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NWRN research: progress report

The National Welfare Rights Network has commissioned Peter Whiteford and Sue Regan (of the Crawford School of Public Policy's Social Policy Institute at the Australian National University) to undertake a project relating to people excluded from income support because they are serving an Income Maintenance Period (IMP) or Compensation Preclusion Period (CPP) and who are in financial difficulty. This note describes the project and progress to date.

Scope

The focus of the research is individuals who have received a redundancy or compensation payment, but have run out of money before the end of their IMP or CPP. In this situation, NWRN report that the consequences for individuals can be extreme as they are unable to access income from other sources and can end up in absolute poverty.

The research is exploring innovations that may reduce the incidence of people running out of money before they can access income support, or increase their ability to access equity in assets (if they have any). It will also cover other options that might help people back to financial health once in financial difficulty. We are currently categorising these as **preventative** interventions (that help people manage their money better) and **remedial** interventions (that help people back to financial health.)

NWRN have asked that, bearing in mind the relative vulnerability and barriers faced by the clients that they are concerned with, consideration be given to issues of availability, accessibility, likelihood of uptake, factors influencing uptake, interest, fees and charges, and other incentives. Whilst the focus of the research is those in, or at risk of, extreme financial difficulty, the analysis is also likely to be relevant more generally to people who receive a redundancy payout or compensation settlement.

The research is not examining the detailed design or operation of IMPs or CPPs, but the final report may comment on aspects of this if relevant.

Methods

The research is largely a piece of desk-based research and policy analysis, informed by discussions between the researchers and relevant experts. It is covering existing supports in the Australian system as well as selected international examples, mainly from the UK. The analysis will also be informed by current research being undertaken by the University of New South Wales into approximately 60 CPP cases and a number of qualitative case-studies collected by NWRN.

The analysis is also drawing from:

- An understanding of **financial behaviour** (drawing from behavioural finance and behavioural economics literature) including the 'biases' (such as present-bias) that people exhibit in relation to money and the impact of 'scarcity' on financial decision-making, alongside policy tools (such

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as the use of defaults and conscious ‘choice architecture’) that can support better financial outcomes.

- The need to look holistically at **financial health and financial wellbeing** of individuals (and what we know about how people can maintain their financial health or be supported back to financial health), drawing on financial capability and financial inclusion literature.
- Possible analogies in other policy areas (given the scarcity of information relating to CPPs and IMPs and compensation/redundancy lumpsums), in particular retirement incomes literature (e.g. the use of annuities and equity release in retirement).
- The role of ‘**critical points**’ in an individual’s journey following an accident or redundancy.

Preventative options

We are exploring:

- Current availability of information/advice and how it could be improved, including the role of others (employer, lawyer, Centrelink...)
- Increased use of structured settlements (in compensation cases)
- Financial product innovation, including annuities
- Voluntary ‘income management’ options
- ‘Buying in’ to the Disability Support Pension
- The potential of defaults (e.g. being automatically enrolled into financial guidance (with opt out) or a (soft) default financial product)

Remedial options

We are exploring:

- Improving information and guidance
- Home equity options
- Social loan schemes (including expansion of the Pension Loan Scheme and Income Contingent Loans)
- Early access to super

Next steps and timing

The researchers are currently:

- Analysing the nature of the problem (CPP research and case-studies)
- Exploring literature relating to the range of options
- Speaking to experts

A draft report will be completed by early 2016

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Annex: Final report outline

Executive summary

1. Introduction
 - 1.1. Research brief
 - 1.2. Project scope
 - 1.3. Context
 - 1.4. Chapter overview
2. Understanding the problem
 - 2.1. Redundancy and injury
 - 2.2. Policy rationale (IMPs and CPPs)
 - 2.3. Income Maintenance Periods (data)
 - 2.4. Compensation Preclusion Periods (data)
 - 2.5. Consequences of running out of money
3. A framework to guide solutions
 - 3.1. Financial health and well-being
 - 3.2. Understanding financial behaviour
 - 3.3. Journeys and critical points
 - 3.4. Preventative and remedial options
4. Preventative options – helping people manage their money better
 - 4.1. Information, guidance and advice
 - 4.2. Structured settlements (in compensation cases)
 - 4.3. Financial product innovation
 - 4.4. Voluntary ‘income management’
 - 4.5. ‘Buying in’ to the Disability Support Pension
 - 4.6. Defaults and choice architecture
5. Remedial options – helping people back to financial well-being
 - 5.1. Information, guidance and advice
 - 5.2. Home equity options
 - 5.3. Social loan schemes (Pension Loan Scheme and Income Contingent Loans)
 - 5.4. Early access to super
6. Discussion of options
 - 6.1. Overview
 - 6.2. Immediate action
 - 6.3. Further work

References
