

**Using Compulsory Income Management
to induce behavioural change:
a case study in poor social policy**

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Presentation outline

- Rise of CIM as the mechanism to change an expanding array of precarious behaviours
- Theories of behavioural change
- The 'evidence' base?
- Reflections on a poor policy process
- New approaches to addressing 'wicked problems'

Peter's paper will provide a broader overview of conditional welfare and Agnieszka will speak about the evaluation of VIM in WA. I will focus on CIM as the latest paternalist turn in welfare policy.

Today I would like to look at the evolution of CIM as a policy process, the inattention given to theories of change and ask why in the face of a weak evidence base the roll out continues. Most importantly, I want to conclude by exploring new approaches and principles that might guide HOW we work in attempts to address 'wicked problems'

What is CIM?

- Assumes welfare payments have created “dependency and dysfunction”
- 50 to 70% of the income support and family payments of targeted income support recipients to be spent on “priority goods and services”
- Objective: “to ensure that money is spent on life’s essentials and in the best interests of children”

Following Mead’s ‘new paternalism’ and on the back of high profile advocates including Cape York leader Noel Pearson, the government sees welfare payments as having created “dependency and dysfunction among the poor”

Under CIM between 50 and 70% of the income support and family payments of some income support recipients (initially defined by race and geography but now by welfare and risk classifications and locations of pronounced disadvantage) are required to be spent on priority goods and services. A BasicsCard allows people to spend income managed money at approved stores and businesses and prohibits the purchase of goods such as alcohol, pornography, tobacco.

Note –there are also a range of existing policies (like SEAM) and Budget measures to be introduced over the next 12 months (relating to education engagement and work search by teen parents, sole parents and the VLTU) that use the threat of sanctions as opposed to CIM as the mechanism for behavioural change.

Minister specifies the key objective as to ensure that “money is spent on life’s essentials and in the best interests of children” (Macklin, 2009 cited in Thomas and Buckmaster, 2011: 9)

CIM and its iterations

- Introduced as part of NTER in 2007
- A different application in the Cape York Welfare Reform Trial from 2008
- ‘New Income Management’ introduced in the NT and parts of Queensland and WA in 2010:
 - shift from race-based to risk-based classifications
- 2011-12 Federal Budget – extension to 5 new locations as part of place-based welfare trials

IM first introduced in 2007 as part of the NTER. It required suspension of the RDA and affected people in receipt of income support or family payments who lived in 73 prescribed communities and 10 prescribed town camp regions of the NT

The Cape York Welfare Reform trial is a different approach to welfare reform being trialled in 4 CY communities. The trial is based around a statutory body called the Family Responsibilities Commission which is charged with ‘rebuilding social norms’. The reform program is broad and includes 15 programs covering housing, education, social responsibility and economic opportunity. There is not space in this presentation to discuss competing views on the likely efficacy of the programs or the philosophical underpinnings of the trial. However with respect to IM, the FRC will first refer clients to service supports or programs and establish case plans. Failure to comply with these directions may lead to a referral to CIM

In 2010, the new Government introduced a non-discriminatory (at least on race grounds) model of IM which extended to people in the NT (and parts of WA and Queensland) who were classified as LTU, disengaged young people, people considered as financially vulnerable by a Centrelink social worker and people referred by a child protection worker (all CIM). People could also volunteer to be income managed.

From 1 July 2012 CIM (for parents referred by child protection authorities and people assessed by Centrelink as being vulnerable to financial crisis which may include people referred to Centrelink by housing authorities who are at risk of homelessness due to rental arrears) and VIM will be extended to five new locations across Australia as part of welfare measures announced in the 2011-2012 Federal Budget.

Theories of behavioural change

- Homel and Ryan (2010) → What do theories and studies from psychology and behavioural economics tell us about how income support recipients will respond to new incentives, sanctions or requirements imposed by government?
- Change motivated if it responds to needs for:
 - Relatedness
 - Competence
 - Autonomy

Important FaHCSIA paper by Homel and Ryan (2010) looked at how income support recipients change their behaviour when faced with new incentives or requirements imposed by government. Draws on theory and empirical studies from the psychology, behavioural economics and procedural justice literatures.

Offers key insights into understanding what is and isn't likely to work in the CIM context and why. Most importantly, intrinsic motivation for change will only be activated and maintained if conditions satisfy basic human needs for relatedness, competence and autonomy.

These are fostered by interpersonal communication, opportunity for self-direction, an internal locus of control and non-demeaning evaluations. People need to feel respected and cared for (Homel and Ryan, 2010: 4-5).

Key insights

- Perceptions of agency staff influence response
- Environments that are threatening, highly controlling or which induce feelings of shame or stigma → undermine motivation
- HOW agencies charged with administering policy engage with clients matters

Perceptions of agency staff and of the wider agency/department also influence how people respond to conditions or sanctions. Environments that increase motivation – provide information, give participants choice and encourage them to work out their own strategies and solutions. Environments that are threatening and highly controlling of behaviour undermine motivation (Homel and Ryan, 2010: 6).

If there was one policy insight I took from this paper, it was the importance of paying more attention to **how** agencies/departments (like Centrelink) charged with administering mechanisms to induce behavioural change work with individuals. Homel and Ryan (2010: 11-12) ask how do agencies:

- Help individuals to understand and integrate objectives with their own concerns/desires
- How do they facilitate the social-contextual conditions that facilitate self-determination (and what resources/supports do these agencies need to be able to offer in order to do this?)
- How do they discuss the policy rationale with the individual?
- How do they acknowledge the legitimate feelings of resentment, anger and frustration
- Offer choice about how and when to act in a prescribed environment

The evidence base (?) for CIM

- Establishing the impact of CIM very difficult
- AIHW study found that “children eating more and were healthier” but methodology described by the authors as at “the bottom of the evidence hierarchy”
- AIHW findings disputed by time series analysis on sales patterns by Menzies School of Health: “no beneficial effects on tobacco and cigarettes, soft drink or fruit and vegetable sales”

Important to recognise that evaluating the effectiveness of CIM is extremely difficult particularly in the context of analysing the impact of a single component within a suite of shifting reforms and in the absence of baseline data)

Still what should be of great concern to consideration of the evolution and roll out of CIM, is what the Government has claimed as constituting ‘evidence’.

AIHW study widely cited by government but highly qualified by the authors and criticised in academic reviews.

Claimed: more than half of parents interviewed in 4 prescribed areas reported that their children were eating more and were healthier). But only 76 (0.5%) IM clients in 4 (5.4%) communities were interviewed while other information was drawn from stakeholder interviews including with 67 store operators (for which no baseline data was available to compare and pre and post expenditure patterns). The AIHW described their analysis as being at the “bottom of the evidence hierarchy”.

The only peer-reviewed study we have to date was undertaken by the Menzies School of Health Research and used time series analysis of sales data in 10 community stores over the period October 2006 to September 2009 i.e. including 18 months of pre-intervention data. While the researchers acknowledge that the number of stores is limited their findings contradicted the AIHW results. The researchers found that IM had no beneficial effect on tobacco and cigarette sales, soft drink or fruit and vegetable sales. Yet the Minister continues to cite the AIHW study as ‘evidence’

The evidence base (?) for CIM

- Closing the Gap Monitoring Report (Dec 2010):
 - Average school attendance rates in NTER communities ↓ 5.6% in 12 months to Nov 2010
 - Increased substantiations of child protection investigations and care and protection orders reflect legislative and policy shifts and additional resources for police and protection services

Note that improved school attendance has frequently been cited as an intended outcome from both CIM and the SEAM trial in which parents may have income support payments suspended if their child does not attend school regularly

The evidence base (?) for CIM

- Evaluation of CPIMS in WA (Orima, 2010):
 - 60% of participants felt that IM had made their own lives and their children's lives better (self report)
 - More funds allocated to fresh food and clothing relative to control group (but not tested against actual expenditure)
 - Low take-up rates for financial counselling services raise concerns about sustainability

The evaluation of the CPIMS and VIM in WA was based on 1,131 clients of whom 328 were on CIM (the child protection component). I will focus only on CIM outcomes and note that the study was largely survey-based and records parent and other stakeholder views of how participation had affected personal and child wellbeing and financial management.

60% of participants felt that participation had made their own lives and their children's lives better. Administrative data on how income managed payments were allocated to priority areas (as opposed to how they were actually spent) suggest that relative to the control group, the CIM group reported greater improvements in the funds allocated to food, fresh food and clothing and were less likely to run out of money for essentials.

While the methodology made it difficult to substantiate these trends they were confirmed by interviews with other stakeholders. However, the outcome of most concern regarding the sustainability of these outcomes – and the capacity of CIM to reduce dependence and build autonomy - was the low take-up of financial counselling or money management services.

Just 31% of CPIMS clients used these services while on CIM: 24% indicated that 'not knowing about the service' was their key reason for non-engagement but a worrying 15% cited "not needing money management skills when having their income managed" as a reason for not using financial management services. A key recommendation of the report reflects the earlier theoretical observations about the need to promote client understanding of the IM process and the role of financial counselling in supporting them.

The evidence base (?) for CIM

- Implementation Review of Cape York FRC (KPMG, 2010):
 - FRC had established and laid down enablers to support the trial's theory of change
 - 321 CIM orders made but recommendation for discrete research to assess impact
 - Additional service provision and case-management approaches for clients with complex needs required

In the CY trial, CIM is only ordered by the FRC if a client fails to attend two scheduled conferences or is not complying with case plan requirements or the Commission receives additional notifications. Over 2 years to June 2010, 321 CIM orders were made with the commission reviewing progress after 6 months and making concurrent service referrals. Data on the impact of CIM is not available and the review recommends that an independent research project is needed to understand IM outcomes and its place in pathways of change.

The implementation review of the FRC (KPMG: 2010) found that the Commission had been successfully established and laid down enablers that support its theory of change. Importantly, the program logic for the FRC model - which works outwards from the development and communication of policies and strategies and generating understanding and acceptance of individuals, families and communities of the drivers and rationales for change – engages with elements missing from the NTER and the Commission itself creates important space for Aboriginal community leaders to work with their people.

From a structural perspective the review identified the need for additional service provision in key domains including resources to address poor school attendance, additional parenting program, greater access to local alcohol and substance abuse programs and greater access to services for children with poor mental health, truanting histories and complex needs. A case management framework is also needed for complex clients accessing multiple services.

Policy questions

- Given the weak evidence base, why does the government regard the extension of CIM as being likely to generate positive change or to mitigate risk?
- What adaptations have been made to address identified failures?
- How will the latest iterations promote autonomy, competence and relatedness?

As the Government rolled out further IM initiatives and extended other trials on Budget night I am left to wonder what, if any lessons they have gathered from the experience to date?

In the absence of evidence, it is reasonable to expect government to set out why they regard the intervention as likely to be effective in generating positive change or mitigating harm/risk OR to set out what adaptations have been made in new policy iterations to address identified ineffectiveness or problems

The policy process – some good news

- The evaluation framework developed for the ‘New IM’ (2011-2014) will allow for much more rigorous analysis of CIM but pays insufficient attention to engagement and process
- Consultation with Aboriginal communities on the NTER to take place in the coming months but:
 - were discussion questions informed by Aboriginal people?
 - if communities reject funded measures will they be jettisoned?

Let’s start with the good news, the evaluation framework developed for the NIM for the period 2011-2014 will allow rigorous analysis of income management that I would argue has been missing to date.

It will include analysis of implementation, procedural fairness, targeting of defined IM groups, impacts and cost effectiveness.

It is always healthy to see researchers identifying limitations (including lack of pure baseline data) and proxy strategies upfront and acknowledging the difficulty of establishing which changes have driven which outcomes in an ever changing policy landscape.

A range of data sources will be utilised including a case file review to establish how CPIM participation impacts on child protection outcomes (SPRC et al., 2010).

My criticism of the framework (if I can make it at a conference hosted by the lead architect) is that the concept map developed by SPRC does not engage adequately with the issues around **how** mechanisms - and the way they are explained and implemented - are consistent with supporting the “autonomy, relatedness and competence” that has proved essential in driving behavioural change.

At least the concept map does create space for access to, and knowledge of, services as ‘influential factors’ and breakdown in community values and solidarity as ‘problems/issues for consideration’. By contrast, the program logic developed by FaHCSIA provides NO space for consideration of the policy process

Cross reference consultation to critiques made by Nicholson and Behrendt on the 2009 ‘consultation’ process in the NT

The policy process – failure to learn

- Transcripts of Budget Estimates hearings suggest the absence of a serious policy planning and collaborative process wrt the design of CIM within place-based welfare trials
- No engagement with State governments prior to the Budget announcement
- No evidence of how low take-up rates for financial counselling services in WA will be addressed but substantial funds allocated to like services

It was interesting to read the transcripts of the appearances of FaHCSIA, DEEWR and DHS before the Senate Budget Estimates hearings in late May and early June and listen to officials respond to questions on the 10 highly disadvantaged locations which will trial place-based welfare initiatives. Five of these locations will include CIM and VIM. While there are some promising innovations in terms of place based advisory groups that are consistent with ASIB recommendations on governance models for location-based initiatives, the transcripts indicate the absence of a serious planning and design process. They will be playing catch up.

With respect to CIM there was no engagement with state governments about the application of income management to families where there are child protection concerns or financial vulnerability which may include being in arrears with rental payments to state housing authorities. Officers struggled to explain how referral processes would operate, the criteria for each category of IM, and how liaison processes between departments engaging with the same client might operate.

While most questions seeking detailed breakdowns of funds allocated to different components of the place-based trials were taken on notice, it is difficult to assess what support service resources will be available for those persons referred to CIM for child protection or financial vulnerability reasons beyond a substantial investment in financial counselling, money management programs and the Matched Savings Payment. It will be important for the Government to understand why take up has been so low for these initiatives for like groups in WA and to make adjustments. For people on CIM only 4 matched savings payments have been made to date.

The policy process – failure to learn

- While key elements of the co-located initiatives to support teen parents and jobless families will occur via the highly regarded Communities for Children (C4C program), what C4C services will be available for CIM clients?
- Evaluation of C4C stressed the importance of processes which ‘engaged’ and ‘empowered’ and soft entry points → ↓ feelings of shame/stigma. Will this be undermined by other policy components that are more punitive and directive?

The discussion of the place-based initiatives at Estimates raises important questions about policy coordination for the 10 sites, and particularly for the 5 sites which will include CIM. While key elements of the initiatives to support teen parents and jobless families will occur via the establishment or expansion of Communities for Children (C4C) sites, it is unclear whether C4C will be available to provide supports to CIM clients.

The evaluation results for C4C were impressive, cost effective and the framework is consistent with a model designed to engage with, rather than judge families, to tailor services to meet their needs, and designed to offer soft entry points to reduce feelings of shame and stigma.

The key policy question is what will happen to program effectiveness if other policy components including CIM and the threat of suspension of income support for non-compliant families is brought into the framework? I would argue that the lack of evidence for the effectiveness of CIM and other punitive welfare measures, it would have been much smarter to leave these out rather than create a place-based initiative which now has points of tension in its ‘ways of working’. Funds would have been better channelled to engagement with and service provision for families where children are at risk of neglect or where financial vulnerability creates a risk of homelessness. It is also important that the new initiatives responds to the C4C recommendation for support to be provided to local advisory groups to allow them to undertake the mapping of local assets and service gaps that can support informed judgments about where to direct resources.

A number of the issues that policies like CIM and sanctions now aim to address like child abuse and neglect, long-term unemployment and poor school attendance are what Rittel and Webber defined as ‘wicked problems’ – interdependent and multi-causal, difficult to define, involving multiple stakeholders, not able to be solved with a silver bullet, and are beyond the capacity of any single organisation or department to address (ARACY, 2009: 2). What is of concern about the place-based trials is that the policy process does not seem to have mapped or considered the service needs of a very diverse and complex client groups nor considered how the different approaches on offer and the different combinations of carrots and sticks might serve to diminish the effectiveness of the model as a whole.

New approaches to ‘wicked problems

- Issues targeted for change matter but are interdependent & multi-causal.
- Behaviours are more conducive to change if issues are widely understood, discussed and owned by people whose behaviour is being targeted for change” (ASPC: 2007)
- Australian Social Inclusion Board principles:
 - The way you treat people matters
 - Continuity of support is essential as is a focus on addressing structural disadvantage

When I was listening to Alison McClelland give her key note address I recalled a paper she had written reflecting on changing understandings of poverty at the BSL. Alison headed the Social Action and Research Unit when I was a Henderson Fellow in my mid 20s. If I were to summarise Alison’s conclusions she argues that:

Structural solutions should remain central

Inclusion-based policies should promote empowerment and enlarge personal choices i.e. the importance of human agency in making choices matters

Redistribution is needed and protecting people from harm should remain an imperative

In designing policy more thought needs to be given to be thinking about implementation and communication as an integral part of the policy process (Newman, 2002: 347) (as opposed to a subject for retrospective review) and to the structural framework within which policy is cast. Are the supports and opportunities necessary for change available?

My reason for starting this paper with learnings gleaned from theories of behavioural change is that we need to place much more emphasis on questioning and interrogating the way policy is meant to work and to require more input from those delivering policy and those on whom it is targeted in checking our understandings.

And as we learn lessons (for good and ill) along the way we need to be prepared to adapt. I would argue that the development of welfare policy in Australia and the development of the latest raft of paternalist measures have been very weak on both these fronts.

‘Wicked problems’ – what is required of us?

- An ecological framework
- Need to draw on insights from lived experience, practice wisdom, theory and robust evaluations in order to ask and imagine:
 - What would a system look like that is more responsive to, and adept at working with, people with complex needs?
 - What do the people we are supporting need from the system and the process by which they experience it?

Penman (2006) and ARACY (2009) have advocated for more collaborative approaches to addressing problems which require a broader, more ecological and multi-causal framework.

An ecological framework allows us to understand the complex relationships between children, families and communities and the wider social, economic, political and cultural context in which they live. We need to bring together people (including people living the problems) to better understand the causes of problems and how these are connected and to be prepared to have our own perspectives challenged and debated.

A final thought and things to ponder

It is strange that we so often speak differently about the poor, suggesting that cutting off basic social support is a way of encouraging agency in poor mothers and children and improving their character, rather than a way of stifling agency, or stunting it before it gets a chance to develop. If we do respect agency and its dignity, we owe it a chance to develop and flourish.... (Nussbaum, 2008)

- How might we encourage and develop agency in people receiving income support?
- What changes does this require in the way we conceive of, implement and deliver policies to promote welfare, wellbeing and create safe environments for children?

I would like to close by quoting from an article by Martha Nussbaum published in the Boston Review in 1998 but which I only came across a few months ago. The article is titled 'Victims and Agents – What Greek tragedy can teach us about sympathy and responsibility'. Nussbaum states that it is certainly legitimate, and even desirable, for states to experiment with different welfare strategies but notes: Read quote

The process of developing more effective responses (than CIM) to complex problems will require all of us who are interested in improving the wellbeing of those who are most disadvantaged is to be more open to change in the way we think and work as individual practitioners, researchers and policy makers; and as community sector organisations, government departments and peak bodies.

What would a system look like that is more responsive to, and adept at, supporting people with complex needs? What are the people we support looking for from their first contact with Centrelink and what does their experience of the system need to deliver? If we can work more effectively together and Ministers are willing to draw on this collective expertise then maybe we can imagine and resource a more effective landscape through which to assist people to realise change.

Questions or comments?

Thanks for listening!

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