

# The Economic Value of Community Legal Centres



PREPARED BY

Institute for Sustainable Futures

FOR

**Combined Community Legal  
Centres Group NSW**

AND

**National Association of  
Community Legal Centres**



## Acknowledgments

The authors would like to thank the staff of community legal centres (CLCs) who provided information for the project, including the NSW CLCs' Working Group.

Most importantly, we would like to acknowledge the staff, pro bono solicitors, and volunteers of CLCs who provide this essential and important service with little recognition of the incredible value they provide to our society.

Thanks also to Tom Berry and Cynthia Mitchell, Research Directors at ISF for their comments.

# The Economic Value of **Community Legal Centres**



FOR

**Combined Community Legal  
Centres Group NSW**

AND

**National Association of  
Community Legal Centres**

AUTHORS:

***Nicholas Edgerton  
and Emma Partridge***

## Executive Summary

The Combined Community Legal Centres Group NSW and the National Association of Community Legal Centres commissioned the Institute for Sustainable Futures to conduct a short research project into the economic value of the services provided by the Community Legal Centres (CLCs). Such an assessment is a large and complex task – this short project represents a first pass analysis. This Report provides an initial indication that CLCs provide enormous value for money, with benefits to individuals and to society far outweighing the public funds CLCs expend.

CLCs provide a range of legal services to individuals and their communities. These services include legal representation in courts, tribunals and other dispute resolution venues, as well as preventative services provided in the form of advice, information and referral services, community legal education, law reform and policy reform work.

Work by CLCs provides clear private benefits to individuals. The clients of CLCs are most likely to be people who live in disadvantaged circumstances and have legal problems that are typically part of a number of interlinked problems. CLCs play a crucial role in untangling these legal problems and assisting individuals to move on without being penalised by their inability to access other forms of legal assistance. What is less well recognised are the broader public benefits provided to society as a result of the work of CLCs. Such recognition is critical to identifying the total economic value generated by CLCs' services.

Much of the work of CLCs is preventative in that it reduces the need or extent to which individuals are (or could be) involved with the legal system. CLC work therefore produces "invisible" benefits including how an individual accesses the publicly funded legal system and welfare services, and how that individual is able to contribute to society in the future. These indirect effects generate 'avoided' costs, in other words costs for which government would have been liable but for the intervention of CLCs. In addition to these avoided costs, other benefits include the intrinsic benefit to society of providing a certain level of social service, welfare,

assistance, protection or information to vulnerable citizens. The costing of such benefits is difficult for many reasons but this Report illustrates the need for such costs and benefits to be considered.

Nationally, in 2004/2005 CLCs received \$32.2m in Commonwealth and state government funding from the Community Legal Services Program. Centres in receipt of those funds provided over 340,000 services to almost 180,000 clients. This represents a national average cost per client of approximately \$180 – although as not all CLC funding is spent on direct one-to-one client work, the average cost per client would in reality be lower. In NSW, CLCs received \$9.3m in Commonwealth and NSW government funding in 2004/05 and provided services to almost 40,000 clients, representing an average cost per client of approximately \$230.

This Report analyses case studies typical of CLCs and shows that the benefits and avoided costs accrued as a result of CLC intervention can range between \$10,000 and \$34,000 – although further research and analysis would lead to more precise estimates and probably even higher values. The analysis of the case studies shows that for each dollar invested in CLCs, around \$100 may be 'saved' by CLC clients, government and/or other affected parties.

The Report therefore shows that an upfront investment in CLCs by government is more cost effective than not investing in CLCs. Importantly, it also shows that through collaboration with government, legal aid, the private legal profession and community partners, CLCs deliver beneficial outcomes for their clients and communities, contribute to an improved justice system and deliver significant benefits to society as a whole.

# Table of Contents

<b>1</b>	<b>Introduction</b>	<b>1</b>
1.1	Project overview	1
1.2	Project Objectives	1
1.3	The value of Community Legal Centres	1
<b>2</b>	<b>An Economic Framework for Valuing CLCs</b>	<b>3</b>
2.1	What is 'economic value'?	3
2.2	Market and non-market costs and benefits	3
2.3	Use and non-use values	3
2.4	Quantification of values	4
<b>3</b>	<b>Main Case Study</b>	<b>5</b>
3.1	An example of CLC consumer protection work	5
3.2	An absence of duty of care: case study	5
3.3	Costs to the individual and society	6
<b>4</b>	<b>General Case Studies</b>	<b>9</b>
4.1	CASE 1: Providing legal services to victims of domestic violence	9
4.2	CASE 2: Helping people with intellectual disabilities function within the law	10
4.3	CASE 3: Using community education as a preventative measure	11
<b>5</b>	<b>Conclusions</b>	<b>12</b>
<b>6</b>	<b>Possible Future Research</b>	<b>13</b>
<b>7</b>	<b>Reference List</b>	<b>14</b>

## Abbreviations

<b>CCLC</b>	Consumer Credit Legal Centre
<b>CLCs</b>	Community Legal Centres
<b>CLSIS</b>	Community Legal Services Information Scheme
<b>ILC</b>	Illawarra Legal Centre
<b>NACLC</b>	National Association of Community Legal Centres

The Combined Community Legal Centres NSW and the National Association of Community Legal Centres have commissioned the Institute for Sustainable Futures to conduct a short research project into the economic value of the services provided by the Community Legal Centres (CLCs). This research will show the benefits produced from an investment in CLCs, based upon the results of real cases. These individual stories show that services provided by CLCs are valuable not only to the individual involved but also to the wider society.

Economic research of this type includes quantifiable costs and benefits, often accruing to the individual and qualitative costs and benefits, often accruing to society. The distinction between what is quantified and what is not is a function of the availability of data, the availability of robust techniques to determine dollar values, and the tangible or intangible nature of the cost or benefit.

Services such as those provided by CLCs are often evaluated based upon the implications for the individual only. This results in a gross undervaluation however, as it does not take into account the many and far-reaching costs and benefits to society. These costs and benefits relate to the preventative nature of CLCs services including how the individual accesses the publicly funded legal system and welfare services, and how that individual is able to contribute to society in the future. These are the indirect effects, which can be difficult to value because, in preventing the additional use of social resources, they generate invisible or 'avoided' costs. In addition to these avoided costs, other benefits that are difficult to value are the important intrinsic value of such services for society – those values associated with the intrinsic benefit of providing a certain level of social service, welfare, assistance, protection or information to citizens, particularly vulnerable citizens.

### 1.1 Project overview

This report will:

- introduce the project in section 1;
- explain the economic framework employed in section 2;
- illustrate the economic value of CLCs in through a detailed case study of one individual case in section 3;
- provide indicative examples of economic value with three smaller case studies in section 4;
- provide conclusions in section 5; and

- suggest opportunities for future research that builds on this project in section 5.

### 1.2 Project Objectives

This report illustrates the economic value generated by CLCs through individual examples of the value of CLCs' work. The case studies in this research include estimates of total economic value based upon the economic framework outlined in section 2.

In the case studies, quantitative values are included for benefits and costs where available, and elsewhere, qualitative descriptions of benefits and costs are included. Consistent in each study are two important themes:

- Avoiding responsive costs through preventative measures is often a more cost effective approach
- The benefits of providing effective access to the legal system for those in need, and facing barriers to social inclusion, spread far wider than the relationship between the individual and the CLC.

By documenting the economic value of examples of work by CLCs, this research starts the process of identifying, valuing and documenting their economic contribution and illustrating the cost effectiveness of upfront investment in their services. In future, by applying this method of economic assessment across the range of CLCs' work, an indicative estimate of the total value to society of CLCs may be ascertained. The current project is a starting point – an indication of the large economic contribution to the public good that results from CLC work.

### 1.3 The value of Community Legal Centres

Community legal centres (CLCs) provide a range of legal services to individuals and their communities. These services include both legal representation in the courts and preventative services that are provided as advice and information services, community legal education and work contributing to law and policy reform.

Nationally, CLCs received \$32.1m in Commonwealth and state government funding in 2004/2005 from the Community Legal Services Program. Centres in receipt of those funds provided over 340,000 services to almost 180,000 distinct clients<sup>1</sup>. This represents a national average cost per client of approximately \$180. In NSW, CLCs received \$9.3m in Commonwealth and NSW government funding in 2004/05 and provided services to almost 40,000<sup>2</sup>

distinct clients. This is an average cost per client of approximately \$230.<sup>3</sup> However, in reality not all CLC funding is spent on direct client service in the form of legal advice – some is used to fund information, education and policy-related activities. Therefore the average cost of those services provided to individual clients is likely to be much lower than the figures of \$180 and \$230.

Work by CLCs provides private benefits to the individuals involved. The clients of CLCs are people who live in disadvantaged circumstances and are often further disadvantaged by poor literacy or poor English language skills. Their legal problem is typically one of a number of interlinked problems. They do not have the means to access private legal advice, and many are ineligible for Legal Aid.

The work of CLCs provides clear benefits to their clients and makes a significant difference in these peoples' lives. The private benefits to the individuals assisted by community legal centres are well recognised. What is less well recognised are the broader public benefits provided to society as a result of the work of CLCs. Understanding the economic value of

CLCs beyond the benefits for the individual is critical to identifying the total economic value generated by CLCs' services. Much of CLCs' work reduces the need or the extent to which clients engage with the costly legal system. The preventative work of CLCs means that upfront investment in CLCs is often more cost effective than processing people through the legal system. The cost effectiveness is due to the large avoided cost derived from investing a smaller sum in CLCs thus avoiding the much higher legal system costs. Through collaboration with government, legal aid, the private legal profession and community partners, CLCs deliver beneficial outcomes for their clients, contribute to an improved justice system and deliver benefits to society as a whole.

The wide range of individual and social benefits accruing from the work of CLCs should be recognised as economic values. Identifying and documenting these values is essential when considering the overall economic contribution of CLCs. It is also essential in determining the true value of government investment in community legal centres.

- 
1. Community Legal Services Information Scheme (CLISIS) report CC No.4, 1 July 2004 – 30 June 2005.
  2. Community Legal Services Information Scheme (CLISIS) report CC No.4, 1 July 2004 – 30 June 2005.
  3. Total funding has simply been divided by the total number of clients for the purposes of this calculation.

### 2.1 What is 'economic value'?

This report seeks to estimate the economic value of CLCs' work. It must be stressed that the concept of 'economic value' is a broad and inclusive one – it is not simply a 'dollar figure'. Rather, the total economic value of any given activity is made up of *all* the various benefits and costs associated with that activity – whether they can be assigned a monetary value (\$ figure) or not.

The method for determining 'total economic value' is described in detail below.

### 2.2 Market and non-market costs and benefits

The benefits and costs of any activity occur both within and outside a market. So for example, the benefits and costs of legal advice accrue both to the solicitor and client directly involved in the market exchange, and more broadly to government and the community.

In theory, if the market were to function perfectly, benefits and costs would be reflected by the market price. In the case of legal advice, the price paid by the client would directly reflect the benefit gained from that service and compensate the solicitor for their costs. In reality, the market price is a poor indicator of costs and benefits. This is often called 'market failure' – where the actual price charged for the good or service inadequately reflects total benefits and costs. This mismatch is often the result of factors outside the market.

So, in the case of legal advice, people other than the solicitor and client incur significant benefits and costs. These benefits and costs that are incurred *outside* the client-solicitor exchange are known as the *social benefits and costs*. The combination of private benefits and costs within the market and social benefits and costs outside the market, comprises the *total economic value* of an activity. The composition of total economic value is illustrated in **Figure 1** (see over).

### 2.3 Use and non-use values

The total economic value can be divided into 'use values' and 'non-use values'. *Use values* represent the benefit derived from actually using a good or service (such as legal advice). *Non-use values* are the benefits derived by others not directly using the good or service.

As shown in Figure 1, use value includes:

- Direct use value: value from outputs consumed directly (such as legal advice)
- Indirect use value: societal benefits incurred indirectly, (such as costs avoided in the legal system when an individual gains legal advice that diverts them from that system)

Non-use value includes:

- Option value: value from the *potential* direct and indirect use (such as the value in having CLCs law reform in the future to contribute to a more just society and efficient economy)
- Bequest value: the value to future generations
- Existence or intrinsic value: the value of 'knowing these services exist' (in this case, the value to citizens of knowing that they live in a society in which people can access the legal services that they need).

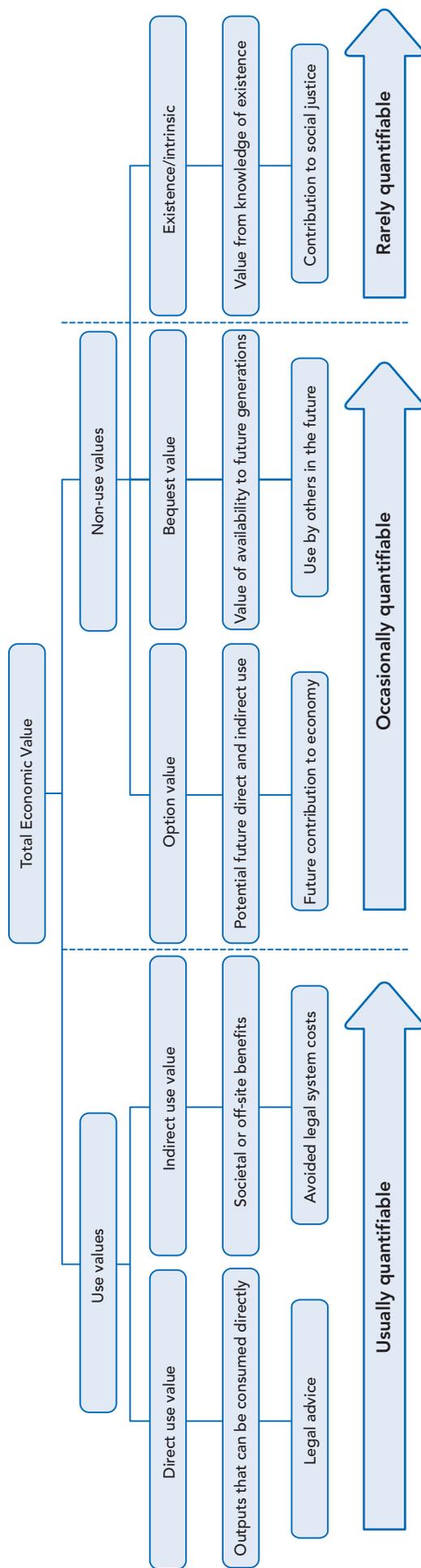


FIGURE 1: Total economic value framework

## 2.4 Quantification of values

The ability to quantify, ‘monetise’, or assign monetary values to different components of the total economic value ranges from easy (where market prices or salaries can be used) to impossible (where we enter the realm of ethical or spiritual values and beliefs about community and society, present and future). This spectrum, (sometimes called a ‘monetisation frontier’) is illustrated by the arrows in Figure 1.

Moving along the framework from left to right, values start off as quite tangible. In the case of legal advice, solicitor and government costs represent quantifiable values for direct use of the service. However, as values become less tangible and more difficult to identify as a specific good or service circulated within the market, they become more difficult to quantify. In the example of legal advice, these

might include the value to a family or a community of one of its members being able to get out of debt, or the value to society of women being able to get legal assistance with domestic violence, or the value to future generations of a culture in which people’s human rights to access justice are guaranteed.

Those values less easy to ‘monetise’ (i.e. to assign a monetary value) are expressed qualitatively. The total economic value is the sum of all the values in the framework – both quantitative and qualitative. Thus, *the total economic value is more than a \$ figure*. It includes aspects such as the contribution of an activity, good or service to (for example), social cohesion, social inclusion, levels of social and economic participation, civil society, human rights and social justice – both in the present and in the future.

*This section examines the component costs of total economic value in detail for one case study. While data was not available for all relevant quantitative values, and further research is needed to better understand the full range of qualitative values, the case study offers an initial (and if anything, conservative) estimate of the economic value of the CLC work described.*

### 3.1 An example of CLC consumer protection work

The Consumer Credit Legal Centre (NSW) (CCLC) noticed an increase in client referrals and requests for assistance resulting from interactions with mortgage brokers. Following some initial research, the Australian Securities and Investment Commission (ASIC) commissioned CCLC in 2002 to examine and report on the mortgage and finance broker industry<sup>4</sup>.

The report reviews the current state of the Australian broker industry and the way it is regulated at both the State and Territory and the Commonwealth level and identifies a range of barriers impeding attempts by consumers to obtain redress for unfair conduct by brokers. It also reviews the broker industry internationally, including examination of regulatory models in other jurisdictions and consideration of various options for national regulation of the Australian industry.

Through its unique position, the CCLC was able to use caseworker information and case studies to identify problematic aspects of the broker-client relationship that need addressing by regulators, industry bodies and individual participants.

The report found that limitations in relevant legislation were resulting in:

- Problems in relation to fees charged: e.g. excessive and non-disclosure of fees;
- Problems in the quality of service delivery: e.g. arranging finance at high interest rates; and
- Inappropriate service delivery and a lack of duty of care: e.g. maximising the amount borrowed in circumstances where this is not in the consumer's interest, or arranging finance for people who cannot afford it

The problems identified in the report arose from a failure by brokers to provide appropriate information to clients, unregulated profit taking, a lack of legal regulations, guidelines, or minimum standards, and an absence of producer responsibility. The report concluded that the absence of such pieces of market infrastructure increases consumer

risk, and creates legal problems, particularly for vulnerable consumers.

Market infrastructure is essential for achieving an economically efficient and equitable outcome. Individuals make choices to provide an 'optimal' outcome for themselves. Decisions of optimality rely largely on the quality of the market place information that is available to individuals. A number of cases in the Consumer Credit Legal Centre (NSW) report reflect an absence of information or poor quality information (which are both forms of market failure) that distorted people's decision making, resulting in individuals and society being worse off. In this case, the aim of CCLC's consumer protection project in economic terms is to address these market distortions so that consumers receive a service that more closely meets their needs are provided with improved information to help them make better or more 'optimal' decisions.

In the following case study, the total costs incurred by the individual and the resultant societal costs will be used to illustrate the benefits that community legal centres' work can create by assisting one individual. With additional information about the number of finance broker grievances, we can produce a minimum estimate for total economic value of CLCs law reform on this issue in any given year (see over).

To determine the total economic value of the CLCs in the case study the framework identified in Section 2 will be used. This framework divides total economic value into use and non-use values, largely reflecting the separation between tangible and intangible values.

### 3.2 An absence of duty of care: Case study

Mr S is an old-age pensioner, aged 65. His only income is \$225 a week from the pension. He has evident cognitive difficulties. His only asset is the family home, worth about \$110,000. He asked his local real estate agent for a valuation. During their conversation, Mr S mentioned that he needed about \$1000 for minor repairs to his car, which he could not afford.

The next day, a finance broker appeared at Mr S's door, and offered to arrange finance for him. The

4. CCLC (NSW) (2003), *A report to ASIC on the finance and mortgage broker industry*.

broker said that he could arrange a loan for as much as \$30,000. Mr S agreed. The broker arranged an interest only loan, for a period of two years. He charged Mr S a fee of over \$1000, deducted from the loan proceeds. The loan was documented as being for business purposes, thereby avoiding the operation of the Uniform Consumer Credit Code. Before the two-year period of the loan expired, Mr S had used the proceeds of the loan for living expenses, repairs to the car and the home, and bills. He is now unable to meet even the modest monthly repayments.

For the purposes of calculating costs in the section below, it is assumed that Mr S now needs to make a decision about covering his loan costs. He can default on the loan and face court, or sell his house and move. It is assumed he sells his house and moves into rental accommodation. He requires a real estate agent and solicitor to sell his house.

### 3.3 Costs to the individual and society

#### 3.3.1 Direct use value

Mr S borrowed an amount of money in excess of his needs due to the absence of duty of care by a finance broker and a lack of operating regulations and/or guidelines. His direct costs include the interest payments on a loan of \$30,000 along with the brokerage fee of \$1,000. Based upon an interest only loan for this amount over two years, at an approximate rate of 7%, the cost to Mr S would be \$4,200. Following the two-year period, the loan would have cost Mr S \$5,200 when his needs were for \$1,000 only. Had Mr S taken out a \$1,000 only loan and assuming there was no brokerage fee, his cost would have been \$140.

Mr S would also need to recover the cost of the \$30,000 he spent. This cost to Mr S is balanced by the benefit he received from his purchases. However, his purchasing decisions appear to have made him worse off. This possibly reflects his inability to make an optimal decision, but we cannot consider this cost in the analysis.

The total direct use cost to Mr S is:

Broker fee:	\$1,000 +
Interest repayments:	\$4,200 +
Alternative interest repayments:	\$140 –
<b>TOTAL:</b>	<b>\$5,060</b>

#### 3.3.2 Indirect use value

Mr S is now in a position where he cannot meet his repayments and needs to meet the \$35,200 (increasing over time). He is on the pension and does not have the resource base to raise further income. Mr S can default on the repayments and be taken to court

at a high cost to himself and the community, or sell his home to cover his loan costs. We can assume that Mr S would be recommended to sell his home, as an indirect result of an inappropriate regulatory environment.

If Mr S sells his home for \$111,000 (previous value plus the \$1,000 worth of repairs) he can cover the cost of his loan and will then either need to buy a new home or rent (if he is able to find a property that he can afford to rent). Mr S will now incur a real estate agents fee of approximately 2% – \$2,220 – a solicitor charge of approximately \$2,000, as well as the costs of moving to a new rental property (or purchasing elsewhere if he can afford to).

The minimum total indirect use cost to Mr S is:

House sale costs (agents fee + solicitor's fee):	\$4,220 +
Moving costs (estimate):	\$500
<b>TOTAL COST:</b>	<b>\$4,720 +</b>

#### 3.3.3 Total value

Adding the direct and indirect use costs to Mr S gives a total cost to Mr S of \$9,780.

Using these figures we can argue that if Consumer Credit Legal Centre (NSW)'s proposed law and policy reforms as recommended in their paper had come into effect and prevented this situation, then the total use value of this work to Mr S would be \$9,780. However, this is the value of the work to Mr S alone, and does not include the other non-use values that contribute to the total economic value. In the case of Mr S, these costs include a range of avoided social costs.

As an indication of these, consider the likely outcome of the situation for Mr S. Due to the loss of his asset base, he is likely to make greater use of publicly funded government services and community services in his retirement. These will incur a range of broader costs. For example, Mr S may require access to public housing at a cost to government/taxpayers. As a very rough estimate, the provision of each unit of public housing in NSW involves an annual cost of approximately \$3,500 to the government.<sup>5</sup> Thus, given Mr S is 65 years old, and he can be expected to live to 83 years<sup>6</sup>, the cost of providing him with public housing for the rest of his life can be estimated as approximately \$63,000. As another example, living with debt can lead to a sense of social exclusion and isolation from one's community. This has a negative impact on the mental health of individuals and the wellbeing of communities as a whole. Recent UK research estimated that stress related to debt contributes to medical costs equivalent to \$70 per person each year for

individuals such as Mr S<sup>7</sup>. In the case of Mr S, this cost would be on the public medical system.

As these examples demonstrate, the task of estimating the *total* economic value of this case study is large and complex, and has not been attempted here. Suffice to say, the value is significant, and far outweighs the value to the individual.

### 3.3.4 Calculating a national total use value

*If we assume that the use value to the client in this case study is typical*, we can at least in theory, use this estimate to obtain an indication of the value of CLC preventative work on this issue nationally.

However, certain qualifications must be made here. Firstly, this is a hypothetical exercise as it presumes the single case is typical, whereas in reality there is enormous variance between cases. Secondly, the resulting figure is imprecise – while an estimate of the value of a single case can be made with some confidence, the more that case is multiplied the less precise the figure becomes.

If we multiply the estimated total use value in the individual case above by the total number of CLC clients presenting with credit and debt problems in one year<sup>(8)</sup> we can estimate that the potential national annual value of CLC work on this issue would be in the order of \$30m. This is the use value only.

### 3.3.5 Option value

Assuming that Mr S has defaulted on the loan, he has now lost the option for finance in the future. Mr S has lost the ability to borrow money, which could have enabled him to make improvements to his lifestyle, assets, or well being, since he is no longer financially independent or reliable. Because he has lost his only asset, he will not have the option of liquidating that asset in the future. The older a person is, the more likely he/she is to require additional health, welfare and support services. With a property, Mr S had the option of liquidating this asset to create income in the future at a time of his choosing and so to pay for additional services. He has now lost that option.

### 3.3.6 Bequest value

A large contribution of the consumer protection project comes from its bequest value – the benefits of the service for current and future generations. This is where preventative measures such as law reform continue to benefit society through time. The CCLC receives numerous grievances from customers of finance and mortgage brokers. These grievances will continue into the future at continued cost to each individual involved and the community.

### 3.3.7 Intrinsic value

The knowledge that we live in a society with a fair and robust legal system is of intrinsic value to Australians. The work undertaken by community legal centres to identify the need for preventative legal work contributes to the improvement of Australian society by increasing legal protections for vulnerable citizens.

In the area of financial services, the legal and administrative reforms recommended will help produce an effective regulatory environment. This in turn will provide a safety net to guard against similar occurrences. It will also help to ensure that everyone has access to a fair and equitable financial and legal system, and to appropriate support, when they have problems with those systems. Such a safety net and the knowledge that it exists are of intrinsic value to Australians.

Possible outcomes for Mr S that are avoided by having law reforms in place:

- moving to rental accommodation increases his cost of living as he must now pay rent. As his only income is the pension, he is at increased risk of poverty. The accepted definition of ‘affordable housing’<sup>9</sup> is that where the rent or mortgage is no more than 30% of income. Given that Mr S income is the age pension of \$225 a week, he would need to find housing that costs less than \$67.50 per week<sup>10</sup>, which is likely to be challenging.

5. This figure is derived by dividing the NSW Department of Housing’s net cost of services for 2005 (\$518,294,000) by the total units of accommodation managed by public, community and Aboriginal housing in that period (148,579). Source: NSW Treasury, Budget Estimates 2005-06. This figure is conservative and represents only part of the costs of public housing as it relates mostly to management of existing housing stock rather than building or replacement costs.

6. Life expectancy at age 65 is 83.2 years for men in NSW. Source: NSW Department of Health (2004) *The health of the people of New South Wales - Report of the Chief Health Officer*, Sydney. Available at: [http://www.health.nsw.gov.au/public-health/chorep/bod/bod\\_lex65.htm](http://www.health.nsw.gov.au/public-health/chorep/bod/bod_lex65.htm). Accessed 14 February 2006.

7. Based on research by the UK Insolvency Helpline which assumes that 1 in 10 people suffer from stress and depression and that debt is the most significant cause <http://www.insolvencyhelpline.co.uk>

8. 2,943 cases in this category were closed in 2004/05. Community Legal Services Information Scheme (CLISIS) report CA441, 1 July 2004 – 30 June 2005.

- Mr S may have to move house and relocate to a new area to be able to afford rental property. Associated loss of social and care networks combined with low income may increase reliance on social services and/or charity;
- there is an increased likelihood that he will need public housing, or government-funded rent assistance, and
- upheaval and possibly shame associated with 'losing the family home' is likely to lead to poorer health outcomes (such as stress, depression, social isolation) and increased burden on the health system.

### 3.3.8 Total economic value

If the Consumer Credit Legal Centre (NSW) law reform recommendations had been in place before Mr S faced his finance broker it is a reasonable assumption that Mr S would not have been eligible to borrow the amount that he did. He would have been loaned \$1,000 at a respectable interest rate and would have been capable of making repayments on his loan. Mr S would have directly benefited from the reforms to the legal system.

So while the direct value of the CCLC work on this issue for Mr S is in the order of \$10,000, there are numerous other non-quantifiable costs and benefits that are components of the total economic value of the CLC work. These include (and this list is by no means exhaustive):

- the value of *avoided costs* such as costs to government of his hardship (including, for example housing and health costs) and
- costs to community services / charitable organisations from whom he may need to seek help should he be unable to support himself,
- costs to his own individual wellbeing and mental health, such as increased isolation, social exclusion, loss of social and care networks
- the value to others of opportunities for Mr S to be actively involved in and contribute to his community (for example, by participating in local groups, or undertaking volunteer work). These kinds of opportunities are likely to be compromised if Mr S becomes isolated and socially excluded because of hardship, meaning that the potential social value of his participation in society as an active citizen is lost.
- the intrinsic cost to society of his individual hardship, or conversely, the value to society of knowing that what happened to Mr S will not happen to others in the community.

While an indication of some of these costs has been given above (eg. the cost of stress-related health problems and the cost of public housing), a fuller investigation of the wider range of costs would require further substantial research. In addition, it is important to recognise that many of these costs are impossible to quantify, or 'monetise', and would need to be described qualitatively. While they cannot be assigned a 'dollar figure', such social costs and benefits are likely to be significant, and are certainly a significant component of the total economic value of such work.

9. See for example, Affordable Housing Network: <http://www.sheltersnsw.infoxchange.net.au/ahn/ahn.html>

10. This is an indication only. It does not take into account the fact that Mr S would also have \$101,000 of capital from the sale of his house (after costs). Investing this would boost his income – although it may constitute income in the Centrelink income test, and thus reduce his pension.

The three case studies in this section express the economic value of CLCs in brief terms. Each case study refers to the use values in quantitative terms and briefly includes quantitative and qualitative non-use values where available.

#### 4.1 CASE 1: Providing legal services to victims of domestic violence

CLCs often provide a range of services to clients suffering from domestic violence. One such client is 'Dana', a recent immigrant to Australia, with limited English. A CLC helped her through legal matters such as obtaining an Apprehended Violence Order and provided her with domestic violence and court support workers and an interpreter. After the proceedings, the CLC also assisted in organising Dana's divorce.

Dana had limited English skills and limited family support. Her parents were overseas and her siblings were too busy to help. She felt very isolated. She was receiving a Parenting Payment Single and could not afford a private solicitor. Furthermore, the Legal Aid Commission could not assist her because there was a conflict of interest as her husband had received advice from them earlier.

Dana's story is a case where CLCs filled a gap in services for someone in need. It is a fair assumption that without CLCs, Dana would have been unable to pursue her case. She had no recourse to private representation, little chance of self-representation, and was unable to access legal aid. She would have had to live with the threat of domestic violence.

##### 4.1.1 Economic analysis

In economic terms, the direct benefits to Dana from the CLC include the legal advice and representation, along with counselling from support workers and an interpreter – a package of services not offered by private solicitors. The direct value of these services to Dana (funded by the community) was approximately \$350<sup>11</sup>.

The indirect use benefits to Dana lie in her ability to escape the physical and emotional abuse by taking legal action. This could include costs such as:

- the costs of pain and suffering<sup>12</sup>;
- private and public health costs associated with treatment;
- lost production related costs such as absenteeism in the short term and loss of labour capacity in the long term;
- second generation costs such as childcare and child protection services; and
- administrative costs such as temporary accommodation.

Using a recent economic analysis of the costs of domestic violence<sup>13</sup> that takes account of costs such as those above, it can be estimated that the indirect use value associated with the CLCs services to Dana amounts to around \$10,000<sup>14</sup> of value to her alone, significantly more than the direct value estimated above. While the value to the individual is significant, the value to the Australian economy as a whole is even greater, at around \$20,000<sup>15</sup>.

*If we assume that the value of this case study is typical, we can use this estimate to gauge the potential value of CLC work related to domestic violence nationally. If we multiply the estimated value to the Australian economy of a single case (\$20,000) by the total number of clients presenting with family/domestic violence problems in one year<sup>16</sup> we can conclude that the potential national annual value of CLC work on domestic violence would be in the order of \$40m.*

In addition, there are large unquantifiable social benefits to others in society resulting from CLCs services to Dana. The community is likely to highly value the availability of such services for current citizens and future generations. In addition, there is great intrinsic value associated with the knowledge that victims of domestic violence, including those who, like Dana are particularly vulnerable (she is an immigrant unfamiliar with the legal or social service systems, with limited English and a dependency on the perpetrator), can find assistance from CLCs. These benefits are difficult to quantitatively value, however they are very significant.

11. Based upon an estimate of 5 hours of solicitor's time, 30 mins of support worker and social worker's time, and 1.5 hours with an interpreter.

12. As an example of how this might be measured, Access Economics uses 'quality adjusted life years lost'. Access Economics (2004) *The Cost of Domestic Violence to the Australian Economy*.

13. Access Economics (2004).

## 4.2 CASE 2: Helping people with intellectual disabilities function within the law

Community legal centres regularly assist those with intellectual disability to function within the law. In one case, 22 year old 'Lee' saw ringing 1900 chat lines on his home phone as an opportunity to make friends. Without understanding the billing system, Lee generated a \$35,000 bill, and he did not understand what to do when the telecommunications company sent him a court summons and commenced legal proceedings.

The CLC's solicitor spent time listening to Lee, established what the issues were, and developed a defence based upon Lee's circumstances. The solicitor argued that Lee was incapable of understanding the nature of a contract and that the company had a duty to mitigate its losses and should have terminated the service at an earlier date. The CLC negotiated an out of court settlement, which reduced the debt to \$2,000 with weekly repayments, providing Lee with a realistic opportunity to clear the debt.

### 4.2.1 Economic Analysis

The CLC that handled this case spent approximately 15 hours on Lee's case, due to his significant difficulty in understanding his legal situation. This service amounts to a cost in fees estimated by this CLC to be approximately \$800. This amount – which Lee could not have afforded to pay – is a direct benefit to him. Added to the \$33,000 debt Lee is no longer obliged to pay, the direct use value to him alone is \$33,800.

The telecommunications company lost \$33,000 of the debt, although the settlement ensured that they would receive some repayments. It is unlikely that Lee would have repaid the full amount. By settling out of court, the company avoided court-related legal costs of their own, which could also be estimated at \$800.

By negotiating a settlement, the CLC also generated an indirect benefit to the community equal to the avoided cost of court time (not estimated here). The total use value to Lee and the community was therefore greater than \$1,600<sup>17</sup>. Further, as this case was not eligible for Legal Aid<sup>18</sup> and Lee could not afford a solicitor, had he gone to court he would have had to be self-represented. Due to his cognitive difficulties, this would potentially have contributed to a reduction in the quality of legal service and further delays in the legal system<sup>19</sup>. The cost of any such delays is another cost avoided by settling out of court. Further, it is quite possible that without assistance from the CLC, Lee would have defaulted on the loan, incurring further costs to himself and society by his need to access additional government services and legal representation and time.

Like Lee, nearly a quarter of 18-24 year olds have experienced debt that has caused them some grief<sup>20</sup>. Phones and credit cards are the biggest risk areas<sup>21</sup>. The average estimated debt for this group was \$5,560 according to the parents/guardians and \$5,830 according to the young people. In addition to the debts incurred by the young people, there are costs incurred by the community through indirect court costs where the young person is unable to make repayments and the matter ends up in court. For each person the CLCs help in this way, their work is worth at least the value by which their debt is reduced plus their legal fees. These are just the 'quantifiable' values – such assistance also has considerable qualitative value to the client – by reducing the likelihood of that person becoming trapped in a debt cycle, such assistance helps them avoid the hardship, stress and reduced quality of life and wellbeing that this situation commonly causes.

The broader non-use benefits to the community from reducing the incidence of phone debt include:

- the loss of future productivity of individuals caught in a debt cycle, including short term absenteeism, and any long term reduction in productivity potential;

---

14. This represents the total annual cost of domestic violence borne by victims, divided by the number of victims, to give the annual cost borne by each victim. Number rounded from \$9,919. Calculated using figures from Access Economics (2004) p.VI-VII. This figure should be regarded with caution however, as it assumes that in enabling Dana to escape the violence, the CLC assistance also allows her to avoid all the costs associated with it. In reality, this is highly unlikely – Dana has probably already incurred some of those costs before accessing the CLC service, and is likely to require various other kinds of assistance (such as health services, counselling etc) to help alleviate some of the ongoing costs.

15. This value is the total annual cost of domestic violence to the Australian community as a whole (\$8.078bn), divided by the number of victims in 2002/03 (408,100) to give the total cost to the community per victim. Figure rounded from \$19,794. Calculated using figures from Access Economics (2004) p. vi-vii.

16. There were 2,010 cases in this category that were closed in 2004/05 according to the Community Legal Services Information Scheme (CLSIS) report CA441, 1 July 2004 – 30 June 2005. This is a minimum figure – it represents only those cases where domestic violence was recorded as the primary problem on the CLC database. The actual number of cases relating to domestic violence is higher than this as many other categories of problem (such as housing or debt) have domestic violence as a contributing factor.

- the value in helping people avoid the debt cycle in the future; and
- the intrinsic value of social justice in a community where the most disadvantaged are able to operate within the legal and financial system.

Lee's case generated publicity that enabled more people – particularly young people and people with intellectual disabilities – to understand their rights and obligations. Additionally, telecommunications companies are now required to show a duty of care, monitor escalating bills and intervene to prevent such a situation occurring, thus lowering the incidence of bad debt that such companies must deal with. Thus, the value of the CLC work on this matter extends beyond the individual case into the broader community, and beyond the present situation into the future.

### 4.3 CASE 3: Using community education as a preventative measure

In economic terms, individuals can only make optimal decisions based upon a satisfactory level of information. Newly arrived migrants often face social exclusion, may lack financial resources and have limited knowledge and information about the Australian legal system, all of which hinders their ability to make choices that are best for themselves as individuals and for society.

The Illawarra Legal Centre (ILC) has been proactive in organising new, innovative, and interesting ways to educate people about their legal rights and obligations. In 2005, the centre adopted the model of Legal Theatre, which had been developed originally by South West Sydney Legal Centre as an effective alternative to regular educational workshops for groups from culturally, and linguistically diverse backgrounds. In the Illawarra region, Illawarra Legal Centre identified the newly arrived African community as an emerging community not using the centre for legal assistance. The Centre used Legal Theatre to address issues relating to credit and debt, Centrelink and tenancy. Following the theatre performances, members of the African community have accessed the Centre to obtain specific advice as word has spread through the community.

The proactive approach of the ILC fills a service gap that is not provided through any other agency or group, to assist a social group that faces significant legal challenges and isolation from society. Importantly, it helps prevent potential legal disputes, avoids costs relating to debt management, Centrelink breaches and tenancy, and smoothes the transition into the community for the new migrants.

#### 4.3.1 Economic Analysis

The ILC had 20 community members attend the legal theatre performance. As well as this, six people subsequently attended the centre for advice following the theatre. The theatre performance cost the CLCs about \$2,350 based upon fees for the actors, morning tea, the venue (donated by a local group) and staff time.

This service provides a direct use value to the attendees in the form of legal advice and education. In particular, for those six people who received follow up advice and assistance (even legal representation) there were further direct benefits. Indirectly, both participants at the theatre and follow-up clients may have avoided legal system costs, as well as avoided government program costs for those involved in legal issues such as tenancy disputes or Centrelink breaches.

Often the intangible benefits provide the greatest value and spread widest in society. For the vulnerable individual and the newly-emerging immigrant community, a sense that the wider community cares for them and can be a useful source of information, support and assistance is a direct benefit larger than the price of the service (the market based value of the information and advice). Further, the knowledge gained by those who attended the theatre has been and will continue to be circulated within the African community, increasing that community's internal strength and capacity for self-reliance. In turn this will help build social cohesion within the broader Illawarra and Sydney communities, for it increases the ability of new immigrants to participate fully in the social, cultural, political and economic life of their communities. Finally, this service provides great intrinsic value for Australians generally, in the knowledge that 'their community' is one in which new arrivals have access to the benefits and supports of the legal system.

17. Comprised of estimates for Lee's legal fees (\$800), plus the legal costs the phone company avoided by not going to court (\$800). The figure is greater than \$1600 as the cost of court time has not been estimated.

18. Debt matters are outside the Legal Aid Commission guidelines.

19. Law Council of Australia (2004).

20. Dangar Research (2003) Youth Debt: a research report prepared for the Office of Fair Trading p 8.

21. Dangar Research (2003) p 19 - 22

Identifying the total value of a service such as that provided by the Community Legal Centres is an important (although difficult) exercise. This report has shown the market price for such services does not adequately reflect the total economic and social benefits and costs. On the contrary, the total value of such services cannot be recognised without understanding and valuing (often qualitatively) the large benefits that accrue to both individuals and society that are outside the market. Economists often refer to these as ‘externalities’, but inability to quantify or monetise such benefits should not mean that they are overlooked or underrated.

The use of case studies illustrates the range of economic values that CLCs contribute to individuals and to society. The value to society is often intrinsic and long lasting, making it difficult to quantify. Further, the social benefits of CLCs’ work are often a result of its preventative nature – the work prevents or avoids many costs that would otherwise arise. This is most obvious in the case of policy, advocacy and law reform work. For example, the CCLC report on the mortgage and finance broker industry identified problems with the industry as a whole, which, if addressed by way of law reform and other measures could serve a widespread consumer protection function for many vulnerable consumers.

However, the legal advice or legal education provided to individual clients, often also has a wider social benefit. This is illustrated by the smaller case studies above – the publicity generated by Lee’s case served a awareness-raising purpose, and the knowledge gained by those attending the ILC theatre was circulated widely among the relevant immigrant communities, ensuring that larger numbers of people benefited from it.

It is also important to emphasise that the value of this preventative work is far greater than the reactive costs that would be incurred in the absence of such services. It is indeed a truism that the fence at the top of the cliff not only saves lives, but it is also much cheaper than the ambulance at the bottom.

**The case studies examined in this report show that the quantitative value of CLC services for the clients involved was of the order of one hundred times greater than the amount that CLC services are funded per client.** If we only consider the quantitative values, it is clear that CLCs are providing significant value for money. If we take into account the far greater qualitative benefits, particularly those that accrue to the broader society and into the future, then the total economic value of CLCs is shown to be very high indeed.

This brief piece of research examined the economic value of CLCs in specific cases. These case studies are only a small sample of the broad work program of the CLCs. As such, they merely provide a starting point for understanding the breadth and depth of CLCs' work and its total social and economic value.

As each case is different and many costs must be estimated, the 'dollar figures' contained in this report should be viewed as indicative only. The economic estimates were made within the limits of the data available and the time and resources available for this small project.

Further research is likely to show that the total economic value of the CLCs is far greater than the funding received.

There is clearly a need for further research in this area in order to:

- establish estimates of a wider range of quantitative values (including the cost of court time)
- further investigate and better describe the qualitative values
- investigate methodologies for quantifying more of the values that are currently described qualitatively.

This work would involve:

- Documenting all CLC work programs and collecting more detailed data on a range of cases
- Developing a methodology to allow quantitative estimates of the direct benefits and costs to individuals and avoided costs across the CLC program nationwide, and
- A thorough review of non-use valuation studies in the legal and social services sectors.

It could also investigate the potential to conduct innovative stakeholder research, for example:

- Interviewing clients about the qualitative benefits they have gained from CLC services
- Participatory processes to allow citizen involvement in the valuation of qualitative costs and benefits (i.e. through deliberative processes)

Potential funding sources for such research could include:

- The Australian Research Council
- Philanthropic grants
- Australian Government funding
- Contributions from private law firms.

- Access Economics Pty (2004) *The Cost of Domestic Violence to the Australian Economy*, Australian Government, Canberra.
- Australian Bureau of Statistics (1997) *Australian Social Trends Income & Expenditure – Income Distribution: Charity at home and overseas aid*.
- Community Legal Services Information Scheme (CLSIS) report CA441, 1 July 2004 – 30 June 2005.
- Community Legal Services Information Scheme (CLSIS) report CC4, 1 July 2004 – 30 June 2005.
- Consumer Credit Legal Centre (NSW) (2003) *A report to ASIC on the finance and mortgage broker industry*.
- Dangar Research (2003) *Youth Debt*, research report prepared for the Office of Fair Trading.
- Law Council of Australia (2004) *Erosion of Legal Representation in the Australian Justice System*
- NSW Department of Health (2004) *The health of the people of New South Wales*, Report of the Chief Health Officer, Sydney.
- NSW Government Treasury, Budget Estimates 2005-06.
- Productivity Commission (2005) Report on Government Services, Steering Committee for the Review of Government Service Provision Reports.