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ARTICLE

Systems thinking for better social policy: a case study in financial wellbeing

Jeremiah Thomas Brown[1], Jack Noone[2] and Fanny Salignac[3]

[1]School of Social and Political Science, The University of Melbourne Faculty of Arts, Melbourne, Australia, [2]Centre for Social Impact, School of Business, University of New South Wales, Sydney, Australia and [3]TD School, University of Technology Sydney, Broadway, Australia
Corresponding author: Jeremiah Thomas Brown; Email: jtb@unimelb.edu.au

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Abstract

Social problems are becoming increasingly complex. Policymakers, thus, cannot solve these issues with a single policy instrument. For example, while decades of research have examined the individual factors that influence financial stress, less is known about how organisations, social structures, policies, social norms, and large-scale events *interact* to affect one's financial wellbeing. Using a systems approach as the basis of our conceptualisation, we put forward a theoretical model to help policymakers and practitioners to address the root causes of such complex issues. We argue that extant literature does not adequately conceptualise the complex relationships between the micro, meso, and macro-level drivers of financial wellbeing. As a result, researchers, policymakers, and practitioners are under-resourced when it comes to designing interventions to improve individuals' financial situations. We use the examples of affordable housing and social security policy to highlight the utility of a systems approach. In doing so we contribute to ongoing debates by putting forward a model of financial wellbeing in the context of Western countries (specifically Australia) that can better incorporate the moderating, mediating, and reciprocal relationships between financial wellbeing and its drivers.

Keywords: financial wellbeing; ecological system; systems thinking; social policy

Introduction

Complex social issues have become a central concern for policymakers. Their causes and effects are so interconnected that no clear solution exists. They are inherently unpredictable and 'unlikely to be 'solvable' through a single policy instrument or 'magic bullet'' (Head, 2010, p.85). To properly understand these problems, and to solve them, we must approach them holistically. This runs counter to traditional approaches, which break up problems into their constitutive parts and seek to solve each independent variable (Gharajedaghi, 2011, p.8). For example, social issues such as financial hardship have traditionally been addressed through discrete and isolated interventions, typically addressing the symptoms of the problem while ignoring root

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causes (Meadows, 2008). Thus, they remain poorly understood, and little is known about 'what works' (Bache, 2019). As complexity becomes a core feature of our society, some countries have started investing in policy-relevant research to enable evidence-based policy decisions (Head, 2010). There remain, however, significant challenges with regards to 'knowing enough' and successfully implementing research findings in practice (Bache, 2019).

This paper highlights why a systems approach can be beneficial for understanding complex social challenges through the example of financial wellbeing. The ability to make sound financial decisions and manage money has always been important, but in an increasingly complex and diverse financial system, financial decision-making has become more challenging (Mackenzie & Louth, 2020). This complexity is compounded by a rapidly changing environment – e.g. trends in employment, education, and demographics (such as increasing job insecurity, single parenthood, and divorce rates); increased expectation on individuals to absorb financial shocks on their household (Appleyard et al., 2021); as well as the increasing individualisation of welfare, placing new pressures on financial decisions and decision makers (Marston & Shevellar, 2013). Responses by governments around the world have focused on ways people can be supported to negotiate and navigate this new financial landscape, including: providing access to financial products and services (financial inclusion) (Storchi & Johnson, 2016); building capability by educating them at different time points (financial literacy) (Zuhair et al., 2015); providing tools and resources to increase knowledge and change behaviour (financial capability) (Brown et al., 2020); and providing specialist support services addressing specific needs (financial counselling) (Prawitz et al., 2006), with a common aim to increase people's overall financial wellbeing.

We conduct our research in the context of Australia. At the time of writing, more than 3.3 million Australian adults are financially excluded (i.e. they lack access to safe, affordable, and appropriate financial products and services when they need them), 2.4 million experience low financial resilience (i.e. it is harder for them to recover from a financial shock) (Centre for Social Impact, 2019), and 16.1 per cent of Australian households report that they are financially struggling (ANZ Roy Morgan, 2022). Despite the policy and practice efforts put into improving financial wellbeing, there are several reasons why little has changed over the past two decades. Firstly, as a relatively new issue area, there is little information available on 'what works' to improve it (Bache, 2019; Mulgan, 2005). Second, policy and interventions tend to focus on individuals and making individuals better decision makers, rather than addressing the root causes of financial inequity that are largely outside of an individual's control (Brown et al., 2020). Third, there has been little conceptual and theoretical work around the systems that drive low financial wellbeing beyond the posited impact of financial capability (Iramani & Lutfi, 2021).

Considering the individual within the system they live in helps us understand the structural influences, the roles that different settings or contexts can play, and allows us to consider how the broader economic and social environments affect individuals' and households' (Bronfenbrenner, 1994). It enables policymakers to consider layer interactions and ramifications when one part of the system changes. This is important as certain demographic characteristics, for example, have been found to predict difficulties accessing resources at the community and societal levels

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(Marx et al., 2015). Systems approaches have been applied to understand a variety of complex social policy issues like food insecurity (Craven, 2017), bankruptcy (Shi et al., 2018) and the drivers of public health outcomes (Carey et al., 2015). Rather than treating the challenges people face as singular *independent* challenges, systems informed approaches draw on the notion of *interdependency* (Gharajedaghi, 2011). In this paper, we advance a theoretical model explaining the relationships between the various layers of the system. This is of particular interest to scholars of financial wellbeing, given the complex, interdependent nature of financial wellbeing outcomes. Such a model can also aid policymakers in other policy areas to consider how the different layers interact and the implications (intended and unintended) when one part of the system changes.

A systems approach to financial wellbeing

While financial wellbeing has been defined by many (e.g. Comerton-Forde et al., 2018; Kempson et al., 2017; Netemeyer et al., 2018), a homogenous definition has not coalesced. Riitsalu et al. (2023) identify bottlenecks in the emergence of a consensus definition, including the disconnection between the academic literature and grey literature on financial wellbeing, in conjunction with confusion stemming from the common usage of cognate terms like *financial health* to talk about similar ideas. Further to these practical challenges, disagreement over definitions of financial concepts can be based on wider political commitments that frame the scope of definition (Brown et al., 2020).

This paper uses Salignac et al.'s (2020) definition of financial wellbeing – which is: 'when a person is able to meet expenses and has some money left over, is in control of their finances and feels financially secure, now and in the future' (Salignac et al., 2020, p.1596). This definition is useful for our paper as it was conceptualised based on the voices of Australian adults (our focus) at various stages of financial wellbeing (capturing the breadth of people a systems approach is applicable to).

This paper proposes a systems-driven theoretical model to articulate what drives individuals' financial wellbeing and how this occurs. A 'systems approach' to financial wellbeing allows us to consider the dynamic interactions and interdependency of root causes, providing a lens for policymakers aiming to improve financial wellbeing. While systems thinking approaches are diverse, systems are typically referred to as 'collections of components that are all interrelated and necessary, and whose inter-relationships are at least as important as the components themselves' (Monat & Gannon, 2015, p.24). Specifically, we draw on an ecological systems approach to consider the micro, meso, and macro-level drivers of financial wellbeing. The point is not to identify every driver, but to identify some of the major ones and elucidate those that best demonstrate system complexity. Furthermore, there is significant subjectivity in categorising drivers into different levels, and we encourage readers to concentrate less on the specific categorisations of the drivers we provide (which they might reasonably disagree with), and to concentrate more on the utility offered by a systems approach.

Micro-level drivers of financial wellbeing

Micro-level drivers of financial wellbeing are those occurring at the individual level. They represent different demographic and individual characteristics that shape the

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way people engage with the world around them. These characteristics do not define what people are able to do or be, but by shaping the way people interact with the world around them, they contribute to the types of constraints that people face and the opportunities they have. Micro-level drivers are fundamental to financial wellbeing as they reflect the relative resources available to people, and help us understand their relative needs and the needs of their household. The literature identifies a wide range of micro-level drivers of financial wellbeing. For example, financial capability is a commonly cited micro-level driver argued to influence financial wellbeing and is amenable to change through interventions (Moulton et al., 2015). Other commonly cited micro-level drivers are education, income, age, and employment status (Brown and Noone, 2021).

In some ways, the individualised nature of micro-level drivers makes them easier to identify and measure when compared to macro-level drivers, which means that financial wellbeing is often framed through the lens of micro-level drivers (Brown et al., 2020). In reality, the influence of micro-level drivers on financial wellbeing is complex. For example, propensity to plan (an aspect of financial capability) is associated with financial satisfaction (Xiao & O'Neill, 2018), but some with fewer socioeconomic resources also tend to better plan out their expenditures (von Stumm et al., 2013). Similarly, while obtaining a tertiary education has been linked with increased financial wellbeing through increased earning capacity, the creation of debt attached to studying can also negatively impact financial wellbeing (Artavanis & Karra, 2020).

Meso-level drivers

Meso-level factors deal with dynamics across groups and larger numbers of people (e.g. organisations) and are commonly reflected in the actions of organisations. Both for-profit and not-for-profit organisations play an important role in the lives of people in our society and have the capacity to shape financial wellbeing (Turner, 2012). For example, banks influence financial decisions by providing access (or not) to financial products and services. They influence financial inclusion by determining who can establish and maintain an account, and the levels of credit people can access (Appleyard et al., 2021). This includes things like whether banking services are available in accessible locations (Brennan et al., 2011) or multiple languages (Zuhair et al., 2015). Banks also influence financial wellbeing outside of financial inclusion, for example, through their role in setting mortgage and interest rates, which influence the financial position of households (Muir et al., 2017, p.46).

The financial counselling sector is another meso-level driver, which helps people access social welfare payments, advocates for people in debt repayment disputes, and provides consumer-directed care. Financial advisors are also argued to improve financial wellbeing, but their efficacy is contested (Westermann et al., 2020). Some of the other meso-level level drivers that can affect financial wellbeing include the media (Hartas, 2021), community support organisations (Wherry et al., 2019), employers (Bayer et al., 2009), and alternative lenders (Marston & Shevellar, 2013).

Macro-level drivers

Whereas micro-level drivers reflect the resources available to individuals, macro-level drivers represent the wider structures people must navigate (e.g. social

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structures, policies, large-scale events, and social norms). Like meso-level drivers, the macro-level exists outside of an individual's control even though the macro-level is created through the patterned interactions of individuals.

Capitalism

Differences in models of capitalism and the welfare state have a significant impact on individual financial wellbeing. While debate persists about the precise nature of varieties of capitalism (Hay, 2019) going beyond what can be covered here, it is important to note the varied approaches that welfare states take to protecting their citizens from the market produce different levels of disadvantage and opportunity for citizens (Hannah et al., 2020). For example, the impacts of financialisation (Appleyard et al., 2021) and asset ownership on financial wellbeing vary based upon the logic and structure of capitalism in a given society (Adkins et al., 2020).

Social structures

Social structures are the stable patterned relationships that make up the fabric of our society (Karim, 2017). Social structures play an important role in human agency through the way they can introduce constraints on the choices available to people (Brown, 2017). Some of the social structures that most significantly influence financial wellbeing include gender, social class, and race, and they are inextricably linked to the micro-level drivers.

Micro-level drivers of financial wellbeing are made relevant through their interaction with social structures (macro-level). For example, the lower levels of financial wellbeing often experienced among those who have lower levels of education (Breen & Chung, 2015), who are not Caucasian (Zuhair et al., 2015), or have a disability (ANZ Roy Morgan, 2022), are deeply connected to existing structures of social class (Biddle, 2014), race (Wherry et al., 2019), and ableism, respectively (Jammaers *et al.*, 2021). A primary mechanism for these effects is inequitable access to the labour market (Pieper & Mohammadi, 2014), which affects employment participation and income. However, this is not the only mechanism. Ethnicity (Zuhair et al., 2015) and Indigeneity (Godinho et al., 2018) can also constrain access to financial products and services. For example, Indigenous conceptualisations of ways of using money can differ from Western ones, affecting opportunities to participate in Western financial systems (Godinho et al., 2018), even where they are physically available.

Social norms

Social norms are critical in shaping the financial wellbeing of individuals through the way they can influence behaviour (Storchi & Johnson, 2016). For example, norms around gender and parenting shaped decisions about who would undertake increased caregiving during the pandemic, creating significant differences in the hours of increased caregiving by women compared to men (Churchill, 2021). Social norms can also impact the logic that people apply to their money, and this can directly influence the financial decisions that they make (Brown & Bowman, 2020).

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Public policy and laws

Public policy is usually understood as the 'sum total of government action' (Cairney, 2020) and affects financial wellbeing both positively and negatively. For example, policies that promote employment outcomes for women can reduce the impact of gender on financial wellbeing by increasing women's capacity to engage in the labour market (Collins et al., 2021). In determining who is eligible for social security support, and the rate of social security support they are eligible for, public policy plays an important role in protecting many of the most vulnerable Australians from financial hardship (Bourova et al., 2019).

Other public policies impacting financial wellbeing include employment support following COVID-19 (Churchill, 2021), the structure of Australia's retirement income system (Gallery et al., 2011), Australia's national broadband internet network (Bourova et al., 2019), Australia's national financial capability strategy (Australian Government, 2022), regulatory bodies (Buckland et al., 2020), public healthcare (Banks & Bowman, 2017), tax policies (Buckland, 2018), family supports (Marx et al., 2015), interest rates (Muir et al., 2017), and income management (Bielefeld, 2018).

Laws can play a significant role in shaping financial wellbeing, through the practices they permit or restrict organisations from undertaking. For example, in 2022 Australia saw changes to the laws regulating payday lenders through the Financial Sector Reform Bill 2022. The Bill placed restrictions on the share of income that could be directed towards repayments to payday lenders to 10 per cent of a person's net (after tax and other deductions) income, which impacts the level of resources available to many of the low-income households with outstanding repayments to make.

Large scale events and natural disasters

Large scale events and natural disasters can significantly impact financial wellbeing, and the effects can amplify existing inequalities. For example, after the onset of COVID in Australia there were significant changes in employment (and household income), particularly for young people and women (Churchill, 2021), but especially mothers of young children (Collins et al., 2021). The Worldwide Fund for Nature-Australia estimate that the 2019–2020 summer bushfires cost Australian agriculture between $4 and $5 billion (Bishop et al., 2020). This economic loss and damage significantly impacted financial wellbeing of the Australian rural farmers. Likewise, the reconstruction and recovery from the March 2011 earthquake and tsunami in Japan damage cost approximately $200–$300 billion (Nanto et al., 2011).

Economies

The influence of local, national, and international economies on financial wellbeing are too complex to describe here fully. However, the Ukraine conflict provides an example of the flow-on effects of shocks in the international economic structure for individuals' financial wellbeing. The Ukraine conflict has driven a global energy shortage, with the conflict resulting in reduced energy exports from Russia into the European market which has driven a surge in global energy prices, and Australian prices have surged along with global rates (Simshauser, 2022). This has been passed on to consumers, with already high levels of inflation, resulting in financial stress for

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some Australian households (ANZ Roy Morgan, 2022). At the same time as surging energy prices, to curb inflation, the Reserve Bank of Australia increased the cash rate, leading banks to increase interest rates, with a number of flow-on effects. Firstly, it increased mortgage rates, which increased debt repayments, lowering financial wellbeing for the households which were affected. Second, it has reduced house prices (Bullock, 2023), which has a differentiated impact across households. The impact on the housing market has reduced the price for those looking to purchase a home, positively impacting their financial wellbeing, yet simultaneously, it has negatively impacted those currently looking to sell their house by reducing the amount they can sell for. This differentiated impact of macro-level drivers is important for financial wellbeing policy – not only do macro-level drivers affect everyone, they also affect the financial wellbeing of different households in different ways, and so analysing the impact of macro-level drivers requires a deeper analysis that considers the differentiated impacts across the wider set of households.

A theoretical model of the financial wellbeing system

A moderated mediation model

Our conceptualisation of the financial wellbeing system proposes that the impact of macro and meso-drivers on financial wellbeing primarily occurs via the micro-level, but that this effect depends on who you are or your personal circumstances. This is akin to a moderated-mediation model (Fig. 1), which has also been used to understand the effects of financial capability on financial wellbeing (Tahir et al., 2021); and which reflects the systems concept of interdependency, where different factors are interdependent with each other.

Macro and meso-level drivers can directly affect micro-drivers like income and occupation, in turn influencing financial wellbeing. This mechanism represents a causal or mediation relationship. For example, a recent amendment to Australia's Superannuation Guarantee (Administration) Act 1992 (macro-level) will increase rates of employer provided superannuation (meso-level) from 9.5 per cent to 12 per cent by 2025. This is intended to increase individuals' retirement income (micro-level) and therefore increase or at least maintain financial wellbeing as people age. In theory, financial capability interventions (meso-level) promote positive financial behaviours, which lead to better financial wellbeing. However, it should be noted that the evidence for this effect is unconvincing with respect to both efficacy in improving financial capability and the flow on effects for financial wellbeing (Birkenmaier et al., 2021).

The *extent* that macro and meso-drivers influence the micro-level, depends on individuals' personal context. These differential effects are called moderation or interaction effects; who you are determines how meso and macro-level factors affect your financial wellbeing. For instance, increasing the superannuation rate will have limited impact on those who are retired or not receiving superannuation, and potentially a negative impact on some business owners who must pay higher rates. Likewise, while the impact of COVID-19 on the labour market has negatively impacted the financial wellbeing of many Australian households, it had a greater negative impact on women, in part because they are more likely to be working in the industries most affected by the pandemic (Churchill, 2021).

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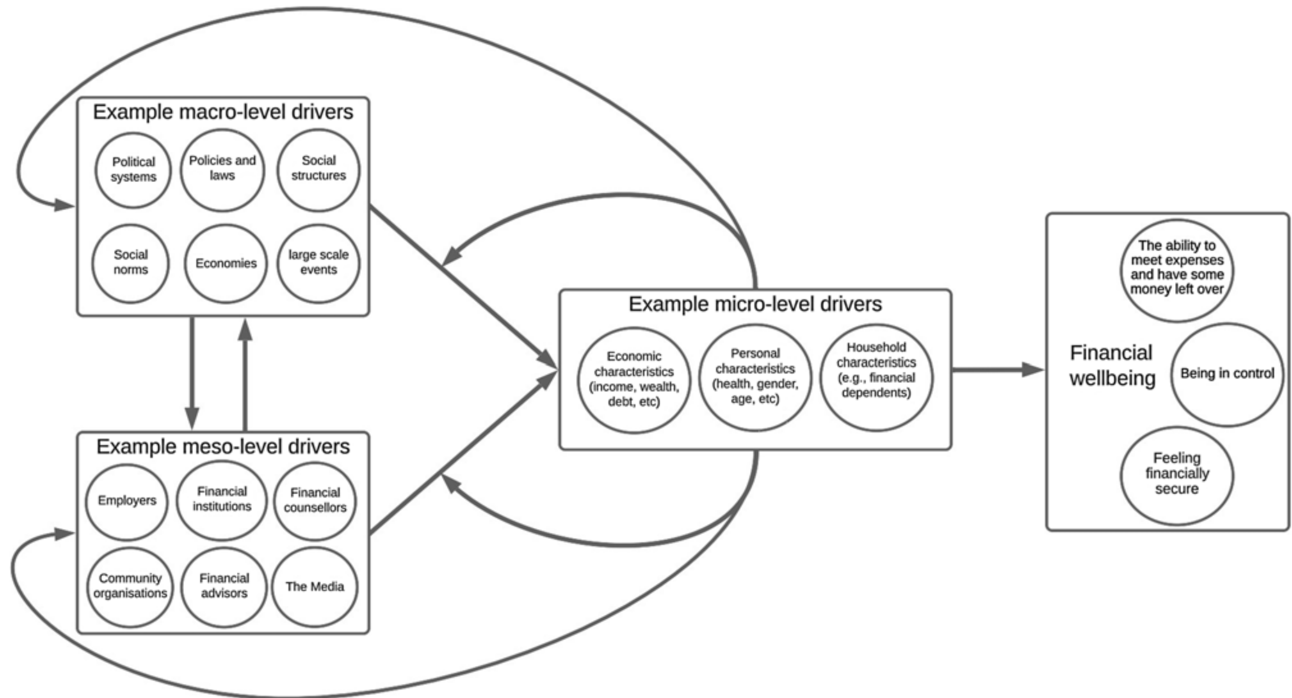

Figure 1. The financial wellbeing system.

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In reality, moderation and mediation are occurring together and in complex ways. For example, many micro-level factors can be a mediator and a moderator at the same time. Income is a driver of financial wellbeing, but people with high and low incomes are also differentially affected by, for example, social policies. For example, the Raise the Rate (ACOSS, 2022) campaign (meso-level) aims to increase unemployment benefits (macro-level), which should theoretically increase income and financial wellbeing for those reliant on social welfare payments. This is a mediation pathway. In terms of moderation, this type of policy change is intended to benefit those on low incomes as higher income earners are unlikely to receive unemployment payments. Indeed, an increase in tax rates to pay for higher unemployment benefits+ may even reduce the financial wellbeing of those paying more tax, albeit marginally. But, despite the complexities, there are two equally important questions that our moderated mediation model generates – why or how is financial wellbeing changing and who has it changed for?

The influence of the meso-level on the macro-level and vice versa

There are numerous instances where the meso and macro-level influence each other and individuals experience the ramifications (positively or negatively). As above, policy changes (macro-level) to the Australia's Superannuation Act directly affect the expenditure of businesses (meso-level) that pay superannuation to their employees. Likewise, Australia's Reserve Bank (macro-level) sets wholesale interest rates, which affect the interest rates that banks (meso-level) set for their clients. Changes to interest rates influence the expenses coming out of a household and/or the income coming in. There are also regulatory bodies (macro-level) whose role it is to set boundaries around and monitor the behaviours of businesses. One of the roles for the Australian Investment and Securities Commission is to monitor the behaviour of Australia's financial institutions following a large-scale inquiry. Several financial institutions were required to pay fines to a purposefully formed intermediary (meso-level) whose role it is to fund community projects (meso-level) aiming to improve financial capability (micro-level). The meso-level can also affect the macro-level. For example, the influence of the tobacco industry (meso-level) on political decision making is well documented (Cairney, 2020). Likewise, there are numerous peak bodies, advocacy organisations, and charities whose purpose is to influence policy for the benefit of their constituents.

The influence of the micro-level on the meso and macro-levels

While meso and macro-level drivers influence the micro-level, the relationships are also reciprocal and cyclic. For example, low income (micro-level) has increased some individuals' reliance on predatory lenders (meso-level) to meet expenses, and this led to an influx of these lenders (Marston & Shevellar, 2013). This influx prompted government regulation (macro-level) of this sector (Buckland et al., 2020) as well as the emergence of organisations providing alternative loan systems (meso-level) (Godinho et al., 2018).

In the same way that opportunities to improve financial wellbeing are unequally distributed, the capacity of individuals to shape and change the meso-level and the

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macro-level is unequal. In terms of driving macro-level change, individuals that are disadvantaged relative to their peers tend to face additional barriers to engaging in the political process (Brown, 2017). This makes driving change through policy reform harder for them to accomplish, and policy generally less responsive to them compared to their more advantaged peers (Erikson, 2015). Likewise, greater wealth (micro-level) provides one with more power to influence political decision making (macro-level) (Christiano, 2012), while less wealth has the opposite effect.

Discussion

Financial wellbeing outcomes are complex because they are produced through numerous multi-level dynamic interactions. Our model has described how the different system layers act interdependently and combine to influence financial wellbeing, arguing the effect of meso and macro-level drivers on financial wellbeing depend on an individual's characteristics. Micro-level drivers act as a conduit for filtering the effects of policies, large scale events, social structures, and organisational behaviour on individuals' financial wellbeing, while simultaneously interacting with each other. We also argue there are cyclic relationships where an individual's micro-level characteristics (e.g. wealth) can influence (1) the macro-level through the unequal distribution of power, and (2) the meso-level as organisations respond to, for example, consumer demand. These relationships reinforce and amplify existing inequalities, and are akin to positive feedback loops, which are an integral component of system thinking approaches (Meadows, 2008). This final section describes what our model means for policy development.

Managing symptoms while ignoring root causes can emerge from managing multiple stakeholders on politically controversial issues, as stakeholders avoid engaging with the underlying structural issues. This is present in the formulation of multiple interventions that are designed to improve financial wellbeing in Australia. We highlight this in two examples below – which represent politically contentious policy interventions. Contentious policy areas can help identify the competing logics present in policies, and highlight the extent to which policy may be undertaken with poor evidence. As with the model above, both examples demonstrate the importance of structural factors for financial wellbeing outcomes, and the role politics plays in shaping financial wellbeing policy.

Policy example 1: affordable housing

In Australia, housing is the single largest household expense (ABS, 2017). This means that home ownership is a key predictor of good financial wellbeing, and macro-level policies that impact housing affordability are crucial to understanding financial wellbeing in Australia. Over recent decades Australia has experienced significant issues around the increasing age of first home ownership and declining housing affordability (Pawson, 2018). This has important implications for the financial security of households over the longer term, as accessing the housing market later in life translates into a longer period of paying rent, reducing the overall savings which individuals have for retirement.

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Policymakers have sought to address the issue of housing affordability through a variety of different policy mechanisms, which have largely failed (Pawson, 2018). One mechanism demonstrates the system trap of 'seeking the wrong goal', which is a system trap where there is inadequate conceptualisation of the purpose for an intervention in a system, resulting in the wrong goal being sought (Meadows, 2008). With more careful analysis of both the intervention being developed and the goal, it would be clear that the intervention would be unlikely to achieve the outcome being sought.

Currently the Australian government has a long running policy of offering cash grants and stamp duty concessions for first home buyers, known as the First Home Owner Grant (FHOG). The goal of the FHOG is to increase first home buyer purchasing power by increasing the amount of money that individuals have available to them when purchasing their first home (Pawson et al., 2022). However, the problem is that giving people more money for a deposit does not resolve the issue of prices being too high *and* property sellers can simply price the additional payments into their price, such that the price for new homebuyers goes up to match the increased subsidy which is available (Pawson et al., 2022). Since not all new homebuyers can access the payment/concession, it makes it harder for them to access the market, without reducing the challenges that other individuals with access to the support will still face. This policy area affects many middle- to upper-income households in Australia, significantly impacting their ability to accumulate savings and plan for the later periods of their life – as they continue paying rent while they delay entering the housing market. This results in a transfer of wealth into those who already own housing, which is driving a growing differentiation in economic security in Australia along the lines of who can access the asset market, and exacerbating issues of economic inequality (Adkins et al., 2020).

Where this represents a failure of financial wellbeing policy, and indeed a policy problem more generally, is the extent to which this represents a policy formulated to address the symptom (housing prices) without addressing the structural divers which produce housing unaffordability (the policies which support the utilisation of housing as an asset). While the policy failure is relatively obvious, so too is the core driver of the reason policy in this area remains stagnant. The key issue is the role that property values play in the Australian financial system and political landscape (Pawson, 2018). Arguably efforts to reform the role of the rental market (through the value of concessions to property owners) played a key role in Labor losing the 2019 election.

Following the mediation logic of our model, the FHOG is a policy (macro-level) that intends to increase the available deposit (micro-level – economic characteristics) of first home buyers so they can become homeowners (micro-level – economic characteristics). In terms of moderation, the policy was designed to only improve home deposit levels and home ownership among those who do not yet possess their own home. In reality, this policy only benefits the sellers or people that *already* own their own home. This is because the policy has not considered the basic concept of supply and demand (macro-level – economy). The lack of affordable housing supply is a stronger driver of first home ownership than first home buyers' available wealth. This does not mean that an individual's savings are unimportant; rather, that forces outside of their control are more influential and should be the focus of policy intervention.

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Policy example 2: social security

Social security is another policy area which is closely connected to financial wellbeing. Who can access social security support, and how much support they can access, has a significant impact on financial wellbeing (Bourova et al., 2019). This means that the filtering mechanisms which govern access to support are important, and in countries like Australia, access to support is becoming increasingly conditional (Collie et al., 2021; Considine et al., 2022). Recipients of payments need to undertake various activities which are theoretically designed to improve the likelihood that they will transition into employment (Scarano, 2023). However, the evidence suggests that they do not fulfil this function, and instead they are experienced as a punitive form of compliance activity which serves little purpose (Peterie et al., 2019). In turn, they represent a compliance or rule driven activity which subjects find demeaning and ill-suited to improving their employment prospects (Casey, 2020).

When rules are poorly formulated, they can cause the system trap of 'rule beating'. Rule beating occurs when a rule is introduced that is meant to help produce a desirable outcome, but because of poor design the purpose of the rule becomes undermined while the rule technically still being followed (Meadows, 2008). One particular policy mechanism which has been critiqued is through the labour market activation policy referred to as Mutual Obligations (Peterie et al., 2019). As part of the Mutual Obligations framework, recipients of JobSeeker[1] payments are required to submit ten job applications per fortnight to maintain eligibility for their payments. The purpose of this rule is to promote social security recipients applying for jobs, and therefore entering the labour market, which will increase their income and through that have a positive impact on their financial wellbeing. However, the rule is aimed at the quantity of job applications, rather than the quality of applications, or the suitability of the fit for the applicant, and can thus push people to apply for jobs they are not suited to or likely to stay in for any meaningful period of time (Casey, 2020). It can also create issues for employers, by increasing the number of applications that they need to filter through for jobs that they advertise – impacting their ability to find the right candidate for the role.

Referring back to our model, JobSeeker is a policy (macro-level) intended to increase income (micro-level – economic characteristics), but only for the unemployed. The intention is to reduce government spending (macro-level) by reducing the amount of social support given to those deemed "ineligible". In reality, the requirement can create administrative burden for employers (meso-level), which can negatively impact their income, potentially affecting their ability to employ individuals. There is also significant administrative work created to monitor the compliance requirements (Considine et al., 2022), potentially offsetting any cost savings generated by reducing the number of social security recipients. In other words, the policy aims to improve the financial wellbeing of social security recipients by transitioning them onto employment. However, it can actually make finding employment more difficult (Casey, 2020).

Financial wellbeing and social structures

Significantly more policy attention has been paid to the micro-level drivers than the social structures that create and maintain them. This represents a 'bandaid' scenario and is an important reason why discrepancies in financial wellbeing persist. In part,

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the relative lack of focus on social structures is because they are seen as inherently difficult to shift when compared to individuals, who are often seen as malleable and easier to change (Brown et al., 2020). In turn, where there are efforts to drive structural changes, they are often undertaken through policies and programs designed to change individual behaviour at the micro-level. This is reflective of the neoliberal approach to risk, where individuals are characterised as responsible for their position, regardless of the role that structures play in producing the challenges to improving their financial wellbeing that they face (Brown et al., 2020).

A focus on the micro-level is reflected in efforts to improve financial wellbeing outcomes through financial capability education. This education operates through the logic of making people better decision-makers, without changing the decision-making environment that the person faces (Brown & Bowman, 2020). The effectiveness of this approach is questionable, and despite persistent calls by some for financial capability to be taught in schools (a policy or macro-level solution), the literature provides very limited evidence of any long-term benefits for financial wellbeing (Birkenmaier et al., 2021). This is not surprising given the multitude of factors that can affect financial wellbeing but are outside of an individual's control. Yet it does mean social policy may be better placed to focus on mitigating the factors (e.g. social structures) beyond the micro-level.

The pervasive influence of social structures on financial wellbeing suggests that while legislation can produce some positive changes, ultimately social policy needs to go further than legislation to properly address discrimination and unequal opportunity. For example, there is evidence that legislation alone can be ineffective in protecting older workers' employment opportunities, or in ensuring that credit scores do not result in racial discrimination (Wherry et al., 2019). Further to this, there needs to be attention paid to the complex challenges that people face in accessing support which is provided through government policy. For example, demonstrating eligibility to access disability support payments can be challenging, and preclude people accessing support to which they are entitled because they cannot meet the administrative requirements of the program (Brown et al., 2022).

Conclusion

Bringing a systems perspective to the analysis of complex policy issues will help to develop a compelling case for policy change and shift the focus away from addressing symptoms towards the causes of issues. This paper demonstrates that using a systems approach can help us understand the complexity present in improving individuals' financial wellbeing. We outlined some of the challenges present in developing policies to improve outcomes in drivers of financial wellbeing through the examples of affordable housing and social security. We highlighted how elements of such drivers from individual, to organisational, to social and structural levels interact with each other and shape the impact of policies to improve financial wellbeing. The model we have provided, thus, helps to shed new light on how to understand one particular complex policy issue – improving financial wellbeing – but it has broader application to other social policy areas as well.

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The argument developed throughout the paper has implications for how we conceptualise the challenges present in complex policy areas like financial wellbeing, and how policymakers might go about improving outcomes in them. Yet there is much more work to be done to properly develop a systems approach to complex policy issues. This is evident in the model we present for financial wellbeing – while it improves on previous efforts, there is scope for refinement. For example, while we highlight the importance of recognising interdependence between the barriers to improving financial wellbeing, future work can look to quantify the strength of different interconnections. This can be done by explicitly deploying systems analysis approaches to map and analyse the dynamics of the financial wellbeing system. For example, future work might employ systems effects methodology to identify the interconnections between barriers to improving financial wellbeing, which has been used in the past to map the interconnection between barriers to improving food security in migrant communities (Craven, 2017). Furthermore, by employing a systems perspective, policymakers will be better equipped to address the interdependent nature of the problems that exist in a complex world, rather than providing policy solutions which only partially resolve an issue driving low financial wellbeing for a target cohort. As has been identified for improving outcomes for low financial wellbeing cohorts like the long-term unemployed, when facing complex challenges collaborative approaches which seek to address the interconnected barriers to success are needed (Andersen et al., 2017). Our paper shows that there are still deep levels of complexity to be untangled in the relationships between the drivers of financial wellbeing outcomes, and it highlights that there is also work for social policy scholars to identify what best practice solutions look like in a systems environment.

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Note

1 JobSeeker is Australia's main unemployment social security support payment.

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