefits.

An alternative is to try investing additional resources to help participants navigate the existing system of supports and programs, increasing the likelihood that all available support is utilised and the right assistance accessed in a timely way. Navigators would essentially be case managers, providing hands-on, tailored case management to individuals and families experiencing deep disadvantage.

Rolling out a system-wide navigator model for all of those most in need and able to benefit would be costly and challenging from an implementation perspective. This raises the question of how best to target such an approach while evaluating its impact and efficacy.

CEDA proposes that a navigator model be piloted in two ways. The first way would be based on investing resources and capacity in locations characterised by high levels of disadvantage to support individuals and families experiencing significant disadvantage. The second would be based on known points of transition that are characterised by a very high likelihood of individuals finding themselves in persistent disadvantage.

In terms of identifying potential locations, CEDA's 2018 report, *How Unequal? Insights on inequality*, highlighted previous research on postcode inequality. In short, that research showed that disadvantage is highly concentrated in a relatively small number of postcodes.

In terms of potential transition points, the challenges of transitioning from out of home care and out of prison or detention for the first time have been identified as points of high risk in our consultations. These stand out as potentially important gaps worthy of serious consideration.

What is needed to progress this idea?

- Establish a model for navigator case management to address disadvantage drawing on existing navigator approaches, including those being adopted to improve educational outcomes for young people.
- Define eligibility and develop approaches to 'finding' eligible participants.
- Agree on the focus for pilots, desired outcomes, implementation and evaluation strategies.
- Build an appropriately skilled and trusted workforce to deliver navigation services.
- Identify a lead federal agency (most obviously the Department of Social Services) to implement and oversee navigator pilots and the allocation of multi-year funding to support implementation and evaluation (with evaluation frameworks established at the outset).
- Engage with key stakeholders and local service and program providers to leverage knowledge and relationships to enhance the effectiveness of the roll out.

The current system of services and supports is complex and difficult for people experiencing disadvantage to navigate. Assisting them to do so increases the likelihood of the sources of disadvantage being more effectively addressed and this approach should be more systematically tested and evaluated.

More empathy to enable capacity

It is understandable that governments seek to ensure that social services, income and other supports are provided only to those eligible and in need, and that appropriate fiscal discipline is exercised to ensure the ongoing viability and sustainability of our social safety net. The challenge is to get the balance right both in determining eligibility requirements, and how these are assessed or 'proven', and the level of support provided.

Getting this balance right is difficult. It is almost impossible if we assume the worst of people. An excessively austere approach to determining levels of support and eligibility requirements can exacerbate material deprivation and poverty. They also erode capacity and self-esteem among disadvantaged Australians.

Currently the weight of evidence shows that the level of Newstart and Rental Assistance are failing to provide for adequate material living standards and are increasing rather than reducing the risk of entrenched disadvantage. Similarly, more austere approaches to determining ongoing eligibility that are being raised and discussed, including drug testing recipients, risk worsening the circumstances of some of the most vulnerable in our community.

A clear message from our consultations is that the capacity of many on income support to lift themselves from poverty is simply not what is presumed. The increasing proportion of long- and very long-term recipients of Newstart adds further weight to calls to increase the Newstart and Rent Assistance payments.

All of our consultations supported a more empathetic and understanding approach to the provision of support. It's time for the key plank of our social safety net to reflect that, bolstering efforts to build capacity among some of the most disadvantaged in our community. Doing so would also contribute to positively shifting the narrative around disadvantage, helping to reduce an important barrier to progress along the way.

Getting serious about evidence and evaluation

Making inroads to entrenched disadvantage requires many shifts in mindset. Perhaps one of the most significant is that required to rebuild a culture of robust and transparent program evaluation into the policy design, development and review process.

CEDA's 2019 report, *Sustainable budgets: underwriting Australia's social compact*, noted that expecting governments (or for that matter other stakeholders) to better prioritise spending and resource allocation is impossible in the absence of an evaluation culture and enabling processes and practices. This applies also to determining which programs to fund and which to wind up.

Despite the obvious importance of evaluation, embedding the required culture, discipline and capabilities has proven difficult. A raft of recent reports from the Australian National Audit Office have included observations regarding the inadequacy of data collection and evaluation frameworks. This must change if we are to avoid defunding programs that are effective, while retaining longer standing programs that quite simply have failed to move the dial.

As noted in *Sustainable budgets*, it is not surprising that we are failing to meaningfully meet our targets to address Indigenous disadvantage when the Productivity Commission has estimated that only 34 of 1000 Indigenous programs identified had been properly evaluated.

To rebuild discipline in program evaluation, CEDA called for the Commonwealth Government to legislate the regular review of all Commonwealth funded programs, with programs to be reviewed at least every five years. The evaluations would be conducted by the Federal Department of Finance with the line department or agency responsible for the program, and the evaluations would be made publicly available promptly after their completion. Obviously, consistent approaches are needed in other jurisdictions, and other providers should also adhere to robust processes of evaluation.

The simple fact is that we should all accept that trying hard is not good enough, when the result of poor program design and delivery is the risk of persistent disadvantage.

Conclusion

Over recent decades, Australia has shown remarkable capacity to grow and prosper. We are an advanced economy often lauded in global policymaking circles for some of the brave and long-sighted reform decisions we have taken to secure that prosperity.

However, Australia has failed to make enough progress in reducing disadvantage in our society. If we are willing to engage in a coordinated effort to address this, and prepared to take some calculated risks, then there is an opportunity to apply lessons learnt, new tools and better governance to ensure that more Australians have the capacity to share in our economic success through greater opportunity and self-reliance now and in the future.

References

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- 3 ACOSS & UNSW Sydney, 2018, *Poverty in Australia 2018*, p.13.



This chapter surveys some of the current approaches to **preventing** and **limiting** disadvantage in Australia and identifies some **key issues** that are holding back progress.

CHAPTER ONE

What's wrong with the current approach?



Introduction

To better understand the current approaches to entrenched disadvantage in Australia, CEDA consulted a range of practitioners and experts. This included senior representatives of relevant government agencies, organisations that provide services and support to those in need, peak social services organisations and researchers in the field.

The aim of these consultations was to:

- further our understanding of the problem, including the most significant barriers and silos that exist in current arrangements
- identify the most prevalent risk factors and common points of interface in services and supports for people in entrenched disadvantage to enable earlier intervention
- examine the potential for innovation in service delivery.

CEDA is taking a long-term approach in building its thinking and research on this topic. Our first priority is to explore how we can support progress on earlier intervention, more effective navigation of the system and improved service delivery.

Future research will focus on how to scale up innovative approaches and reshape system design – all considering the input and insights of key stakeholders, service providers and participants.

What are the biggest problems?

Most people with knowledge and experience of the system of social service delivery and supports express the same few fundamental problems. These problems sit at the heart of how we approach disadvantage, and too often have the practical effect of compounding disadvantage or at best dealing with disadvantage in a disconnected and ineffective way.

The two challenges that were most often called out were:

1. The fragmented or siloed approach to programs and supports – in other words the system fails to see the whole person.
2. An inability to get ahead of disadvantage through prevention because we typically address the symptoms without diagnosing the cause.

The first challenge points to the need to better connect services and make them easier to navigate, while lifting the quality of the services themselves.

The latter points to the need to identify the factors that can increase the chances of a person or family falling into disadvantage, and get ahead of the causes with proactive and preventive supports.

Both of these issues can and should be addressed, and the simple truth is that the earlier we make serious progress on prevention and more effective early intervention, the greater the benefits and long-term outcomes.

In other important areas of human services, real progress has been made in responding to the siloed nature of support and the lack of individually targeted care and support. The move towards better tailoring services and supports to individual needs is exemplified in the National Disability Insurance Scheme model, for instance.

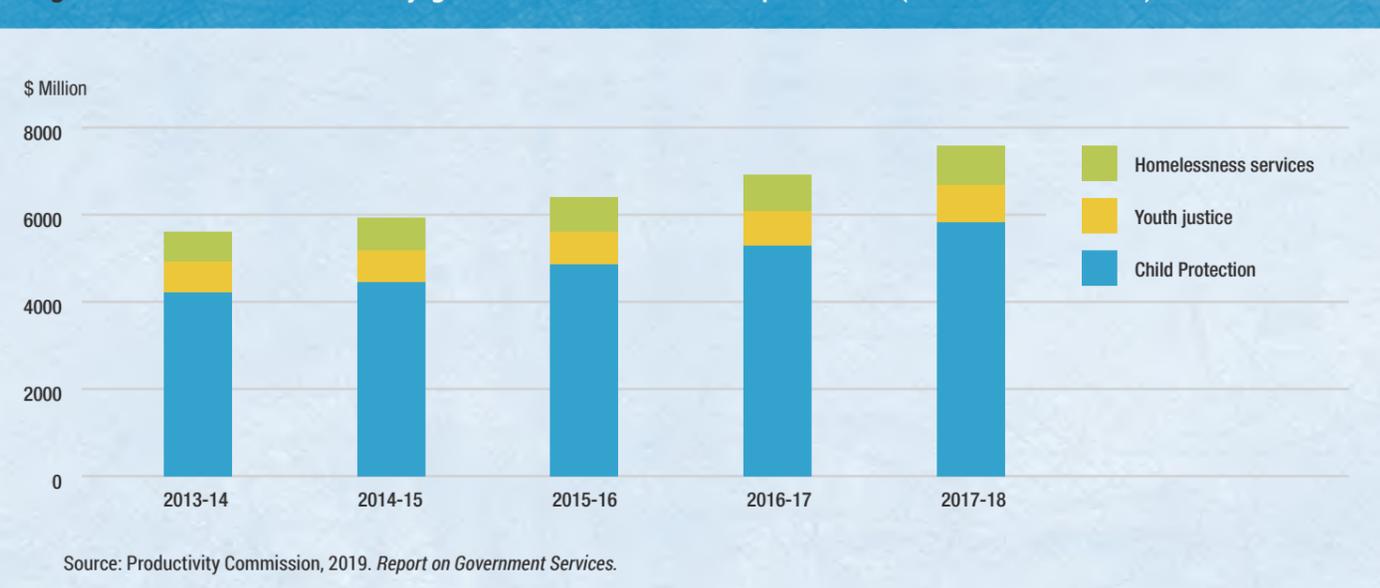
Likewise, our health system takes a better co-ordinated and more holistic approach to providing services. At the heart of this system is a General Practitioner who manages an individual's overall health and wellbeing, and refers as necessary to specialist doctors. The extension of the role of GPs in coordinating the response to mental health issues points to an awareness of the benefits of a holistic and coordinated approach to managing wellbeing, broadly defined.

In contrast to these models, those in or at risk of entrenched disadvantage usually first interact with the system at a point of crisis or significant disruption through a service such as a homelessness service, financial counsellor, emergency department or the police. The focus in these circumstances will understandably be on addressing the immediate crisis or hardship and a narrow focus will be brought to the person's situation and circumstances, at least initially.

The family or individual in crisis will likely not have the capacity to navigate the many supports and services that might be available to assess and address the circumstances confronting them. This then increases the likelihood that these circumstances become their new norm.

Comprehensively responding to that crisis is made more difficult by the fact that it is likely manifesting in interactions across the health, housing, child protection, justice, mental health and income support systems. This is a complex web for anyone to navigate, much less those in a state of significant crisis and distress.

Figure 1.1: State and territory government recurrent expenditure (Real \$m, 2017-18)





As evident in Figure 1.1, the cumulative cost of providing these services is significant and growing. In fact, so many resources and focus are required to manage this part of the system that it limits governments' capacity to coordinate and provide the right combination of rehabilitation, education and work opportunities to exit entrenched disadvantage for good. We heard a lot about this in our consultations.

There is even less capacity to proactively identify young children and families at-risk and provide support to prevent them falling into entrenched disadvantage in the first place.

What are the impediments to fixing the problem?

If the fundamental problem is that the current plethora of services and specialists do not have the time and resources to see the whole person and there is not enough capability to help people exit entrenched disadvantage or prevent it in the first place, what is holding Australia back?

Consultations have highlighted a range of impediments including:

- Public debate on disadvantage is often narrowly focused on the wrong issues.
- Programs designed with the intention of supporting people out of disadvantage can stigmatise them and create further barriers to exiting entrenched disadvantage.
- A lack of persistence in delivering new and innovative programs and long-term funding streams required to make these programs work.
- Siloing and fragmentation in the system leads to poor management of transitions across different life stages and services.
- Limited integration of data to identify at-risk populations, design effective interventions, direct investment and evaluate effectiveness.
- Ineffective governance and collaboration within and between governments and agencies, and at the community level.

Public debate on disadvantage

At the broadest level, the community has concern and empathy for vulnerable and disadvantaged Australians and is in favour of supporting people in need. In CEDA's *Community Pulse 2018: the economic disconnect*, 79 per cent of Australians believed the gap between the richest and poorest was unacceptable.¹ Similarly, in a survey undertaken for the Victorian Department of Health and Human Services, 68 per cent of Victorians agreed that no one deserves to be homeless.²

Beyond these high-level sentiments, at times the public has misconceptions regarding entrenched disadvantage and there is little consensus on how to improve the circumstances of disadvantaged people. The media can sometimes confuse the situation further. For example, recent media coverage of the number of Newstart payment recipients

who had their payments automatically suspended over a 12-month period often presented this information without proper context or explanation, stigmatising and reinforcing stereotypes of vulnerable unemployed Australians.³

These sorts of public discussions also distract from the deeper public conversations necessary to address disadvantage. The survey on homelessness in Victoria cited above found that people were unsure of the role that government and business could play in solving homelessness.⁴

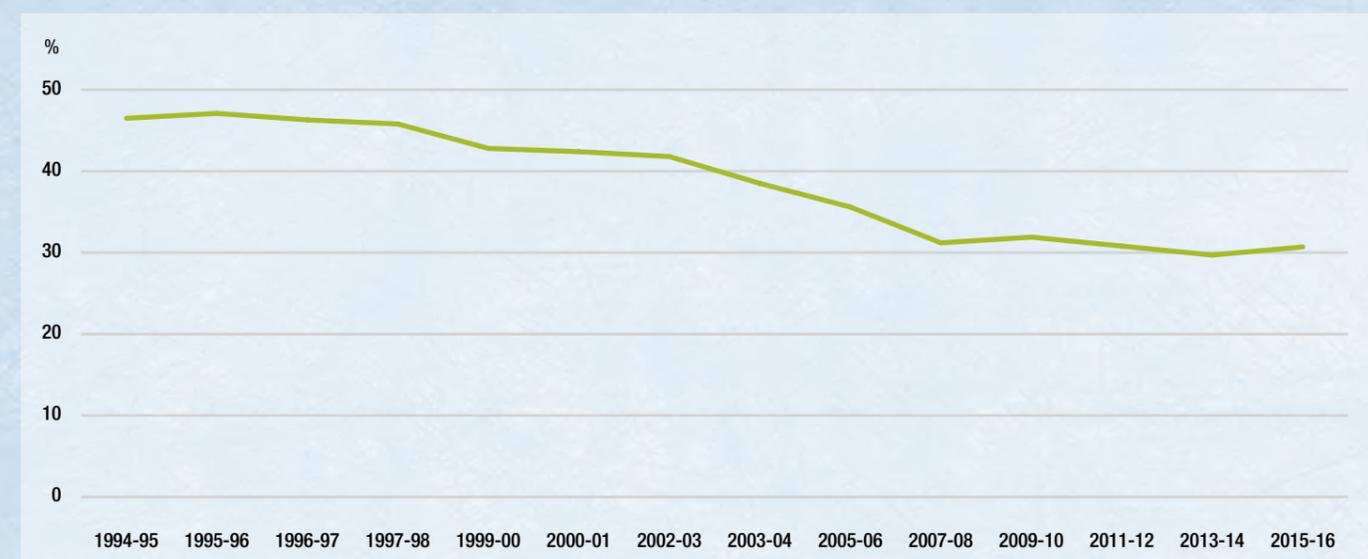
Most Australians also have limited interaction with people in entrenched disadvantage. This reflects the geographical concentration of disadvantage – for example, 11 statistical local areas in Queensland account for over a quarter of the greatest disadvantage experienced in the state.⁵ It also reflects the limited capacity of those in the deepest disadvantage to contribute to public discussion and debate.

Programs that create further barriers

Through poor design or insufficient adjustment and amendment over time, policies and programs can contribute to further entrenching disadvantage for some people rather than assisting them.

An example of this is Newstart, which has not increased in real terms since 1994.⁶ At last count, almost 460,000 Australians had relied on this payment for 12 months or more.⁷ The current level of payment, \$280 a week, is well below the poverty line of 50 per cent of median income.⁸ These low payments can lead to persistent income poverty and material deprivation for those unemployed for an extended period of time.

Figure 1.2: Single adult rate of Newstart as percentage of median equivalised household disposable income



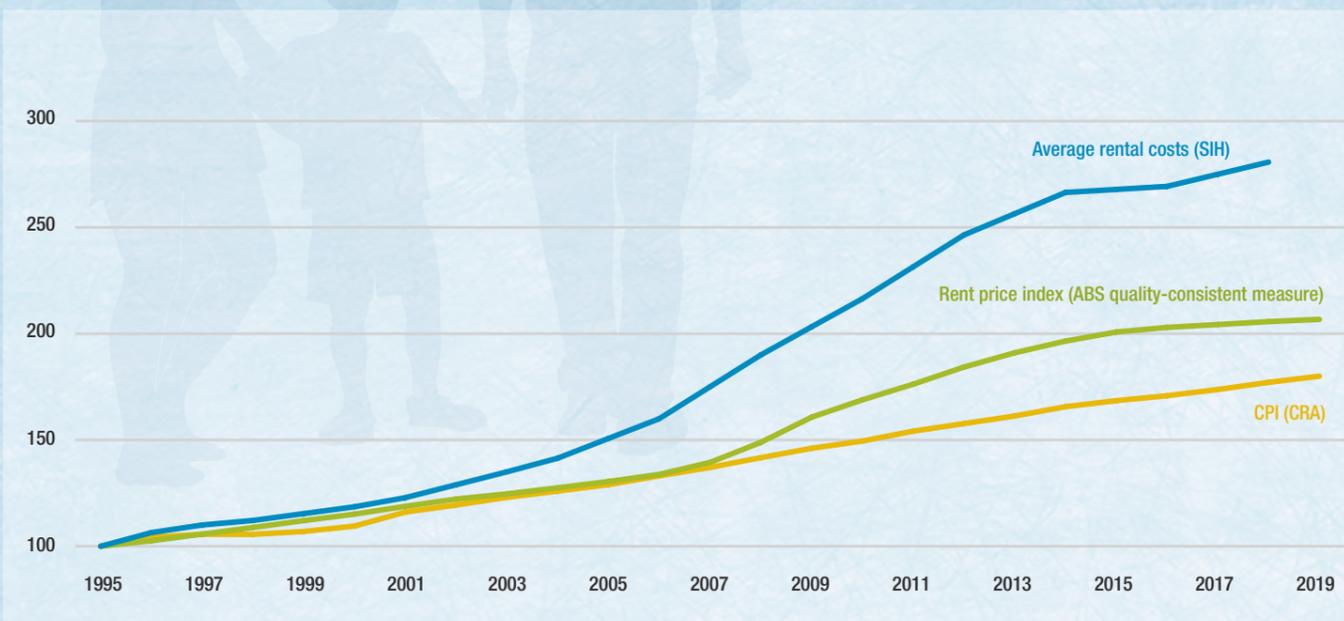
Source: P.Whiteford, S.Innis, B.Bradbury & D.Stanton, October 2019.



Policy settings have also failed to keep pace in providing housing for vulnerable Australians. As the Productivity Commission notes, the provision of social housing has lagged population growth, while Commonwealth Rent Assistance (CRA) for those forced into the private rental market has not kept pace with rental prices over the past two decades.⁹ These shortfalls place more vulnerable Australians into housing stress, heightening the risk of persistent disadvantage.

In addition to these areas where policy is not keeping pace, several existing, emerging and proposed policies are underpinned by weak evidence bases. These programs are often strongly focused on mutual obligation requirements attached to receipt of income support payments, as outlined in Box 1.1.

Figure 1.3: Growth in rents vs Commonwealth Rent Assistance (Index)



Source: Productivity Commission, 2019.

Box 1.1 Programs lacking evidence of effectiveness

Work for the dole

Under the Commonwealth Government's Work for the Dole (WfD) scheme, registered jobseekers who have been looking for work for 12 months or more must participate in work for the dole or an approved activity each year to continue receiving income support. Participants in the program receive an additional \$20.80 a fortnight to assist with expenses.¹⁰

The most authoritative Australian study on the effectiveness of the WfD scheme found that '...there appear to be quite large significant adverse effects of participation in WfD.'¹¹ More recently, one of the authors, Jeff Borland, noted that these programs did not work because they do not expand the long-term availability of jobs and do not enhance skills formation.¹²

The Commonwealth Government has a specific WfD program for job seekers in remote Australia – the Community Development Program. It was subject to a number of changes in early 2019, following a report commissioned by the Department of Prime Minister and Cabinet. That report found that just a fifth of relevant remote community members and job seekers thought their community was better off since the program had started.¹³

Cashless debit cards

As a means of implementing welfare conditionality, the Australian Government is currently testing Cashless Debit Cards in the East Kimberley, Ceduna, Goldfields, Bundaberg and Hervey Bay regions. The cards cannot be used to buy alcohol, gambling products or certain gift cards, or to withdraw cash.

The Australian National Audit Office assessed the Department of Social Services' implementation and evaluation of the Cashless Debit Card Trial in Ceduna and East Kimberley. Its major conclusion was:

The Department of Social Services largely established appropriate arrangements to implement the Cashless Debit Card Trial, however, its approach to monitoring and evaluation was inadequate. As a consequence, it is difficult to conclude whether there had been a reduction in social harm and whether the card was a lower cost welfare quarantining approach.¹⁴

Drug testing welfare recipients

There have been several proposals in recent years to trial the random drug testing of some recipients of income support payments. Returning a positive drug test would lead to income management in the first instance, with a subsequent positive drug test leading to medical assessment, rehabilitation, counselling or ongoing drug tests.

In a 2013 Position Paper, the Australian National Council on Drugs found that:

There is no evidence that drug testing welfare beneficiaries will have any positive effects for those individuals or for society, and some evidence indicating such a practice could have high social and economic costs. In addition, there would be serious ethical and legal problems in implementing such a program in Australia. Drug testing of welfare beneficiaries ought not be considered.¹⁵

The Royal Australasian College of Physicians has suggested that drug testing measures for welfare recipients would cause considerable harm to highly vulnerable populations and fails to recognise that addiction is a serious health issue.¹⁶



Persistence in program delivery and implementation

The nature of entrenched disadvantage means that the programs that are likely to have the greatest impact will be resource intensive, customised according to location, take time to show results and present heightened risks compared to other policy areas.

History shows that these characteristics put the most impactful programs at odds with political cycles and government budget constraints. In many cases programs that appear to be making progress in reducing

disadvantage fall victim to discontinued funding, quietly disappearing from the policy landscape. While program evaluation is sometimes a pre-requisite to continued funding for a program, it is rare for governments to require evaluation to confirm the failure of a program before discontinuing its funding.

Box 1.2 provides examples of programs and initiatives that were showing promising progress but were discontinued. While these programs may have had some issues, the reasons for their discontinuation are unclear apart from fiscal re-prioritisation.

Box 1.2 The case of disappearing programs and initiatives

Neighbourhood renewal (Victoria)

In 2001, the Victorian Government launched a Neighbourhood Renewal Program that expanded to cover 19 locations across Victoria. The program was based on the UK's experience with the Employment Zones project, which sought to address persistent long-term unemployment in some locations in the UK.

Neighbourhood renewal involved a cross sector approach to tackling entrenched disadvantage at a local level. It focused on lifting community participation, employment, education and training; improving housing and the physical environment, increasing safety and reducing crime, promoting health and wellbeing, and increasing access to services.¹⁷ It included aspects such as:

- dedicated neighbourhood teams to deal with worklessness including a place manager, community development worker, and employment and learning coordinator
- partnerships between regional offices of state government departments, local schools, police, local businesses, community groups, service providers and residents
- intensive and individualised support for long-term unemployed people
- community hubs where people can meet, interact and access required support services

- social enterprises providing supported work and training pathways for residents
- early interventions in schools for disengaged youth
- technology initiatives.

In its evaluation of the program in 2008, the Victorian Department of Health and Human Services found that the gap on measures of disadvantage had either stopped growing or narrowed on 76 per cent of the indicators for renewal areas compared to surrounding neighbourhoods.¹⁸ A separate study found that the program improved trust in government, improved perceptions of influence and control over community decisions and led to improved services.¹⁹

Such programs may also enhance the long-term wealth of residents. A study prepared for the Australian Housing and Urban Research Institute using a quasi-experimental methodology for evaluating urban renewal programs found a statistically significant price premium within five out of seven neighbourhood renewal program areas in Victoria.²⁰

Building family opportunities (SA)

The Building Family Opportunities program sought to assist families impacted by long-term unemployment and industry downturns. Case Managers provided whole-of-life assistance tailored to family members to better equip them to realise employment opportunities.²¹

Poor management of transitions

Transitions are particularly difficult for those people in or at risk of entrenched disadvantage. These transitions can take the form of key-life transitions, such as moving from primary to secondary school, or transitions out of and across institutional and other support settings. Without governments and other service providers measuring and monitoring transitions and providing support, vulnerable people can fall through the cracks, impeding their progress out of disadvantage.

Table 1.1: Examples of challenging transitions for people in disadvantage

Transition	Evidence of challenge or impediment
Primary school to secondary school	<p>A NSW study in 2015 found that students from low-SES backgrounds and Aboriginal students experienced a greater decline in sense of belonging from Year 6 to Year 7.²²</p> <p>A study of more than 30,000 Australian school students conducted by The Smith Family found that 75 per cent of students with high attendance in Year 7 completed Year 12 compared to less than half of those with very low attendance.²³</p> <p>These sorts of transitions during childhood can play a major part in children being vulnerable to maltreatment and ultimately entering the justice system.²⁴</p> <p>Education departments have also been slow to measure and monitor this transition. In 2015, the Victorian Auditor-General recommended that the Victorian Department of Education develop and monitor transition-related outcomes for the middle years, including for children identified as most vulnerable during school transitions.²⁵</p>
Secondary school into further education or work	<p>By age 22, 60 per cent of people have participated in university compared to 46 per cent of people with low socioeconomic status.²⁶</p> <p>Those with Year 11 education or below experience social exclusion at more than 2.3 times the rate of those who complete Year 12.²⁷</p>
From prison to community	<p>In Victoria, an Ombudsman's report in 2015 found only 1.7 per cent of inmates leaving prison have access to housing through the two state government programs specifically for former prisoners.²⁸</p>
Leaving out of home care	<p>A survey by the Create Foundation found that in the first year of leaving care, 35 per cent of people were homeless and 29 per cent were unemployed.²⁹</p> <p>In 2019, a longitudinal study in Victoria found that people leaving out of home care had lower than average levels of school attainment, low levels of employment, low incomes and high levels of financial stress.³⁰</p>

Limited use of data and evaluation

The Australian Institute of Health and Welfare (AIHW) recently observed that there is a lack of national data or significant gaps in data across a range of areas in relation to Australians' welfare. These areas include the causes of homelessness, unmet demand for welfare services and pathways through different services and systems for vulnerable people.³¹

The lack of reliable data can make it hard to measure, monitor and evaluate the effectiveness of policies and programs. As AIHW notes:

A lack of high-quality evaluation presents challenges. Much of the evaluation work undertaken to date has been short term or piecemeal. This limits understanding of which programs work best to improve outcomes for persons most in need. Having better linked, enduring, longitudinal administrative data would facilitate better and more cost-effective evaluations.³²

CEDA's consultations suggest that there has been mixed progress on better longitudinal administrative data sets between states. Some states such as New South Wales and South Australia have begun to establish linked data sets across government, while others are less advanced. It has also been noted that the process of data linkage in Australia has tended to be piecemeal and slow, particularly compared to jurisdictions with fewer layers of government.³³

Ineffective governance

Ineffective governance, and by extension, poor collaboration between the different groups needed to tackle entrenched disadvantage, has made it difficult to overcome silos and deliver better integrated services. This is particularly the case for different layers of government.

New Zealand's single layer of government is often cited as being instrumental in their relatively rapid integration of data and services to support disadvantaged citizens. In Australia, data can only be linked by one of six authorised linkage authorities and it is often challenging for state governments to gain access to Commonwealth data or integrate it with their services.³⁴

Even where detailed governance and intergovernmental agreements are established, a lack of maintenance and adherence to these arrangements impedes progress and accountability. For example, in 2006 the Council of Australian Governments (COAG) agreed to work on closing the gap in outcomes between Indigenous and non-Indigenous Australians. The February 2019 audit by the ANAO found that³⁵:

- little work had been done to monitor and evaluate how Commonwealth Government programs were contributing to the targets outlined in the intergovernmental agreements
- progress had been hampered by a lack of oversight of its implementation and limited stakeholder engagement, evidenced by the fact the intergovernmental agreement establishing the Closing the Gap Framework was out of date and had not been updated since 2012

- arrangements for monitoring and evaluating the Commonwealth Government's contribution to meeting the targets are not considered objective or effective.

Conclusion

This chapter points to two fundamental issues in addressing disadvantage:

1. the 'fragmentation' or 'siloed' approach to programs and supports – in other words the system fails to 'see the whole person'
2. an inability to get ahead of disadvantage through prevention and intervention because we typically 'address the symptoms without diagnosing the cause'.

To address these issues, services will need to become easier to navigate, more connected and higher quality. Governments and service providers will also need to focus on the factors likely to increase the chances of a person or family falling into disadvantage, and get ahead of the causes with proactive and preventive supports.

The next chapter explores the potential to address these issues through better integrated data sets to identify those at risk and provide earlier support, and the role of better navigation in improving the effectiveness of services and supports.

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This chapter discusses new ideas that could be implemented to make substantial, long-term progress on the problem of disadvantage.

CHAPTER TWO

A new course of action: building momentum for longer term change



Introduction

The issues outlined in Chapter 1 suggest that making in-roads on entrenched disadvantage requires a shift in mindset. We need to provide more effective support to those already in need and, most importantly, provide the necessary support and programs for an at-risk individual before they fall into disadvantage. That is before any of the traditional points of first encounter, such as the youth justice, child welfare or education systems.

Our consultations and research to date suggest that two missing parts of the puzzle could provide the necessary breakthrough:

1. better-linked administrative data from information collected on vulnerable populations (mostly by states, but also involving the Commonwealth), such as health data sources
2. new resources to deliver navigation services through the maze of potential existing support programs – allowing the nation to both identify and act to address disadvantage before it takes hold.

These objectives must also be supported by enhanced income and housing capacity (Newstart and housing support), effective monitoring and evaluation, and a nationally coordinated approach to overseeing and managing change.

There are a range of important issues to consider, including the responsible collection and application of data, building and maintaining trust, and complementing data with human intelligence. In addition, new funding and an appropriately skilled workforce would be necessary to deliver navigation services.

The use of administrative data in the system at present focuses on compliance and has unfairly penalised many recipients of benefits. Yet data can be used to provide better services and support to assist vulnerable populations. We believe that data can be better used to identify and target the drivers of disadvantage and direct services to those who need our assistance.

Other areas of social policy design are confronting these challenges and placing people further in the centre of the system. With the increasing availability of linked datasets at the state-level, there are opportunities to make services and supports more responsive and proactive to address need in the right places. This data also allows governments to do a much better job of directing investments, monitoring progress, evaluating outcomes and changing course as necessary.

Our proposed approach aims to understand the circumstances of those facing disadvantage; provide the right support to them; understand what's working and invest in people for the betterment of their future.

This chapter canvasses some of the key considerations and issues with this approach, and lays the groundwork for further in-depth analysis in future reports.

Investing in a stronger social safety net

As noted in the first section, there is compelling evidence and broad consensus that Australia's safety net has fallen behind economic conditions and community standards. Without adjusting Newstart and providing adequate social housing and rent assistance, the risk of people falling into persistent poverty and ultimately disadvantage is compounded.

This is likely to place increasing pressure on services and supports, particularly those provided by state governments and the not-for-profit sector. Therefore, while governments should be focused on better linkage of administrative data and targeted intervention, there remains an immediate need to address the adequacy of Newstart and housing assistance. Failing to do so could impede progress on the broader agenda.

Better mobilisation of data

The Productivity Commission's 2013 report on deep and persistent disadvantage noted the difficulty of analysing the cohort of disadvantaged groups. In part this difficulty was because of lack of access to complete data about the transitions that people make into and out of disadvantage.¹

Point-in-time data doesn't tell users much about how disadvantage persists over time. Longitudinal data, while more complete in terms of mapping transition in and out of disadvantage, often sees high attrition rates from groups and households that are facing disadvantage.²

Growing understanding that data can and should be used for the betterment of people

In order to properly analyse the effects of disadvantage and evaluate the scale of the issue, researchers and policymakers require access to administrative longitudinal data. With improvement to the collection of data and a growing understanding of the untapped potential of government-held administrative datasets, policymakers can now make use of high-quality large datasets to better understand disadvantage and the characteristics underpinning it.

The benefits of being able to identify disadvantaged groups for the purpose of assisting them to escape disadvantage cannot be understated. In the past, data has mostly been used to identify vulnerable people for compliance reasons. Robo-debt and other compliance related incidents have diminished public trust in the use of individual-level data in welfare service provision. However, linked administrative longitudinal data can be used for much more than just compliance.



Publicly held data has immense potential to better equip trusted professionals to assist vulnerable people before they find themselves in crisis.

However, it is not easy to link data across jurisdictions. The Productivity Commission’s review into Data Availability and Use found that compared to other countries with similar governance structures like the UK and New Zealand, Australia is lagging when it comes to open access to public sector data.³ A myriad of issues have resulted in the current state of affairs. Public sector data is currently subject to almost 500 secrecy provisions, many of which haven’t been reviewed. Policymakers, in advocating for more sharing of data between departments, also confront an entrenched culture that breeds a reluctance to share or release public sector data.⁴

The PC recommended that the government, under the guidance of a National Data Commissioner, undertake to release legislation to enable greater sharing and release of data.⁵ The data review also called for the creation of data linkage authorities – official government agencies or departments that would be able to carry out statistical linkage of datasets.

That review was primarily concerned with data at the federal level, but states also collect data and are primarily responsible for service provision for disadvantage communities. The table below provides a non-exhaustive attempt at identifying groups of datasets that are held at the state and federal level. These datasets could provide key insights on people in or at-risk of entrenched disadvantage.

None of these datasets are currently connected to each other or available to researchers or policymakers. We understand that there are some difficulties to making data publicly available. Some of these have been outlined in the Productivity Commission Data Availability and Use Inquiry report.⁶

Table 2.1: Types of programs run at state and federal level and associated datasets

Type of service provision	State/ Federal	Dataset
Welfare payments (including Austudy, Youth Allowance, Newstart Allowance, Age Pension, Disability Support Pension, Parenting Payments etc)	Federal	DOMINO (all welfare payments) ATO Alife data (includes childcare rebate, information on HELP debt) Childcare information in tax data
Education	State	NAPLAN data Data on education spending including operations and infrastructure HEIMS HELP collection

Type of Service provision	State/ Federal	Dataset
Child protection services* ⁷	State	Child Protection National Minimum Dataset
Juvenile justice	State	Juvenile Justice National Minimum Dataset
Homelessness services	Federal	Specialist Homelessness Services Collection
Health	State and federal	National Health Workforce Data Set (NHWDS) ⁸ Health And Welfare Expenditure Database Disability Services National Minimum Data Set (DS NMDS) Medicare Benefits Schedule (MBS) data collection National Aged Care Data Clearinghouse National Community Mental Health Care Database National Hospitals Data Collection National Key Performance Indicators (nKPIs) National Perinatal Data Collection (NPDC)

* All out of home care services

.....
What would a connected dataset allow us to do?

We don’t have to look too far for examples of where governments are using data to better understand the circumstances of those facing disadvantage. Many states are trialling their own approaches to identifying disadvantaged groups of people (Boxes 2.1 and 2.2). Based on current progress, joined-up state datasets that include federally held information are surely not far away.

Departments have the capability to undertake this kind of work. Six data linkage authorities are currently in operation, with four institutions accredited at the federal level: Australian Bureau of Statistics (ABS), Australian Institute of Health and Welfare (AIHW), the Australian Institute of Family Studies (AIFS), and two at the state level: Victorian Centre for Data Linkage and the Queensland Government Statistician’s Office (QGSO).⁹

It is necessary to draw a subtle but important distinction here between datasets for prediction and modelling, and datasets for improved service delivery (through point-in-time connected information). Datasets for prediction and modelling often try to understand what led to a person experiencing disadvantage. These datasets are typically used to find out what characteristics, predicaments or occurrences in a person's life are likely to be responsible for them slipping into disadvantage. It can be thought of as a lagged indicator of disadvantage, but it is useful in identifying the course that disadvantage might take in a person's life.

On the other hand, data for improved service delivery is about using the enhanced information from joined up datasets to provide a fuller picture of an individual's life. We can use this data to learn about a person's parental background, their educational background, their interactions with the welfare system and their incomes through the tax system.

In this type of data, matching across jurisdictions becomes even more important. For example, when a child protection officer visits a home in Victoria they will have access to the individual's file as collated by the Department of Health and Human Services, but they will likely not have access to information regarding the child's attendance or performance at school – unless an incident has occurred at a school that triggers an investigation or recording of the incident. By the time this becomes an issue on which teaching professionals are required to report on, it will likely be too late to act.¹⁰

The case studies presented below outline how a number of jurisdictions have approached the issues of identifying vulnerable disadvantaged populations. The linked administrative longitudinal data that encompasses state departments and federal government allows policymakers to:

- identify at risk groups and their likely pathways into disadvantage
- quantify the costs, and therefore the benefits of directing targeted support to people in disadvantage
- deliver services to people in disadvantage when and where it is needed.

Making linked data more readily available will enable greater sharing of information, not for compliance purposes, but for the delivery of targeted help and assistance to our most vulnerable.

Box 2.1 South Australia Early Childhood Data Project

The South Australia Early Childhood Data Project (ECDP) is an example of a state project that attempts to link data across different departments at the state and federal level to provide better insights for policymakers on early childhood development issues.

The datasets that have been linked to provide these insights include health, education, welfare, social services, drug and alcohol services, Pharmaceutical Benefits Scheme and Medicare Benefits Schedule data. In addition to the administrative datasets, other data from special collections like the SA Trauma registry and data from researcher-driven randomised controlled trials were also included.¹¹

The difficulty with the way in which the current system is set up is the lack of distinction between incidents (points of contact with the system) and incidence (experiences of individuals over time).

Using linked child protection, births and perinatal data, researchers were able to get a better picture of the child protection experience for children born between 1999 and 2005 from age zero to 10. They found that 25 per cent of children were notified to child protection, and of this, one in 20 were substantiated. One in 50 of these children had at least one out-of-home care episode at least once by age 10. They also found that as children's interaction with child protection services increases, they suffer from developmental vulnerability on one or more domains at age five.¹²

Even though the SA ECDP has made remarkable strides in linking up data across research centres, state and federal departments, the missing part of the puzzle here is data for service delivery, which is often conducted by not-for-profit organisations funded partly by states. This makes it difficult to understand which groups of people are reaching out to request services, what services they were referred to, and whether the services provided them with any relief.



Box 2.2 NSW Their Futures Matter

Following a review into the Out of Home Care system by David Tune, the NSW Government responded by introducing the Their Futures Matter (TFM) initiative.¹³

To support this work, Taylor Fry Actuaries was commissioned to conduct extensive predictive modelling and analysis using an investment approach to identify communities at risk and the amount of government funding this group of individuals would require into the future. The TFM Investment Model first identified vulnerable groups that, if un-helped, are likely to require significant government investment into the future. They then produced long-term cost estimates to support business cases for new interventions and service delivery.

The report identifies six vulnerable groups as outlined in the table below.

Type of service provision	Dataset
Vulnerable young children aged zero-five	Children born in NSW aged five or younger at 30 June 2017 with any of the following risk factors: <ul style="list-style-type: none"> • one or more parental risk factors • two or more perinatal risk factors • assessment at ROSH+
Vulnerable young adolescents	Anyone born in NSW who was aged between 10 and 14 at 30 June 2017 with any of the following risk factors in the five years prior: <ul style="list-style-type: none"> • one or more parental risk factors • two or more perinatal risk factors • assessment at ROSH+
Vulnerable young people transitioning to adulthood	Anyone born in NSW who was aged between 16 and 18 at 30 June 2017 with any of the following risk factors in the five years prior: <ul style="list-style-type: none"> • interactions with the justice system • assessment at ROSH+
Young mothers and their children	Females born in NSW aged 21 or younger at 30 June 2017 with at least one child, and their children
Children and young people affected by mental illness	Anyone born in NSW who was aged 18 or younger at 30 June 2017 with any of the following risk factors in the five years prior: <ul style="list-style-type: none"> • use of NSW mental health services (hospital or ambulatory) • parents use of NSW mental health services (hospital or ambulatory)
1000 individuals with highest estimated service cost	The 1000 individuals born in NSW with the highest estimated future cost

Source: NSW Government, Their Futures Matter.

The modelling used longitudinal linked administrative data (from January 1990 onwards) to identify the vulnerable groups of people as gauged by how they ranked on the outcome domains of Home Health, Education and Skills, Social and Community, Empowerment, Economic and Safety. The study population included all children and young people aged under 25 on 30 June 2017, born in NSW.

The NSW Government is focused on two vulnerable populations – vulnerable young children aged zero to five, and children and young people affected by mental illness. The work from Their Futures Matter is starting to translate into new service delivery approaches, including the NSW Health First 2000 days framework focusing on health from conception to age five.

The study also investigates the estimated future costs to each of the identified vulnerable populations. Although there are variations within each of the groupings dependent on intensity of the intervention, the study reports bands of estimated future costs. The analysis shows that a sizeable proportion of the marginal costs for vulnerable populations are Commonwealth funded items like welfare, Medicare and the Medicare Benefits Schedule. This underlines the case for future initiatives to address disadvantage leveraging Commonwealth funding, where there are long-term fiscal benefits that could accrue.

Box 2.3 Sharing of data among private organisations – Thriving Communities case study

Forty-nine per cent of Australians living in Metropolitan areas fail to pay their bill and in regional areas this number is closer to 78 per cent.¹⁴ Forty-four per cent are too embarrassed to ask for help and 66 per cent are not aware of what type of help is available.¹⁵

Private organisations, including transport, financial services, telecommunications and utilities companies, have collaborated through the Thriving Communities Initiative to provide support to vulnerable people in light of issues of growing inequality in the community.¹⁶

The initiative aims to ensure that everyone has access to the essential services that are required to thrive in the community. Often the first place where disadvantage shows up is in a person's inability to pay bills due to reasons of insufficient funds or other types of domestic issues.

The Thriving Communities initiative works together to collect this information on clients who might be at risk of facing disadvantage and share it discretely with other service providers. This means that vulnerable people do not have to endure calls to several providers to inform them of their inability to pay, and extensions can be granted or offered automatically without the need for a series of difficult conversations.¹⁷ The One Stop One Story Hub provides a single entry point to access all support available to vulnerable groups across private, public and community organisations.

Ensuring effective data use

While it appears possible to bring together the right datasets based on recent developments in some of the states, utilising this information prudently to deliver better outcomes requires considerable care.

The need for collective intelligence

Controversies like Robo-debt, in which a model using Centrelink data to recover overpayments targeted disadvantaged people and in many cases wrongly issued them with statements of debt, have placed governments under increased scrutiny. Since the Robo-debt model has been in operation, it is estimated that 409,572 debts were raised between July 2016 and October 2018.¹⁸

Governments need to engage the public in a more mature and nuanced conversation about the benefits of using public data beyond just making government services easier to use or auto-filling forms. The compliance focus of some departments has left people concerned about the safety and security of their information and uneasy about how their data will be used in the future.

We are proposing that people are better informed about the services that are available to them through a person-centred approach. Data should be used to complement the knowledge and judgements of case workers and others in affected communities, not replace them. Doing this will allow people working in communities to systemise a better approach to helping people in need.

Biases in data

In order for this to work, we need to be careful about the kind of data that should be included to identify those in need. Administrative data can be incomplete and thereby misleading, as it zeroes in on an individual's interaction with the system.¹⁹ For example, an individual's interaction with the prison system involves two steps: a person is reported to authorities or brought to the attention of the authorities in some way and then convicted of a crime through the judicial system.

This creates two sources of possible biases – one at the point at which the individual is apprehended, and the other when a sentence or conviction is delivered. Issues of prejudice or discrimination on the basis of race, gender, financial history, drug use and a range of other variables can be introduced at both of these stages.

When coming to a decision about the kind of metrics that should be included in predicting need or future pathways, one must be careful to check for human biases and the potential for analytical approaches to amplify them. This is why we strongly support the two-pronged approach of using data but also making sure that a human is responsible for the ultimate decision of what gets included in defining disadvantage.

While human decision making isn't without its flaws, the harmful effects of a hypothetically biased case worker are localised. A generalised algorithm or predictive model with bias applied across an entire population would be debilitating for already disadvantaged communities. Therefore, human decision making must continue to have a central role in the process of identifying need.

Trust of the community

In order for these programs to have the support of the community, governments need to consult with those who are likely to be affected. Projects conducted overseas provide researchers and policymakers with templates they can use to engage with disadvantaged communities when rolling out a scheme of this nature.²⁰

A recent study reported on feedback from workshops conducted with 83 participants, including employees of child welfare agencies, families involved in the child welfare system, and service providers. The study found that there is a level of distrust among the community that makes them uncomfortable with the use of algorithms for decision-making.²¹

Brown et al., through consultation, propose a few methods to improve how we use algorithms in public service decision-making, which include:

- changing the framing from a focus on negative characteristics and a deficit model towards one that focuses on strengths to facilitate positive and supportive conversations between child welfare workers and families
- clearly explaining how using data and algorithms can improve family and community outcomes.

My Health Record Data provides an important case study on how a project based on accessing public data can fail if it doesn't have community and public support. Experts on data security lambasted the data collection process, and at the end of the opt-out period, almost 2.5 million people are estimated to have opted out of the program.²² Clearly the case for data collection and use must be made strongly with the community. Governments and other stakeholders need to outline the benefits of data collection and the safeguards in place, as well as the costs of poor care and service delivery if data is not readily available.

Privacy issues

There are a number of privacy issues involved in collecting and using data that must be effectively managed at the prediction, assistance and management stages.

Prediction stage

Before undertaking predictive risk modelling or identifying pathways for vulnerable populations, data would need to be deidentified and anonymised after linkage by an accredited linkage authority. The outcome variables on which the predictors would be trained would be developed in consultation with stakeholders.

Policymakers need to exercise caution when designing and defining the variables that act as predictors. Variables like eligibility for welfare payments and interaction with the justice system lend themselves very easily to compliance, and variables that involve compliance suffer from a number of inherent biases that were touched upon earlier.

Assistance stage

Once the variables influencing outcomes are defined, these variables (not the data itself) are used as inputs for identifying other persons that require assistance. At this stage, governments and service providers would need to have the ability to identify those who are clearly at risk of falling into disadvantage based on the predictions of the risk models.

Evaluation stage

At the evaluation stage, de-identified data would again need to be used to understand what works. The Troubled Families Program in the UK used de-identified data to carry out evaluations of the program, and this provides a useful example to guide governments on how to best undertake this kind of work in the future.²³

In order to conduct the evaluation of the program, the local authorities who were responsible for nominating families for inclusion in the programme kept information on all residents but pulled out the personal identifiers of families. The personal identifiers were then provided to the Office of National Statistics (ONS) and sent on to government departments using secure methods.

The government departments that hold information on the use of public services removed personal identifiers, which would then be transferred to and stored by the ONS (without names, addresses or date of birth). The ONS then brought together the anonymised information from the different government services and sent it to the department that ran the program – the Ministry of Housing, Communities and Local Government.

Complementing data with better assistance and navigation

Despite the critical importance of data to addressing entrenched disadvantage, Australia also needs to improve the delivery of services and supports.

Policies and programs already making a difference

There are already policies and programs that are making progress with groups of disadvantaged people. These programs are not simple and they are often 'messy' because they are disrupting the status quo of existing systems and institutions. However, these programs demonstrate that many Australians have the will and the way to progress change.

Table 2.2 provides a small sample of such programs. While these programs are all different and some are unlikely to be scaleable, they appear to be making progress. Many are seeking to empower individuals and families economically, educationally and socially to prevent future interaction with large-scale government programs that are difficult to navigate and often ineffective in addressing complete needs.

Encouragingly, some of these programs have established governance structures that breakdown siloes and facilitate collaboration across multiple sectors and bodies, including local communities. Most involve the collection of data and monitoring of outcomes to facilitate effective evaluation.

Table 2.2: Examples of programs making a difference

Program	Aims	Achievements to date
<p>Logan Together</p> <p>A place-based initiative established in 2015 that applies a Collective Impact Approach in the local government area of Logan in Queensland.</p>	<p>Logan Together describes its vision and roadmap as:</p> <p><i>By 2025, Logan children will be as healthy and full of potential as children from other thriving communities across Australia. To achieve this, Logan Together partners are committed to working across each stage of the early years of childhood development to improve healthy child development outcomes for Logan children zero to eight years of age. This means assisting 5000 Logan children to thrive through early childhood.</i>²⁴</p>	<p>Early progress reported includes²⁵:</p> <ul style="list-style-type: none"> • Improved family/parent awareness on learning readiness and enrolment • Increased reach of services • Improved housing and stability outcomes for the targeted cohort • Better birthing outcomes and maternity health care options • Attracting women previously not accessing maternity health care • Increase in kindergarten attendance for small cohorts <p>Broader systemic changes include better collaboration across sectors, better integration of service delivery and resource allocation better reflecting needs.</p>

Program	Aims	Achievements to date
<p>The Home Interaction Program for Parents and Youngsters (HIPPY)</p> <p>A two-year, home-based parenting and early childhood learning program assisting parents and carers to be their child's first teacher. It is available in 100 communities with high levels of disadvantage and vulnerable families across Australia²⁶</p>	<p>Enhance children's literacy, numeracy, language and physical skills so they are school-ready and develop an early foundation for learning.²⁷</p>	<p>For children graduating from the program in 2017²⁸:</p> <ul style="list-style-type: none"> • 97 per cent of parents reported that their child was more ready for school because of HIPPY. • 95 per cent of parents used ideas they gained to interact with other children.
<p>'Our place' Doveton College</p> <p>Doveton College is a partnership between the Victorian Government and the Colman Foundation.</p> <p>It is designed to give opportunities to families by providing a place-based model with early learning, primary and secondary education. This is complemented by adult learning, community and volunteer programs, allied health services and outreach provision.²⁹</p>	<p>The stated aim of Doveton College is to:</p> <p><i>...provide a fully integrated model of education and community support with the specific aim of nurturing children from pre-natal to early adulthood.</i>³⁰</p>	<p>Early achievements include³¹:</p> <ul style="list-style-type: none"> • The Early Learning setting has been assessed as "exceeding" in its first three years of operation. • Community engagement and uptake of the programs has been rapid. • Interaction with external services on the Doveton site has been very successful. • Some evidence of better learning outcomes (eg. NAPLAN), although not widespread at this stage.
<p>The Smith Family Learning for Life</p> <p>The program provides additional support for disadvantaged children to stay at school. Support includes financial assistance, a Learning for Life Program Coordinator and access to Smith Family educational programs.³²</p> <p>The program supports around 34,000 highly disadvantaged students each year across 94 communities.³³</p>	<p>Improve the educational outcomes of highly disadvantaged children.</p>	<p>According to The Smith Family's most recent research report, achievements include³⁴:</p> <ul style="list-style-type: none"> • 84.2 per cent of former Learning for Life students who left the program in Years 10, 11 or 12, were engaged in employment, education or training, a year after leaving the program in 2015. • The total average per student cost of provision is around \$1000 per year.
<p>NSW Government – Their Futures Matter</p> <p>A cross-government reform focused on better supporting vulnerable children and families, guided by data integration across agencies and using an investment approach to scale-up across the state.³⁵</p>	<p>The NSW Government's aim is to:</p> <p><i>...create a coordinated service system that delivers evidence-based, wraparound supports for children, young people and families to transform their outcomes.</i>³⁶</p>	<p>At the end of 2018, the NSW Government reported that³⁷:</p> <ul style="list-style-type: none"> • In the two years to 2017-18, the number of children in out-of-home-care had decreased 44.5 per cent. • More than 1000 families are now engaged in new family preservation and restoration evidence-based programs. • The first ever integrated human services cross-agency data set in NSW has been established. • The first wraparound service solution for a vulnerable cohort was completed in 2017, with service delivery initiated for another three cohorts.

Program	Aims	Achievements to date
<p>Barkly regional deal</p> <p>A place-based deal between all three levels of government involving a commitment and matching investments to build regional resilience and address sources of disadvantage, including high unemployment, overcrowding and low educational attainment.³⁸</p>	<p>Aims to improve the productivity and liveability of the region by stimulating economic growth and improving social outcomes, including reducing overcrowding and improving child safety.³⁹</p>	<p>While it is only six months since the agreement was signed, the Interim Barkly Governance Table's recent meeting noted broad and consistent progress, with implementation of initiatives currently on-track.⁴⁰</p>
<p>100 Families Project (WA)</p> <p>Drawing on the experience of the Auckland City Mission's Family 100 project, the project will gain a much more detailed understanding of entrenched disadvantage in Western Australia.</p> <p>It will do this through three waves of surveys over three years and detailed fortnightly interviews for a year for some families. In 2021, the findings will be translated into policy and practice recommendations through a co-design workshop.⁴¹</p> <p>The project involves collaboration between the University of Western Australia along with not-for-profit service partners Anglicare, Centacare, Jacaranda Community Centre, Mercycare, Ruah Community Services, Uniting Care West, Wanslea, and WACOSS.</p>	<p>The aim of the project is to:</p> <p><i>...understand both the lived experience of entrenched disadvantage in Western Australia and what policy and practice changes are required to significantly reduce and ultimately end entrenched disadvantage.</i>⁴²</p>	<p>A report outlining the results of the baseline survey has been published. It includes data on demographics, family and household composition, income, material deprivation, social and personal connections, health status, employment status, mental health outcomes, substance use, wellbeing and quality of life, and adverse life experiences.</p>
<p>Early Years Education Program (EYEP)</p> <p>EYEP is a centre-based early childhood care and education trial focused on children experiencing significant family stress and disadvantage.⁴³</p> <p>Children who participate in the trial receive five hours of high-quality care and education per day over 50 weeks a year for three years.</p>	<p>The aim of the project is to:</p> <p><i>...ensure that at-risk and vulnerable children realise their full potential and arrive at school developmentally equal to their peers and equipped to be successful learners.</i>⁴⁴</p>	<p>The Program is evaluated using a Randomised Control Trial. After 24 months in the program, large and statistically significant impacts of the program on children's outcomes have been found including IQ, factors related to resilience and social and emotional development.⁴⁵</p>



Navigation

Many of the programs outlined above provide easier ways for individuals and families to navigate the support they need. This aligns with the broad consensus outlined in Chapter One on the need for a central point of coordination, assistance and navigation to see the whole person or family, and work to prevent or alleviate entrenched disadvantage.

While initiatives designed around the concept of navigation have been piloted and trialled in various forms in Australia and overseas (see Boxes 2.4, 2.5 and 2.6), implementing them at scale and in a way

Box 2.4 Newpin Social Benefit Bond

In 2013, the NSW Government announced an Australian-first Social Benefit Bond which expanded and enhanced the existing Newpin program.⁴⁶ Short for New Parent Infant Network, Newpin works intensively with families facing issues that put them at risk of child protection issues. The aim of the program was to increase the amount of restoration of children.⁴⁷ Restoration refers to instances where children move from out of home care to their families, and the preservation of families who are at risk of losing their children to the state.

The program uses a centre-based approach (as opposed to home-based intervention) that provides intensive support to both mothers and fathers seeking restoration (minimum two days a week for 18 months). The program involved a combination of therapeutic, practical and peer support and used an empowering philosophy where parents are referred to as participants and members (rather than clients or customers).

A parent seeking restoration is referred to Newpin by a community services caseworker. At an initial visit, the Newpin coordinator and family worker see the family at home and establish whether the family would benefit from the intervention. The Coordinator or family worker then attend the centre, and subsequently engage in a case meeting.

After assessments and reviews are conducted, the participants are engaged in a therapeutic support group, personal development program and partners' parenting group (once the primary parent has engaged positively in the program). The personal development plan is seen as a key component and involves six to 10 week programs run on a rotational basis around enabling better relationships between parents and their children.

The outcomes from the latest round of evaluations of Cohort 2 (July 2013 to April 2018) are promising, with 65 per cent of children achieving a successful outcome. The study found that the program was successful for all groups irrespective of cultural background or gender. Cohort 1 (between July 2013 and Dec 2017) had a lower success rate of about 53 per cent of kids, but this was still higher than the defined control group (parents seeking restoration but not attending Newpin) which had a success rate of only 18 per cent.⁴⁸

that caters for local circumstances will be challenging. It will also be resource intensive, requiring a major investment from multiple levels of government and re-direction of existing funding.

In addition, it requires a unique workforce of committed, trusted and qualified individuals. Recent social service delivery innovations like the NDIS have underlined the challenges in building an appropriately skilled workforce to meet demand.

If Australia is serious about alleviating and preventing entrenched disadvantage, it needs to confront these challenges in much the same way that it has with other major social service delivery reforms.

Box 2.5 UK Troubled Families Program

In response to riots in the UK in 2012, the government announced its Troubled Families Program designed to tackle disadvantage among the UK's most vulnerable families. The model has local authorities nominate families within their jurisdictions. The program assigns a Troubled Families keyworker acting as a single point of contact for the family. The government undertakes to pay an attachment fee to local authorities and an incentive-based pay scheme where improvement across a set of criteria would incur a reward payment to the local authority.⁴⁹

When the UK trialled their Troubled Families initiative, phase one, which engaged with 120,000 families, cost the UK government £440 million between 2012-2015. Phase two, which is currently in train, is expected to cost £920 million and will assist an additional 400,000 families and is expected to run till 2020.⁵⁰

More recent evaluations of the program have shown that the number of 'looked after children' (children in out of home care) in the program had been reduced. However there didn't seem to be much improvement in measures of employment, health and school attendance.

In evaluating the savings to the program from the first phase using a survey of almost 17,000 families, the program was estimated to have cost £3350 per family per year.⁵¹ The estimated average cost to the taxpayer of the families prior to participating in the Troubled Families Program was £26,700 per family per year. The estimated fiscal benefit to the program one year after intervention was around £7050 per family per year.

The Troubled Families Program has been criticised for being politically motivated and having an inappropriate initial evaluation of the success of the program. The incentive-based funding scheme has been criticised by some as poorly designed as it may encourage local authorities to put forward families who they know will be most likely to exit disadvantage.

Local policymakers would need to understand if such a program would be appropriate in their jurisdiction before implementation. Whether an initiative has been tried successfully in another country merely serves as an "existence proof" – that there is another way, not necessarily that the program or a program in that mould should be implemented here.

Box 2.6 Target 120

The Western Australia Department of Communities is leading the implementation of a program of early intervention with young offenders in some communities to prevent future detention.⁵²

Under the program, dedicated service workers engage with young people and their families regarding issues such as domestic violence, substance abuse, education and mental health issues. The program is budgeted to cost \$20.5 million over four years, and will assist 300 young people. It utilises linked datasets to identify risk factors for juvenile crime and evaluate outcomes.⁵³

Evidence-based monitoring and implementation

Complementing new forms of navigating and integrating service delivery with better linked administrative datasets should enable more rigorous monitoring and evaluation of new approaches as they progress. This could be instrumental in avoiding the mistakes outlined in Chapter One, where new programs are either discontinued prematurely or where governments continue policies and programs that are demonstrably ineffective. However, it is unlikely to be sufficient without regular proper evaluation as outlined in CEDA's *Sustainable Budgets* report, which outlined the case for regular evaluation of major government spending programs.

Addressing disadvantage is not the sole responsibility of any one level of government or sector. At present there are relevant programs and initiatives delivered by federal, state and local governments, along with not-for-profits and business.

Many of the service delivery challenges outlined in the previous section are in the purview of state governments. However, if we are serious as a nation about addressing disadvantage, the efforts of state governments and other providers need national support including coordination, monitoring and investment. For example, the Office of the National Data Commissioner will be central to unlocking better data linkage across governments.

There is also a case for the Commonwealth Government contributing to up-front investments in early intervention and improved service delivery at the state-level, as it could create long-term economic and fiscal benefits if they prove successful.

COAG should logically have responsibility for this agenda, but as outlined in Chapter One, COAG has proven ineffective in overseeing initiatives like closing the gap in outcomes between Indigenous and non-Indigenous Australians. The answer may lie in a body that brings

Box 2.7 Social Inclusion Board

In May 2008, the Australian Government established the Social Inclusion Board to, among other things, measure disadvantage and social exclusion, and advise the government on programs and policies impacting the most disadvantaged Australians.⁵⁴

The Board brought increased focus and accountability to the issue of disadvantage, including through⁵⁵:

- measuring social inclusion according to several indicators, which at the time showed five per cent of working age Australians experiencing multiple and entrenched disadvantage
- producing research on policies that perpetuate disadvantage
- advising on governance models for new forms of service delivery.

The Board was abolished in 2013.

together government and other leaders who will be instrumental to driving change across their sectors and organisations, and measuring progress against a reform agenda. This would not be unprecedented, given the previous establishment of a Social Inclusion Board (Box 2.7).

Conclusion

Current policies to help disadvantaged people are not going to be enough to deal with the problem. Further, some of our programs act as band-aid solutions and often treat the symptom and not the underlying cause. The 'bootstrap model', where we expect disadvantaged people to actively seek services and understand the complex web of government programs and payments, is not working.

Our initial research and consultations suggest that overcoming this problem will not be possible without shifting our mindset away from crisis management towards proactive and early intervention.

It will be difficult to overcome this problem without an enhanced safety net, better use of integrated data, coordinated assistance and a champion at the national level driving the necessary change. CEDA will continue to assess these areas in further detail in coming years and continue to seek ideas and feedback from a broad range of stakeholders.

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APPENDIX

Statistics and concepts

This chapter describes some of the different ways of **defining** and **measuring** disadvantage to try and assess the **scale** of the problem in Australia.



Introduction

Disadvantage is a multi-faceted issue that defies simple definitions and statistical benchmarks. While the term disadvantage is often used interchangeably with 'poverty', it is much broader than simply having less economic resources than the average citizen. Disadvantage is also about being unable to afford the basics for an acceptable standard of living (material deprivation) and being shut off from economic and social activities in the community (social exclusion).¹

This report is most concerned with those people in the community who are stuck or at risk of being stuck in disadvantage for an extended period. In other words, CEDA's analysis is most concerned with the time, depth and risk dimensions of disadvantage. Various terms have been used to describe the situation of these individuals, including deep disadvantage, multi-dimensional disadvantage, persistent disadvantage, entrenched disadvantage and extreme disadvantage.

Defining this group with any kind of precision is challenging. For example, longitudinal surveys tend to under-sample households and persons on low incomes². In addition, defining the group too narrowly risks excluding people 'at risk' who should be the focus of policies, programs and initiatives that prevent their situation from worsening.

There are a range of estimates that give us insight into the size of this cohort in Australia. For example:

- The Productivity Commission identifies 700,000 people who have been in income poverty continuously for at least the last four years.³
- In 2016, HILDA data suggested that there were 700,000 people experiencing income poverty and material deprivation from access to two or more essential items.⁴
- In 2016, the latest data from the Social Exclusion Monitor by the Brotherhood of St Laurence and the Melbourne Institute of Applied Economic and Social Research (MIAESR) found that more than one million Australians deal with deep social exclusion.⁵

While different definitions produce somewhat higher or lower figures, all these figures show that the intractability of the problem has persisted over the last 28 years, despite periods of sustained economic growth in that time.

This chapter outlines the relevant dimensions of disadvantage and the key benchmarks, studies and considerations in assessing levels of disadvantage.

Income Poverty

One of the most widely used ways of identifying whether someone is experiencing disadvantage is by examining their incomes. In 1975, the Henderson poverty line was one of the first measures used to identify groups of people and households experiencing income disadvantage. It set the poverty benchmark at \$62.70 for the December quarter of 1973. This was the income that was required to sustain the needs of a family of two adults and two children. The income benchmarks for other family types are created using equivalence scales. In today's terms, this measure would imply a family of two kids and two adults earning below \$974 a week in 2018 is in poverty.⁶

Some believe that poverty lines are inadequate measures of poverty, as they are inherently subjective and require value judgements from those constructing them. Poverty lines are estimates and need to be updated regularly and reviewed frequently so that they are in line with both national figures and national and community standards of income adequacy.

Box 3.1 Absolute versus relative measures



Nicholas Rohde & Lars Osberg in CEDA's *How Unequal? Insights on inequality*⁷:

An absolute poverty rate employs a fixed threshold (such as \$2 per day) while a relative poverty line is indexed to the overall income level, such that greater incomes are needed in richer economies.

If each individual's income within a country were to double then the relative poverty line would also double, leaving the rate unchanged. It is this property that makes the relative poverty rate behave as an indicator of low-end inequality, rather than as a standard poverty metric.

It is typical to define the line as one half of the median income level, which constrains this index to a range between zero and one half.

Recent measures have used a set proportion of median income as a way of understanding the number of people in poverty. A person is usually described as having a low income if their income falls below 50 to 60 per cent of the median household income. Using this measure, the Productivity Commission found that just over nine per cent of people in 2015-16 were living below the poverty line (about 2.2 million people).⁸ While this proportion has jumped a little bit over time, on average 10 per cent of people were living below the poverty line between 1988-89 and 2015-16.



Exclusively using low incomes as a measure of disadvantage has some known limitations. Firstly, it is a point-in-time measure of a person's circumstance and is one of several potential sources of disadvantage. Secondly, income-based measures do not take into account the access to assets and wealth that a person or household might possess.

Box 3.2 How welfare payments interact with poverty

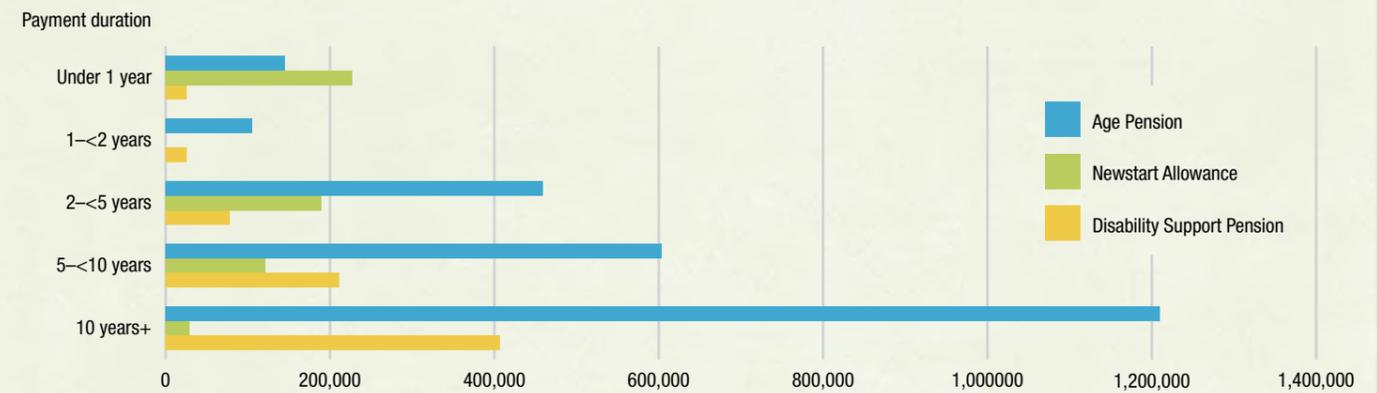
Some people receive welfare temporarily. Thirty per cent of those receiving Newstart as of March 2019 had been on the payment for less than a year. However, 70 per cent of people receiving Newstart payments have been on the payment for a year or more. This means that many job-seekers currently have to subsist on low payments for a long time before they are able to find employment. Often the low level of this payment impedes their ability to find employment⁹.

The Newstart allowance is one of the few payments that falls below the Henderson poverty line, implying that those who rely all or mostly on Newstart for their income are by definition, living in poverty. The poverty line in 2018 for a married couple was \$693.78 per week, and the maximum payment they could receive through Newstart was \$502.50 per week.¹⁰

Newstart recipients very rarely receive payments for longer than 10 years but recipients of age pension or the disability support pension often do. By far the largest group of recipients of welfare payments are age pensioners, with 2.5 million receiving the age pension. The maximum payment base rate on the age pension is \$850.40 a fortnight. For a single person with no dependent, the maximum allowable fortnightly payment on Newstart is \$559.¹¹

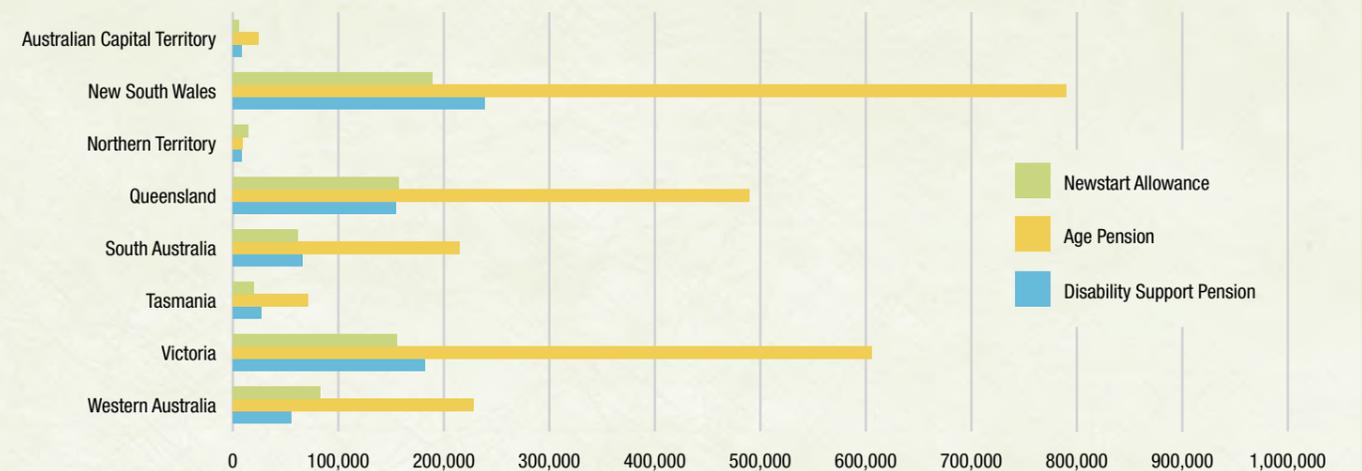
While indices like the Henderson Poverty index and the subsequently developed equivalence scales attempt to cover the range of different types of household, this is not always clear-cut. Disadvantage can be affected by a number of different factors including location, caring responsibilities, special needs and other circumstances.

Figure 3.1: Number of people on different types of payment by duration on payment



Source: Department of Social Services (2019) DSS Payment Demographic Data

Figure 3.2: State breakdown of different payment recipients



Department of Social Services (2019) DSS Payment Demographic Data



Material deprivation

Another factor determining whether a person is experiencing disadvantage is whether they can afford essential goods and services. Underpinning this approach is the idea that the inability to meet a basic standard of living is a key contributor to experiencing disadvantage.¹²

In 1979, Peter Townsend introduced the idea of material deprivation in the United Kingdom to increase understanding of social disadvantage and refine the way it is measured.¹³ In 2007, Saunders et al. researched and released adequacy standards that have created an avenue for conducting this research in Australia.¹⁴

To identify those experiencing material deprivation, a survey asking respondents about items that they consider to be essential for all Australians needs to be conducted. By uncovering what Australians think is necessary to live in Australia, this approach incorporates community notions of adequacy, a critique of the income-based measures of poverty.¹⁵

In 2016, the fourteenth wave of the longitudinal Household Income and Labour Dynamics in Australia (HILDA) survey asked respondents about whether they thought a list of 26 items were essential. This list of items was informed by previous research from the Social Policy Research Centre that identified a number of items regarded as necessary for all to have a decent standard of living.

An individual's overall level of deprivation is assessed using the number of items that an individual or household does not have for reasons of affordability. Using this measure to identify levels of deprivation among different household types in HILDA, researchers found that children aged under 18 have the highest mean deprivation score of 0.66 items. This was followed by single female households, where the mean deprivation score was 0.61.¹⁶ Across the entire surveyed population, the mean deprivation score was 0.47.

Material deprivation appears to affect a higher proportion of the Australian population than persistent poverty or social exclusion, with 11.6 per cent of respondents in the HILDA survey (roughly 2.2 million people) declaring they were deprived of more than two essential items for reasons of affordability.¹⁷

There is some overlap between measures of income poverty and material deprivation. Those who suffered deprivation from access to two or more essential items and were experiencing income poverty numbered about 700,000 or approximately 2.9 per cent of the population. This number drops to 440,000 when considering deprivation of three or more essential items.¹⁸

Social Exclusion

Social exclusion is a way of understanding disadvantage that looks beyond material deprivation and income. It was developed alongside a growing understanding that disadvantage is often a multi-dimensional phenomenon that cuts across many elements of an individual's life and cannot be understood solely with reference to income.

Social exclusion impedes an individual or household's full involvement in society. The concept of social exclusion was brought to the fore in the 1990s with the establishment of the Social Exclusion Unit in the UK by the Blair Government in 1997. The concept has gained traction since, with several researchers producing analysis on how social exclusion affects different subgroups of the population.¹⁹

In Australia, the Social Inclusion Board was established in 2008 to advise the government on disadvantage in the community. Under a series of reports titled *How Australia is faring* the unit provided a statistical overview of social inclusion.²⁰

The report found that about five per cent of the working age population in Australia (about 640,000 people) experience "multiple and entrenched disadvantage", defined as disadvantage experienced on three of six dimensions for at least two years.²¹

Despite this warning a decade ago, the Board no longer exists and a comprehensive integrated strategy for tackling disadvantage is absent across governments.

Brotherhood of Saint Laurence Social Exclusion Monitor

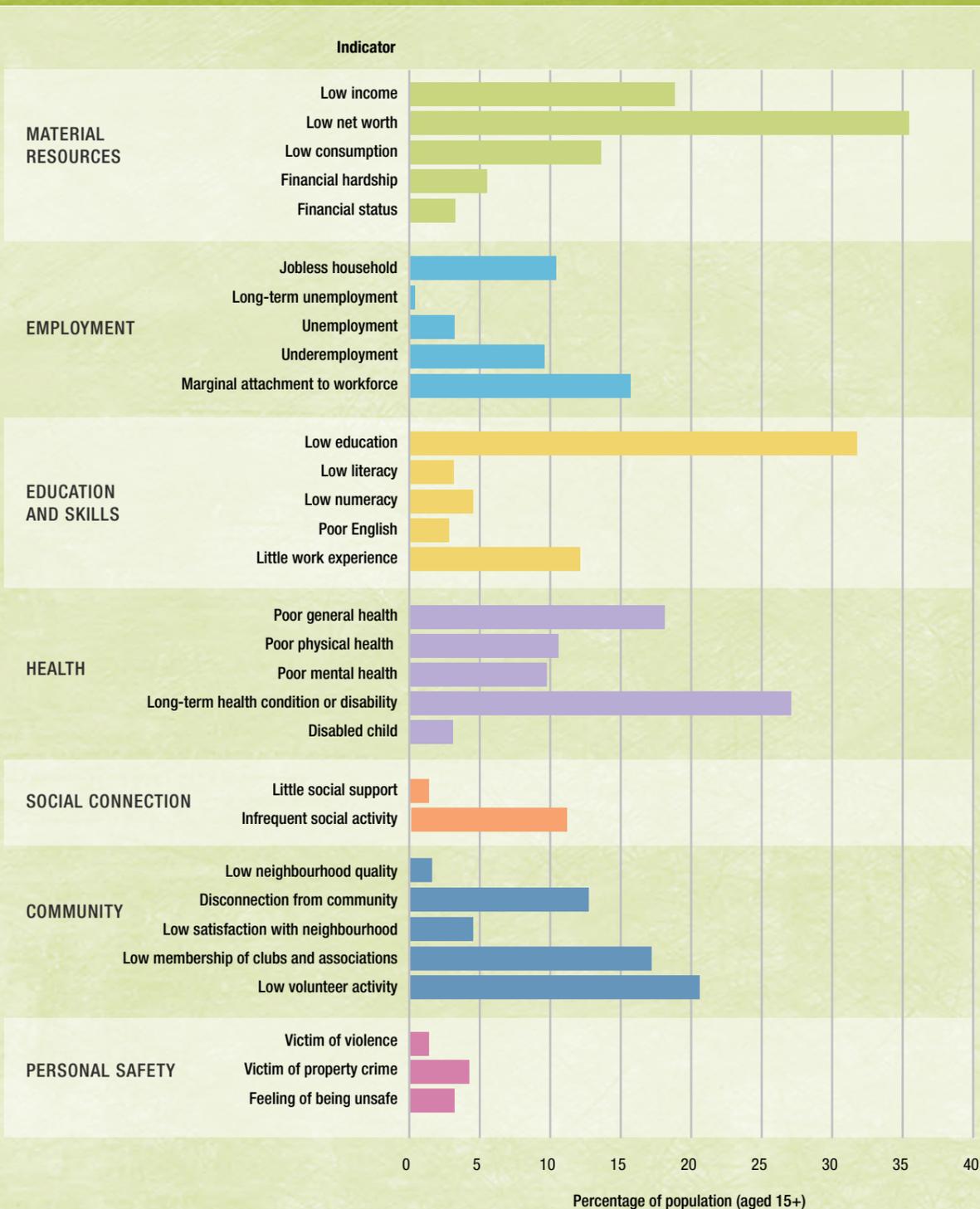
The Brotherhood of Saint Laurence, in collaboration with the Melbourne Institute of Applied Economic and Social Research (MIAESR), publishes a yearly review of social exclusion using the HILDA survey. The latest set of results present a sobering picture of the experience of disadvantaged Australians. The social exclusion monitor has found that there are approximately 825,000 Australians experiencing deep social exclusion.²²

The social exclusion monitor transforms individual indicators into composite measures that feed into specific domains of disadvantage. These domains include material resources, employment, education and skills, health and disability, social connection, community, and personal safety.

Individuals or households are said to be experiencing *marginal* social exclusion if they have scores between 1 and 2, *deep* social exclusion if they have scores greater than 2 and *very deep* social exclusion if they have scores above 3.

Analysis of the factors affecting social exclusion over the years indicates that those facing social exclusion experience high incidence of poverty, low net worth, low education and long-term health conditions or disability.

Figure 1.3: Percentage of people aged 15 years and over experiencing each social exclusion indicator, 2003 to 2012 (average)



Source: F.Azpitarte and D.Bowman, BSL Social Exclusion Monitor Bulletin 2015.

The persistence of disadvantage

The Productivity Commission (PC) finds that approximately three per cent of the population - about 700,000 people in Australia - were in income poverty consistently for at least the last four years.²³

The PC's analysis found that of those who were in poverty in 2001, about 30 per cent were in income poverty in 2016. Using survival analysis, they show that, given that a household was in poverty, the likelihood of them remaining poor in the long term was almost 50-50. There was no strong upward or downward trend in poverty recurrence over the 15-year period of the study.

It is likely that disadvantage does not persist among some groups of people. For example, students often do not earn much income, have low levels of qualification, low scores on mental health metrics and insecure living conditions. However, for most students, this situation doesn't persist for very long, as they eventually graduate and find jobs and enter more stable living arrangements.

Berry et al., using cluster analysis, identify the determinants that are most closely associated with leaving multidimensional disadvantage.²⁴ The study finds that lone parent families on low incomes and persons who were engaged in study were most likely to leave disadvantage in ten years' time. Being on study-related payments was correlated with a quicker exit from disadvantage than other types of payments. Not being on some form of income support when experiencing marginalisation increased the likelihood of remaining marginalised 10 years later.

Azpitarte and Bodsworth conducted similar research, estimating the persistence of income disadvantage among welfare recipients using HILDA data.²⁵ They found that while a significant number of poverty spells end within two years, 15 and 12 per cent of spells are still in train after 11 years for those experiencing low incomes and multidimensional poverty. They also find that being older, having low levels of education, being long-term unemployed and living in low-SES areas are important predictors of entering poverty and returning to poverty after an exit.



Intergenerational transmission of disadvantage

Disadvantage is often passed through families. Though disadvantage sometimes befalls households suddenly, there are instances where disadvantage is transmitted through generations – from the parent to the children and so on. This phenomenon of intergenerational disadvantage exists in other developed countries like the U.S., Canada and Nordic countries.^{26 27 28}

In the US, Chetty et al. found that a 10 percentile increase in a parent's income is associated with a three percentile increase in the child's income.²⁹ They also found that the likelihood of a child whose parents were in the bottom of the income distribution reaching the top decile of the income distribution varies by state, with the range of probabilities ranging between as low as 4.4 and as high as 12.9 in some states.

Combining this evidence with Chetty et al.'s *Moving to Opportunity* has led some researchers to conclude that early intervention is a key element of alleviating disadvantage. These researchers often advocate for limiting intergenerational disadvantage through measures like state-provided early childhood education. When compared to other OECD countries, Australia is middle of the pack on the proportion of children living in poverty, with 13 per cent of children reported to be living in poverty in 2015.³⁰

Using linked administrative social security data for Australia, Cobb-Clark et al. found that young people whose parents were on social welfare programs were 1.8 times more likely to require social assistance.³¹ These young people were often likely to require \$12,000 of social assistance over an 8-year period. Single parenthood and parental disability were the most significant risk factors in determining whether children would inherit disadvantage. Children whose only risk factor was that their parents had poor labour market outcomes seemed to have an easier time escaping disadvantage, implying that circumstances strongly determine children's later life outcomes.

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National

Level 3
271 Spring St
Melbourne VIC 3000
GPO Box 2117
Melbourne VIC 3001
Telephone 03 9662 3544
Email info@ceda.com.au

New South Wales and the ACT

Level 14
The John Hunter Building
9 Hunter Street
Sydney NSW 2000
GPO Box 2100
Sydney NSW 2001
Telephone 02 9299 7022
Email info@ceda.com.au

Queensland

Level 4
232 Adelaide Street
Brisbane QLD 4000
GPO Box 2900
Brisbane QLD 4001
Telephone 07 3229 9955
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Level 5
2 Ebenezer Place
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Email info@ceda.com.au

Victoria and Tasmania

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271 Spring St
Melbourne VIC 3000
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Melbourne VIC 3001
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Level 5
105 St Georges Terrace
Perth WA 6000
PO Box 5631
St Georges Tce
Perth WA 6831
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