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Match Making: Finding People Missing Out on Government Assistance

Abstract
The populist narrative of welfare cheating in Australia is perpetuated, in part, through the reporting of overpayments identified via government initiatives such as data-matching. The Data-matching Program compares the income reported to Centrelink with data held by the Australian Taxation Office. This paper reports that at least half as many people may be missing out on government assistance as are receiving an over payment. The amount being missed is appreciably more than the government saves through recouping over payments. It is argued that data-matching should be used to find those people missing out on assistance, the number of which the government should also be quantifying.

Keywords
Data-matching, Centrelink, missing out, welfare, government assistance

Cover Page Footnote
This paper uses unit record data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey. The HILDA Project was initiated and is funded by the Australian Government Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) and is managed by the Melbourne Institute of Applied Economic and Social Research (Melbourne Institute). The findings and views reported in this paper, however, are those of the author and should not be attributed to either FaHCSIA or the Melbourne Institute.

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Introduction

This paper will argue that Australia's social security system is failing to ensure that everyone who would otherwise qualify for government assistance is actually receiving that support. Or more accurately, the government is failing to ensure that the *Social Security Act 1991* is fully implemented. This failure is in part due to the passive approach taken to providing many forms of assistance, with the government transferring the burden of delivery on to individuals who need to determine what they may be eligible for and then lodge a claim for assistance. The wording in the *Act* stipulates that a person is not qualified for a payment "unless the person has made a claim for the payment" [Social Security Act 1991 (Commonwealth of Australia, 2011)]. For many reasons people may find lodging a claim difficult or impossible, for example, people who: have difficulties communicating in English; have inadequate literacy skills; have a lack of awareness about available help; are deterred by stigma associated with seeking help; or face prohibitive transaction costs (DWP, 2006).

The failure is also due in part to the Government's lack of promotion to help raise awareness of assistance that is available. The government is selective in what forms of support they promote and the lengths to which they will go. For example, the new Education Tax Refund gets a run at the beginning of the school year but existing Centrelink payments are not widely promoted.

Thirdly, the failure is compounded by the absence of any real effort by the government to quantify the non-take-up (the number of people missing out) of assistance. Estimates are reported annually in the United Kingdom (UK) in the *Income Related Benefits: Estimates of Take-Up* report. The Department for Work and Pensions (UK) has also trialled a program to find those people who appear to be eligible for assistance but, as they have not made a claim, are missing out. The UK provides an example for Australia to follow, an example that would improve the delivery of government assistance to those people deemed, by the Australian Parliament, to be eligible for support through the *Social Security Act*.

The issue of non-take-up is not specific to Australia, but is an important issue for many welfare states. For example, the German Federal Employment Agency, which found that the rate of persistent non-take-up of social assistance was 41 per cent in Germany, has noted that:

> … all studies on means-tested social benefits have noted that take-up of benefits by those eligible is considerably lower than 100%. Non-take-up can be seen as a failure of the welfare state to provide the needy population with the minimum necessary resources (Bruckmeier and Wiemers, 2011, p. 4).

Although a degree of failure may be inherent in existing welfare systems, leaving the situation largely unaddressed, as it appears to be in Australia, is not the response taken in

all welfare states. This paper looks at what is done in the UK to increase take-up before examining the Australian context and the possible lessons that the UK may provide.

Alongside literature from the UK, research for this paper includes documents obtained under Freedom of Information, analysis of data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey and an online poll of public perceptions and expectations about the delivery of government assistance in Australia. This online poll surveyed 1,034 Australians, representative by age, gender and location.

Improving the delivery of assistance in the UK

In the UK, official estimates are released each year that document how many people are missing out on government assistance. This data is collected by the Office for National Statistics (the UK's equivalent of the Australian Bureau of Statistics) and is published in the *Income Related Benefits: Estimates of Take-Up* report by the Department for Work and Pensions (DWP). The report covers six income-related benefits and calculates the amount going unclaimed. The six income-related benefits are: Income Support; Employment and Support Allowance; Pension Credit; Housing Benefit; Council Tax Benefit; and the Jobseeker's Allowance (Income-Based).

The latest range of estimated non-take-up is somewhere between 6 and 53 per cent of people (varying between payment types) who appear to be eligible for income benefits but are missing out on assistance. The value of missed assistance was reported to be up to £12.7 billion (A$19.9 billion) per annum (DWP, 2010b).

Historically, estimates are released in June of the following year. The publication of estimates for 2009-10 has been delayed, however, as a new method of estimating is being trialled that will be less resource intensive in the long term and more transparent (DWP 2011). A revision of previous estimates from the two most recent reports shows an adjustment of three per cent, up and down (DWP, 2010a).

The task of estimating the numbers of people missing out on government assistance is not an easy one. In a DWP working paper looking at the take-up of an allowance for carers, the difficulty of estimating non-take-up for the payment was attributed to the "immense complexity of benefit rules" (Berthoud, 2010, p. 35). Berthoud suggested that an analysis of data from the Family Resources Survey, used to compile the annual *Income Related Benefits: Estimates of Take-Up* report would provide the most accurate estimate as it "relied as much as possible on administrative records, and on self-reported survey data as little as possible" (Berthoud, 2010, p. 30). The report noted that attempts to increase take-up based on survey data was limited, firstly, by people's agreement to participate in the survey and, secondly, the need to further agree to the linking of their survey responses with administrative data. In any case, the size of such a task points to the role for government, which has the available resources to complete a thorough analysis of non-take-up.

Beyond estimating the size of the problem – the number of people missing out on assistance they should be receiving – a trial to address the problem by contacting those people identified as potentially missing out and prompting them to make a claim has also been undertaken in the UK.

The (former Labour) government committed to developing a means of automating delivery of government assistance to those who are eligible but are not in receipt. The result was a pilot program, reported in *Helping Pensioners: Evaluation of the income support pilots* which used data-matching to positively identify non-recipients who appeared to be eligible for assistance (Croden et al., 1999). The pilot was developed to test whether departmental records could be used to identify pensioners missing out on income support. Different approaches to encourage people to claim assistance were trialled.

The pilot resulted in five per cent of the people contacted making a successful claim. There was no response from a third of the pilot sample and 15 per cent refused to participate. Approximately half of the cases selected for the pilot were assessed as not being entitled to payment. The success rate of the pilot was not dependent on the method used to contact people.

The UK provides an example for improving the delivery of government assistance in Australia. This paper now reviews the Australian context, including indicative estimates of the level of non-take-up before considering what might be done to identify those people missing out, in order to increase the take-up of government assistance.

Australia's reluctance to improve assistance delivery

The Australian Government does not publish estimates of non-take-up of available assistance. Published data is limited to reported take-up and forward estimates of take-up for the year ahead in the annual reports of relevant government departments. The most recent, but now outdated, estimate was published in a 2004 research paper from the former Department of Family and Community Services, which reported that "approximately 1.3 million individuals appear to be eligible for payments but do not report receiving them" (Johnson and Scutella, 2004, p. 43).

Although the Australian Government does not appear to either identify of quantify non-take-up there is a concerted focus on finding 'welfare cheats'. Without dismissing the relative importance of addressing social security fraud, the publicised preoccupation, not to mention resource allocation, perpetuates populist rhetoric that this practice is rife (O'Connor and Plibersek, 2011; Fear, 2007). Such claims and perceptions tarnish all welfare recipients to some extent, affecting the stigma that many people associate with accepting government assistance (Blumkin et al., 2008). One tool employed by the government to find the apparently massive pool of cheats is data-matching.

Data-matching

The Data-matching Program matches data reported to Centrelink with data collected by the Australian Tax Office (ATO). The program is run by the Data-matching Agency, a 'virtual agency' within Centrelink established under the *Data-matching Program (Assistance and Tax) Act 1990*. Although the program includes a "mechanism that can be used to identify customers who may be receiving less than their correct entitlements", the primary focus of data-matching is to identify over-payments (Centrelink, 2010, p. 4).

It is important to stop and note that over-payment does not represent a deliberate attempt to defraud Centrelink.

The data-matching process is outlined in the *Data-matching Program: Report on progress 2007-10*. The process begins with the selection of sample cases for assessment from Centrelink (and the Department of Veteran Affairs). Relevant information, including Tax File Numbers is then passed to the ATO, which matches taxable income and personal identity data to each case, which are then returned to the Data-matching Agency. Where a discrepancy is identified, further examination is undertaken and if verified a letter is sent to the individual concerned.

Analysis, presented below, suggests that at least half as many people may be missing out on assistance payments as have been identified as over-paid through data-matching. Based on this analysis, it will be argued that a third of data-matching resources should be allocated to finding people missing out on assistance.

Over-payment and fraud

Claiming assistance through Centrelink requires filling in lengthy forms and providing an array of personal information. The claims process is not one that everyone will find easy and the extensive requirements increase the chance of making a mistake or omission. A mistake or omission may result in over-payment – or under-payment and potentially the refusal of a claim despite actually being eligible. The emphasis on identifying over-payments and the disregard for people who are missing out altogether is the result of a policy driven by populism and budget imperatives rather than evidence. Although both aspects are justified only over-payment and fraud is being pursued, at the expense of those people missing out.

Lodging a claim has been described as a skill-based activity. Those lacking experience or the requisite skill for lodging a claim may give up on filling in claim forms altogether (Kasparova et al., 2007). Anyone who finds reading, writing, counting, comprehension, record keeping or English challenging or difficult is at a disadvantage and may make inadvertent errors when completing a form. Research conducted by The Australia Institute reinforces the impediment of the claim process, finding that nearly one

in two (47 per cent) of Australians surveyed reported that the claims process had discouraged them from applying for government assistance in the past (Baker, 2012).

The potential for error continues after the initial claim process with many forms of assistance requiring regular reporting and/or updating of information. The requirement to continually provide information increases the risk of incurring an over-payment through a reporting error. This requirement is identified by recipients of assistance as one of the greatest stresses of dealing with Centrelink, especially when their income is irregular (Murphy et al., 2011). On the other hand, deliberate defrauding of government assistance requires the acumen to get around all the checks and balances that are in place to prevent fraud.

The focus of the Data-matching Program is identifying over-payments, however, the difference between over-payment and fraud is not often explained in the reporting of 'welfare cheating'. This accentuates the stigmatisation of receiving government assistance. In fact, many more over-payments are identified each year than cases of fraud. Data reported by the Department of Human Services show that only one incidence of welfare fraud was identified and successfully prosecuted for every twenty cases of under-payment identified through data-matching. The result of all payment reviews between 2007-08 and 2009-10 are listed in Table 1 alongside statistics from the Data-matching Program acquired under Freedom of Information.

Table 1: Results of reviews 2007-08 to 2009-10

	All review processes		**Data-matching**	
Year	**Cancellation or reduction in payment (%)**	**Convictions (%)**	**Over-payments (%)**	**Under-payments (%)**
2007-08	16	0.06	11	1.4
2008-09	17	0.09	8	1.3
2009-10	17	0.06[1]	9	1.4
Average	17	0.07	9	1.4

Source: Department of Human Services, Annual Reports 2007-08 thru 2009-10.
1. This figure is the proportion of reviews referred for prosecution, not reported convictions.

The data presented in Table 1 show that over-payment is a more significant problem for welfare delivery than under-payment, but that both are considerably more prevalent than fraud or 'welfare cheating'. This analysis needs to be reassessed, however, when estimates of the number of people missing out altogether are considered.

Missing out

A lack of government attention to the issues of non-take-up, matched by an absence of resource allocation directed toward finding those people who are missing out, means the problem persists. This paper analyses the Centrelink-administered Parenting Payment to put the issue into context through comparison with reported over- and under-payment rates. The analysis was undertaken using data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey.

Parenting Payment is paid through Centrelink to "help with the costs of caring for children. It is paid to the person who is the main carer of a child" (Centrelink, 2011b). Data for this assistance payment for the financial year 2008-09 are reported in Table 2.

Table 2: Parenting Payment statistics (2008-09)

Number of people…		Sample size (n=)	Parenting Payment (Single)	Parenting Payment (Partnered)	Total	Percentage
Estimated to be missing out (HILDA)		1,970	20	68	88	4.5
Found to have been (FoI)	Under-paid	12,995	69	33	102	0.8
	Over-paid		301	275	576	4.4
Receiving Parenting Payment (FaHCSIA)		–	344,096	129,365	473,461	–

Source: Household, Income and Labour Dynamics Survey, Department of Human Services (FoI response) and Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA).

Analysis of HILDA survey data found that from an overall sample of 1,970 households a subset of 1,014 cases (or 52 per cent) appeared to meet the income eligibility criteria for the Parenting Payment published by Centrelink. This sample size was further reduced

once the asset test was applied. Firstly, the number of eligible cases was further reduced when those not meeting the eligibility criteria were removed; and secondly, a reduction in the sample resulted when cases in the 2009 survey that had not been surveyed in 2006, when asset questions were asked, where also dropped. The result indicates that 4.5 per cent of Australian families that appeared eligible for the Parenting Payment reported that they were not receiving this form of assistance.

After population weighting is applied to this sub-sample of respondents a total of 113,176 Australian families appear to have missed out on Parenting Payment in 2008-09. This is 23.9 per cent of the actual recipients reported by Department of Families, Housing, Community Services and Indigenous Affairs (FaCHSIA) (see Table 2). This estimated level of non-take-up is within the range reported in an earlier paper in which non-take-up was found to be between 16 and 48 per cent (Mood, 2006). The mean value of the estimated payment being missed after applying the income and asset tests was $206.63 a week. Multiplying this dollar value by the population factor shows that an estimated $23.4 million was being missed weekly. Had these people qualified for assistance for the whole year then the missed payments for the Parenting Payment alone would have exceeded the total money recouped from all government initiatives to address over-payment and fraud in 2010-11.

The savings from data-matching in 2010-11 was $148 million. This represents 13 per cent of the debt recovery for the past financial year. Total savings from debt and fraud recovery for 2010-11 was $1,094 million from raised debts valued at $1,692 million (Centrelink, 2011a). These recouped funds are equivalent to just over one per cent of total assistance administered by Centrelink annually.

The hardship people may be enduring because they are missing out on government assistance that is available through the *Social Security Act* is a pressing reason for doing something to find those people missing out. That the *Act* has approved this assistance, but delivery mechanisms have failed, is an important reason for doing something further to improve delivery. How the application of data-matching could be expanded to do this pressing and important work is now considered.

Improving assistance delivery

There are operational programs that Australia could readily adopt to increase take-up and the capabilities for running these programs already exist. The UK has demonstrated how data-matching can be used to increase claim rates for assistance, providing a working example for Australia to emulate. Furthermore, the Australian Bureau of Statistics would be more than capable of replicating the reported estimates of non-take-up currently published by its UK equivalent. Alternatively, organisations such as the National Centre for Social and Economic Modelling (NATSEM) has the capacity to run a micro-simulation of the whole tax and transfer system as was completed by the German Federal Employment Agency for its 2011 report on take-up of social benefits. Both organisations

posses the capabilities to provide the government with an accurate estimate of non-take-up and verify the indicative estimates reported here.

The government is currently forgoing the opportunity to use data-matching to find people who are missing out on assistance. In addition to the Data-matching Program run out of Centrelink, the ATO has an "evolving generic capability" for its own data-matching (ANAO, 2008) that could be deployed toward the task of finding those people missing out. Best-practice guidelines for data-matching published by the Attorney-General's Department include the observation that:

> It makes sense, particularly in a whole-of-government context, that agencies share relevant data matching expertise (ANAO, 2008, p. 22).

A process in which income data are used to identify cases that fall below the threshold for an assistance payment would seem a relatively straightforward procedure within the existing data-matching capabilities of both Centrelink and the ATO.

For example, the income cut-off for receiving full payment of the Parenting Payment (Single) is $174.60 per fortnight. A random sample of cases with an income below this threshold could be identified by the ATO and compared with data held by other agencies to assess possible qualification against payment criteria. If it appears that an individual may be entitled to the payment they could then be notified of this possibility. Such a program has been trialled in the UK, although it was restricted to existing recipients (pensioners not receiving a supplementary payment) whereas the suggestion in this paper is that data-matching could also be used to find people who are not already known to Centrelink.

If the five per cent take-up rate that was achieved in the UK trial was replicated in Australia then at least 65,000 people of the estimated 1.3 million people missing out (in 2004) would be paid the benefits to which they are entitled. Or using the Parenting Payment example reported in this paper, an additional 5,659 families would have benefited from receiving this single form of government assistance in 2008-09.

There is widespread support amongst Australians for the government to take the initiative to maximise claims for assistance. A majority of Australians (75 per cent) surveyed by The Australia Institute thought government agencies such as Centrelink should be actively identifying people who may be missing out on assistance. This proactive approach is something the government already facilitates in the finding of lost or unclaimed superannuation.

The *SuperSeeker* service is provided free by the ATO and can be accessed by phone, the internet or in writing. This service helps people check whether they have any superannuation funds they are not aware of and also helps people lodge a request to transfer these funds to another superannuation account. If the government considers helping people find missing superannuation money to be good policy, why not also help

people find out if they are missing out on government assistance? At a minimum the government could conduct a trial as the UK government has done previously. Such a trial could be run on a *SuperSeeker* model or preferably utilise available data-matching applications to identify people who may be missing out – better still, trial both.

The Data-matching Agency is required to report on the cost-benefit analysis of the Data-matching Program to the Federal Parliament. For the years 2007-10 there was a net 'profit' of $455 million after accounting for an operating cost of $65 million (Centrelink, 2010). This money is allocated in the budget for other government priorities. That priority should be the identification of people missing out on government assistance to which they are entitled. The *Social Security Act* stipulates the level of assistance the government has to fund; therefore, it would be prudent for the government to quantify the number of people missing out.

Conclusion

This paper has identified that the number of people estimated to be missing out on government assistance is considerably greater than the number of people committing welfare fraud. It was also found that, in relation to one form of assistance (Parenting Payment), a similar proportion of parents did not report receiving this payment despite appearing to be eligible as were identified as receiving an over-payment. The challenge of non-take-up is not unique to Australia and other countries provide examples for addressing the issue.

The first step is quantifying the problem by estimating how many people are missing out on government assistance provided for in the *Social Security Act*, of which only an indicative analysis has been reported here. A new, more efficient process for estimating rates of non-take-up has recently been implemented in the UK. Presumably the Australian Government could readily negotiate access to this updated method of estimating non-take-up for implementation in Australia.

The second step is to find those people missing out and help them lodge a claim for assistance. The government is already helping people find lost or unclaimed superannuation; a similar policy for helping people claim government assistance is needed and data-matching has the potential to identify some of these people.

Positive reform to data-matching legislation would go some way to improving delivery of assistance and fulfilling the government's obligations under the *Social Security Act*. It would also go some way to countering the stigmatisation affected by the existing preoccupation with fraud and over-payments.

Disclaimer

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