

# FAMILY BONDS

A new welfare scheme that's a win-win

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It is an awful task and so they gave it a dreadful name. In NSW, the unit that removes abused and neglected kids on behalf of the state is known as the Joint Investigation Response Team, JIRT. In June last year they began investigating a couple in the Blue Mountains we'll call Amy and Robbie. They had eightmonth-old twins, a girl and a boy who'd been born prematurely and had ongoing health problems. Angela, Robbie's seven-year-old daughter from a previous relationship, also lived in the house, along with Amy's ailing mother.



Life for the couple had been spinning out of control. “We were doing three or four hourly feeds for two babies,” Amy says. Both parents were utterly exhausted. The house was a mess. Angela was consistently late for school. Then, one morning, baby Zoe woke with swelling on her forehead. Scans showed she had a fractured skull.

JIRT was called in to investigate. Amy and Robbie could not explain it. “There were implications during the JIRT investigation that my mum had dropped my daughter and had been too scared to admit it, but I know that’s not true,” Amy says. Exactly how the baby was injured has never been established.

JIRT teams were dispatched; one to the school to collect Angela, another to the house for the baby boy. “They came into our home and said, ‘We are here to remove your son because we don’t believe he is safe.’” Amy walked around the house in a trance, collecting clothes and toys for her children, then carried her baby boy to the government car for him to be taken away. “I kissed him, told him that I loved him and then they were gone. That was it.”

Robbie was at the hospital with Zoe. “She was doing well and I was looking forward to her being discharged that afternoon,” he says. “Then I got a call from Amy; she was inconsolable. I knew they’d be coming to get Zoe and so I just hugged her tight until they arrived.”

Robbie and Amy had entered a nightmarish world of uncertainty. And so they did what they thought would give them the best chance of getting their children back. They cleaned up their house. They stopped using pot and subjected themselves to urine analysis. They attended parenting and first aid courses. And then they were referred to UnitingCare’s Newpin – an intensive parenting program at the cutting edge of welfare reform and funding. Newpin is aimed at reuniting parents with their children. It was developed in the UK, and UnitingCare had been running it in Australia since the late 1990s. They knew it worked. But it was labour-intensive, expensive, not funded by the NSW government and in danger of being closed down. UnitingCare knew that if they could reunite families, not only was it a great outcome for them; it could also potentially save the state millions in future welfare costs. They just needed the state government to fund the program now, rather than pay the huge welfare bill later. The solution lay in a clever financial instrument known as a social impact bond, or social benefit bond.

When it came time to sign a new funding deal in 2013, an agreement known as the Newpin Social Benefit Bond was nipped out between UnitingCare, the state government and investors – a mix of institutions and philanthropically minded individuals. Under the deal, because this type of bond had never been offered before in Australia, investors were offered a sweetener: a minimum annual dividend of five per cent for the first three years, regardless of outcomes. After that, a sliding scale would apply, depending on the success rate as determined by the proportion of children in care reunited with their families.

If, under Children’s Court orders, 50 per cent went back to their families, investors would receive a 2.1 per cent annual dividend; this would rise to 15 per cent if 80 per cent were reunited. The investors stumped up \$7 million for a term of seven years. At the end of that

Time, if targets were met, they would be repaid their initial investment by UnitingCare.

It is a kind of virtuous gamble. If the program works, and parents like Amy and Robbie are reunited with their kids, the investors are paid. If it fails, they lose their money. The more successful the program, the more the government saves. It is all about outcomes. The idea is to foster innovation in the welfare sector: if a program works, it will be expanded; if not, it is shut down.

Amy and Robbie's story is not uncommon. JIRT and its counterparts in other states have been extremely busy. In the past decade the number of children in foster care in Australia has doubled – due largely, experts say, to kids being removed younger and staying in care longer. As of June 30, 2014, there were 43,000 children in state care around Australia and the number is growing rapidly. The cost is astronomical at around \$45,000 per child each year, according to Family and Community Services NSW.

It is a social disaster in the making. Many of these children will be bounced from carer to carer and the likelihood is that a large percentage will be a burden to the state their entire lives. “The outcomes for children who are in state care, and who experience multiple placements, are very poor in terms of their physical health, their mental health, educational achievement, their employment prospects and their future role as parents,” says Emeritus Professor Dorothy Scott, a child protection expert from the University of South Australia.

Scott qualifies this statement by saying there are many exceptions and many wonderful foster families doing an incredible job, but when you remove a child “you load the dice towards poor outcomes”. But if there are good programs that work intensively with the parents, and it is safe, with ongoing support, families can be reunited. “There is good evidence to suggest that reunification is better than being exposed to the vagaries of multiple placements.” The man credited with devising the concept of social impact bonds is an obscure agricultural economist called Ronnie Horesh. In the 1980s, Horesh was working for New Zealand's Ministry of Agriculture and Fisheries in Wellington, coming up with strategies to lower trade barriers for Kiwi farmers. New Zealand in the '80s was Nirvana for economic rationalists, Horesh explains, when I track him down to where he is now living in his mum's house in the English Midlands town of Chester. He's between gigs at the moment. “It was the time of Rogernomics,” he recalls wistfully, referring to the country's finance minister, Roger Douglas, who was responsible for radically restructuring the economy towards a market-driven system.

It wasn't just the heady free-market philosophy that inspired Horesh. It was also at this time that the Ayatollah Khomeini issued a fatwa against the author Salman Rushdie for publishing *The Satanic Verses*. It got Horesh thinking: the Ayatollah didn't care who killed Rushdie, or how he was killed. He just wanted him dead and a reward of \$US1 million was offered for his murder. As evil as it was, the fatwa was the ultimate in reward for outcome. “It was the idea of killing Salman Rushdie,” by whatever means possible, simply by offering a reward, combined with “all the thinking around incentives and free markets of Rogernomics – I combined those two elements and put them towards things that are socially desirable.” The idea for social impact bonds was born.

One economist I spoke to said that if the bonds take off in the manner many have predicted, Horesh could be in the running for a Nobel Prize. “It could well be the New Zealand Ministry of Agriculture and Fisheries' finest hour,” he quipped. Horesh went on to publish a book in 2004 about how bonds could be issued to address a range of thorny global issues such as climate change or war. It's called *Solving the World's Problems – Give Greed a*

Chance. “The problems falling into those categories are not amenable to simple solutions based on current knowledge,” Horesh explains. “They need a sort of evolutionary approach, whereby many projects are tried, some fail, and only the most successful ones are followed up.”

Despite the fact that Rushdie is still alive, Horesh’s concept has flourished. In 1991, he published a paper about social impact bonds and presented it to the University of Cambridge. It was in the UK that the idea first took hold. In 2009, the Brown-led Labour government issued the first one. Investors funded a rehabilitation program for 3000 short-sentence prisoners at Peterborough Prison to reduce recidivism. It worked. According to a report by the Rockefeller Foundation, it reduced offending by 8.4 per cent compared to a control group – and the program was recently rolled out nationally.

Since then, says Irene Godeau, a researcher from the University of Sydney’s Faculty of Political Economy, the bonds have been used to fund a range of social programs in the UK, including a \$65 million youth employment and training program, and another to get rough sleepers off the streets of London.

The Obama administration has embraced the concept and in 2013 it included \$100 million in its budget to kick-start a “pay for performance fund” – with a further \$300 million to come next year. Already in the US bonds are being issued to fund myriad programs, including one targeting pre-schoolers from poor households in Utah and another working with juvenile offenders in Massachusetts. Elsewhere in the world the bonds are being issued to address projects as diverse as helping single mothers in Canada, diabetics in Israel and unemployed migrants in Belgium.

NSW Premier Mike Baird is an enthusiastic supporter. Apart from the Newpin program, his government has signed a similar agreement with the Benevolent Society in which \$10 million was raised from investors to work with 400 at-risk families. The program’s success is measured against a control group for factors such as the number of children removed and negative risk assessments by social workers. If there is, say, a 5-15 per cent improvement, bond-holders are paid an eight per cent return; if there is a 35-40 per cent improvement they receive a 25 per cent return.

Baird established the Office of Social Impact Investment “to facilitate growth in the social impact investing sector”. The office is about to issue new bonds for programs to help kids who

Have been in state care to make the transition into adulthood, and another to work with prisoners on parole to reduce reoffending. Later this year it will call for a proposal about the management of chronic health conditions and another to reduce mental health hospitalisations.

The South Australian government has signed agreements with two charities to place 400 long-term homeless people in permanent housing while the Queensland Government has announced it will issue bonds to address homelessness and recidivism. In Western Aus-

tralia, there have been discussions about introducing SIBs to tackle alcoholism and Aboriginal health in the Kimberley.

Social impact bonds are all the rage, and the newly minted Treasurer, Scott Morrison, is looking at ways to deploy them at a federal level. In a speech to the Australian Council of Social Services in June, he said: “Social impact bonds have great potential for helping improve people’s lives while increasing public sector accountability... they offer a chance to inspire innovation and transfer some of the risk from governments while developing sound research.”

But, of course, they don’t always work. In 2012, the investment bank Goldman Sachs invested almost \$US10 million in an ambitious program aimed at reducing reoffending rates among teenagers at New York’s notorious Rikers Island prison. Goldman Sachs would get a return on its investment if a 10 per cent reduction in reoffending rates could be achieved among the 9000 inmates attending the fouryear trial. It failed, having had no effect on reoffending. Goldman Sachs did its dough, but it didn’t cost the City of New York a cent.

Professor Jason Potts, an economist from RMIT University, says the failure of the Rikers Island experiment proved that the concept of social impact bonds worked. If it had been funded by the state it may have gone on for years not working – as so many welfare programs do. “They didn’t get the results they were looking for,” he says. “The bonds didn’t pay off. It is interesting because it actually means the system works. That is what is meant to happen.”

Potts says that at this early stage governments seem to be picking projects they know “won’t go pearshaped”, but over time the bonds must be deployed to address society’s most difficult social problems. “These bonds are for the wicked problems,” Potts says. “The ones with which, after decades of trying, we’ve just had failure after failure; homelessness, recidivism, inter-generational poverty, problems in Aboriginal communities. They provide incentives to do new things, where people up

Close to a problem can come up with solutions. The government agencies are not comfortable taking on that level of risk.”

It is an exciting prospect for the welfare sector, which has long been starved of cash, but the US businessman and philanthropist George Soros – who is excited about the potential for the bonds – offered a word of caution when he spoke at a G8 forum in 2013. How long will it take investors to dismiss the underlying intent of the SIBs and treat them simply as a means of turning a buck? Soros asked. It’s an issue the sector will continue to grapple with: ensuring the focus is on designing programs for desired social outcomes rather than just the desire for profits. The sector is in its infancy, but several people I spoke to say that if it takes off it will require the oversight of a specialist ombudsman.

“I am not ringing all the bells yet,” says Anthony Rodwell-Ball, “but at this point there is a muted jingle.” Rodwell-Ball is the CEO of NGS Super and in 2013 he signed off on a \$500,000 investment of his fund’s money in the Newpin bond. So far the results have been pleasing. In the first year the bond paid a dividend of 7 per cent, then 8.9 per cent in the

second. Not too shabby in the current climate. As well as the yearly dividends, at the end of seven years, if the program continues to be successful, NGS will get its \$500,000 back.

Rodwell-Ball and other investors were approached by Social Ventures Australia (SVA), a non-profit organisation set up in 2002 to encourage investment in the social impact field. SVA facilitated the deal between the investors, UnitingCare and the government. Rodwell-Ball says NGS had an interest in the project because it holds super funds for Uniting Church employees. "However, we don't do this out of love and affection; our overriding duty is to maximise our members' retirement savings and the imperative is to ensure that any investment proposal stacks up." The only drawback was its small scale; it takes almost as much work to invest \$500,000 as it does \$50 million. There is, he says, enormous investor interest in this sector. What has been good for investors has been good for the state government and especially good for the parents and kids involved in the Newpin agreement. NSW Minister for Family and Community Services Brad Hazzard says that, since it started in 2013, the program has resulted in 66 children being reunited with their families and prevented a further 35 families having their children taken into care. The payment is triggered 12 months after the Children's Court decides to return the children to their parents. "Newpin has delivered a family restoration rate of almost 62 per cent, which is vastly higher than the 25 per cent under business as usual," Hazzard says.

Why is Newpin so successful? For a start, it is adequately resourced. UnitingCare runs three Newpin centres in western Sydney and another at Wyong, and has plans to open more. At each of these centres, located in converted suburban houses, there are six full-time staff. Each centre serves just 20 families. The care each family receives is intensive, individual and long-term; the course takes 18 months. It is a full-time job for the parents. Apart from attending various counselling and parenting sessions, their children come to the centre. They are brought in several times a week and get to play with their parents for several hours in a relaxed, supportive atmosphere. It allows them to bond.

"It works because it looks at what the risk factors in the family are and it addresses them," says Professor Scott. "That could be isolation, substance abuse or just deep demoralisation and despair. It looks at the protective features, the strong attachment to the child they have lost, and builds on that strength." It creates a little community of parents whose main mission in life is to get their kids back. It becomes a quest, and the staff and the other parents are supporting them in this grand goal to have the Children's Court sign off on papers that will reunite them with their kids. "Essentially," says Scott, "they are tapping the joy that is there in the parent-child relationship." One of those Newpin centres is just for fathers and that is where I meet Neil, a 56-year-old truck driver. Neil became involved with a woman called Maxine, who was "into any drug she could get her hands on, basically". Maxine fell pregnant and even before their son, Liam, was born, "FACS became involved – they put a red flag on her and they made me the primary carer even before they let Liam out of the hospital – he was born 12 weeks preemie."

Neil was the primary carer because he was stable, but Maxine's life spiralled further out of control. "She came home one night when Liam was six months old," says Neil, "off her guts, ranting and raving." She'd brought home "three druggie mates". Neil became concerned for the safety of his son; a fight broke out and two of the junkies ended up in hospital. The police arrived and Maxine took off with Liam in the car. "The long and the short of it was they said I didn't keep him safe and he went into care." Maxine was later sent to jail for drug offences and Neil began the long struggle to get his son back.

At first he was very angry. He felt that what he was doing was protecting his son. "I thought I was doing the right thing – obviously I wasn't. I was totally gutted. For the first two or three weeks FACS wouldn't even answer my calls – it was like I was non-existent." After the anger came utter despair. "You're totally lost. You feel inadequate... You don't feel like you're a father. You've got no one to turn to."

After about six weeks he was told there was a chance of restoration if he ended the relationship with Maxine. "I said, 'That's fine, all I want to do is get my boy back'. FACS told me there was a chance if I came to Newpin. I jumped at the chance." He quit his job and committed to 18 months, three days a week. On the other days he attended other courses he thought might help.

"I am not one to wear my heart on my sleeve," Neil says. "But the first day I came in here I just listened. I realised that what all the other blokes were goin' through was what I was goin' through. I realised I wasn't alone... After a while I started to open up. The common cause was for all of us to get our kids back. No one judges you, because you're all in the same boat."

He was wary at first. "My initial motivation, to be honest, was that I got to see my son for a

Couple of hours twice a week and play with him." But after a short time he began to enjoy the camaraderie. "It has made me a better person," he says. "It has made me a lot more empathetic towards people. That's the biggest thing you have to get into your head; it's not about you, it's about your children."

In June this year, a year after he was taken away, Liam moved back in with Neil. "I am so happy he's home. We've got this bond and it's second to none." Would that have happened had you not attended the Newpin course? "No way. I'd still be fightin' with FACS." Not only that, says Neil, he's learnt to be a better parent. "It's made me recognise what his needs are. I've learnt how to set boundaries without yellin' and screamin'."

He says the magic moments at Newpin have been witnessing other dads get their kids back. "It's like, 'Wow, this does actually happen and it's going to happen for me eventually. As long I keep striving I'll get there'." We head out to the back of the centre where his son is playing on a toy car and Neil says, "This might sound bizarre but in a funny way having Liam taken away was the best thing that could have happened. I've become a better dad. My kid has become my number one focus." Back at one of the other Newpin parents' centres, Amy and Robbie tell me it has been a torturous journey but they are nearly there. They say



they couldn't have survived had it not been for Newpin. Along the way they discovered the horrible news that Robbie's daughter, Angela, now aged eight, was sexually abused by one of the foster carers she was placed with after having been removed by FACS. But they've been working through that and a range of other issues, and now their children are coming home.

"Angela started overnighting with us last week," Amy says, starting to cry. "Tears of joy..." The twins too should be coming home soon. The court is yet to sign off, but things are looking good. "So often you think, 'I am sick of this fight, I can't go on', and then everyone gathers around." Their children, they say, will be coming home to people who are better parents.

Professor Scott says that while the early results are pleasing, long-term analysis is required. "What we really want to know is if the group of children reunited with their families do better than children without this type of support," she says. "In the long term we want to know that children in the Newpin program parent their children better." The bigger question is whether an influx of private capital can break society's various cycles of gloom. Names of parents and children have been changed

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