

Public Interest Advocacy Centre

Close to the Edge
– a Qualitative &
Quantitative Study:
Summary of Key Findings




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Date: 22/11/2018
Client: Public Interest Advocacy Centre
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AMSRS  Our researchers are members of the Australian Market and Social Research Society.

Research methodology

This paper summarises findings from a qualitative and quantitative research study conducted by UMR for the Public Interest Advocacy Centre (PIAC) on disconnections. PIAC has previously conducted three surveys on disconnections (known as Cut Off I, II and III) and the latest research represents a significant extension of the previous methodology.

The full report can be accessed at <https://www.piac.asn.au/wp-content/uploads/2018/11/PIAC-CTTE-Consolidated-Report-FINAL.pdf>

Quantitative research

The quantitative survey was conducted online in March & April 2018, and covers n=1113 people once probably invalid responses have been removed. This includes:

- N=240 through retailers and community groups, and n=873 through the online research panel.
- N=250 who had actually experienced disconnection / restriction, n=228 who had been notified but not disconnected / restricted and n=635 who had been worried about disconnection / restriction but not notified (including n=160 who have received a notification simply because they forgot to pay, and n=475 who have received no such notification).

For all apart from the demographic questions, the 'Worried' sample is only those who have been worried but not received a notification (i.e. n=475).

All respondents were living in New South Wales.

Qualitative research

The qualitative research consisted of fifteen case study interviews conducted in late May and early June 2018:

- 5 were conducted face-to-face (mostly around Sydney)
- 10 were conducted by telephone (covering regional areas and Sydney).

The case studies gave participants more opportunity to describe their experiences, and gave the interviewers the ability to ask follow-up questions to unlock participants' ideas and motivations. As such, they supplement the quantitative survey, by illustrating and elucidating what the numbers mean.

All participants in the qualitative interviews were recruited after participating in the community group part of the online survey, meaning that those interviews could only include those who have been identified by community groups, retailers and others as potentially eligible for the survey. Participants' responses in the quantitative survey were used to ensure that the qualitative interviews covered a broad cross-section of that sample, including a mix of those who have been disconnected, notified or worried.

The case study interviews covered four broad areas:

- A profile of the participant, including information on their personal circumstances
- An exploration of how they came to be disconnected / notified / worried
- Discussion of what they did in response to this
- An exploration of what would help them avoid the same situation arising again.

Summary of key findings

For the Public Interest Advocacy Centre (PIAC), UMR Strategic Research undertook research into NSW residential disconnections from electricity, gas and water for non-payment. The purpose of the research was to explore:

- The longer-term reasons that lead to disconnection and payment difficulties more broadly.
- Compare the experiences of those who are disconnected with those who came close to it, but avoided it, exploring the positive and negative actions people take to avoid disconnection.
- Which supports are most effective at helping people avoid disconnection and debt long term.
- What the experiences are of people who are disconnected or come close to it.
- What are the most effective strategies to reduce disconnection, debt and making bills more affordable long term.

This research provides clear evidence that the drivers of disconnection, and payment difficulty more broadly, are diverse.

The quantitative research shows that people who have been disconnected in the last 12 months are relatively likely to come from demographic groups frequently associated with economic disadvantage, supporting the theory that finances and affordability are a major factor in disconnection. It also indicates that unless the longer-term factors that lead to financial problems are addressed, then these households will continue to be vulnerable to being disconnected.

Although prices are a key contributing factor, the research indicates that they are frequently the ‘final straw’, as opposed to the sole cause, and that efforts to reduce disconnections in the future are only likely to be truly effective if they also allow for, and ideally address, the longer-term factors that make households vulnerable when a larger than expected bill comes in.

Key pieces of supporting evidence include:

- Those who were disconnected were often facing multiple pressures.
- The data supports the hypothesis that there is a progression from being worried, to being notified, to being disconnected¹. In other words, there is evidence that many people who get disconnected have been notified on several previous occasions, and in turn that those who get notified have been worried about disconnection on several occasions before that. If the size of the bill was the only factor, then there would be less relationship between being disconnected now and having been worried in the past.
- Although electricity and gas prices have risen², the number of disconnections participants have had and the services they were disconnected from are similar to those recorded in the 2012 predecessor to this research, Cut Off III.
- Those who were disconnected were actually less likely than those who were notified or worried to say that a larger than expected bill contributed to their problem.

¹ In some cases this may be a loop rather than a progression, in that those who are disconnected may well be more likely to be worried about it happening again in the future, especially if the longer term factors have not changed. This research cannot directly prove that this is the case, but factors such as case study participants’ ongoing concern about being disconnected again are supporting evidence.

²See for example the Australian Energy Market Commission’s 2017 Residential Electricity Price Trend data, <https://www.aemc.gov.au/markets-reviews-advice/2017-residential-electricity-price-trends>

It certainly would be wrong to suggest that high and unexpected bills were irrelevant, but this research indicates that disconnection is far more likely if the high or unexpected bill arrives at a time when the household is not prepared to deal with it, especially as the bill is likely to have come after a sustained period of vulnerability.

The longer-term factors mentioned in this research are diverse, although they all have a financial implication. Examples include:

- Medical problems and experiences of disability.
- Having experienced periods of homelessness (or having someone in the household who has been in that situation).
- Relationship breakdowns and sole parenthood.
- Complex household situations, including having both family groups and unrelated people living in the same household.
- Being a victim of crime, including domestic violence.
- Being unable to fix problems leading to higher energy bills.

There is also evidence that these longer-term factors reinforce each other – in other words, that the combined impact of multiple longer-term factors is greater than the sum of the parts.

Implications of the importance of longer-term factors include:

- The ongoing financial impact that these factors have on people's lives.
- The pressure and complexity can mean that bills and reminders slip through the cracks. In some cases they may not be available to receive reminders at the right time, while several in the qualitative case studies described feeling unable to face opening envelopes that they expected to include notifications of disconnection.
- Because longer-term factors tend to be ongoing, those who have been disconnected once are at a greater risk of it happening again.

Participants in this research clearly saw being disconnected as humiliating, and as something they would do whatever they could to avoid. The costs of disconnection often exacerbate an already difficult situation. As well as the costs, the primary reason to avoid disconnection is the humiliation of having it happen, and those who were disconnected reported that it was something they would have avoided if they had been able to afford it. Reconnection fees etc. simply make their struggle to balance their bills even more difficult and exacerbate longer-term vulnerability.

For many participants, the potential for disconnection is ongoing and the disconnection itself is not effective in changing consumer behaviour or with dealing with longer-term issues of debt accumulation.

Similarly, participants in the case studies saw pay-on-time discounts as manifestly unfair because they rewarded those who already had the money to pay – meaning that those who were currently struggling were forced to pay more.

- These participants reported that they would pay on time if they could afford to, so missing the deadline just made their problems even worse.

For many, the issue is being disconnected at all, rather than the process of getting reconnected.

- A majority of those who were disconnected said that getting reconnected was reasonably easy (although costly).

- Much of the financial impact of being disconnected seems to be almost immediate (i.e. those who were reconnected in one day or less report having to spend similar amounts of money on replacing spoiled food etc. to those who took two days or more).

This in turn indicates that, if we want to minimise the cost and impact of disconnection, then the key priority should be ensuring that disconnections themselves are kept to a minimum.

From this research, the most obvious barriers to getting the right assistance on the consumer's side, appears to be a lack of knowledge and feeling embarrassed. The research indicates that retailers aren't always effective in proactively identifying people in need nor in providing them with appropriate assistance. In practical terms, this should mean offering customers who have accumulated debt, paid late several times and/or been behind in payments, information about where to get support. It should not take getting a notice of disconnection to come to the attention of retailers, and indeed the rules stipulate it must only be a last resort.

- As well as saying that they did not know where to go for help, respondents expressed interest in having someone to advocate on their behalf and / or explain their situation to the retailer.
- The qualitative case studies indicate that advocates or supporters could also help those at risk of disconnection to get support from government and community groups.

There is some evidence in this research of support not always reaching those who need it.

- Some support seems to be offered to those who seek it out, but not to everyone and others may be prevented from seeking it by embarrassment or lack of knowledge.
- In some cases, the support that was offered would have been more effective had it been offered earlier (but it was not offered because the person's situation had not yet been identified by the retailer).
- In some cases it could be that the support offered or provided was not the best or most appropriate support and did not help avoid the problem. For example, the primary responses to those who have been disconnected, notified or worried about disconnection was being offered a payment plan or an extension on their bill. This is despite these types of assistance being less helpful for people in long term financial difficulty.

If the aim is to reduce the impact of disconnections, this research supports the following changes:

- Identifying people at in payment difficulty as early as possible, and offering support proactively (eg getting them into a hardship program).
- Reducing the occurrence and the costs of disconnection, on the grounds that they often make a bad situation worse.
- Linking people with support services beyond billing issues to help with longer-term factors.
- Ensuring that people know where to go for help and independent advice, including advocates who will help with both retailers and government agencies.