
YOUTH SERVICE AND MONEY MANAGEMENT IN NEW ZEALAND: PRELIMINARY RESEARCH FINDINGS

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OF COMPULSORY INCOME MANAGEMENT POLICIES'
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1

INTRODUCTION



IMAGE: Guillaume de Germain

1. INTRODUCTION

The Youth Service was established in 2012 to support three key groups:¹

- 16 and 17 year olds (and some 15 year olds) who are Not in Employment, Education or Training (NEET) or young people who are at risk of moving into this category;
- 16 to 19 year-old young parents who receive Young Parent Payment (YPP)²
- 16 and 17 year olds who cannot live with their parents or guardians, or be supported by them or anyone else, who receive the Youth Payment (YP).

In September 2018, there were 1709 young people receiving YP/YPP, while 11,181 were identified as NEET.

This report documents preliminary findings from research focused particularly on Money Management, where all or part of an income support recipient's benefit is quarantined so they do not have complete control over how they spend it. Money Management affects only YP and YPP recipients, so the research does not address the Youth Service component focused on NEETs. Further research publications will focus on the comparison between New Zealand and Australia.

1.1. YOUTH SERVICE IS A UNIQUE POLICY EXPERIMENT

In the New Zealand context, the Youth Service is unique for three reasons:

1. Youth Service providers are non-government organisations contracted to deliver on-going support and guidance for each young person, including purchasing and coordinating budgeting/parenting programmes and referring young people to education, training, work-based training or other developmental opportunities. For this, providers receive performance payments when the young people are enrolled in the service, meet educational, parenting and budgeting outcomes and when they achieve educational qualifications and/or remain off a main benefit and out of prison for three months after exiting the service.

This is a relatively new model for funding social services and unique for services focusing on young people. There are currently 36 Youth Service providers around the country, plus two Work and Income sites that offer the Youth Service to act as a 'control group' to assess the relative benefits of contracting out the service;

¹ A small number of 16 or 17 years old, who have no dependent children and are the partner of a main Work and income beneficiary, and 16 to 19 years old, who have a dependent child or children and are the partner of a main Work and income beneficiary may also receive the YP or YPP respectively. However, their numbers are very small.

² Originally only 16-18 year olds were targeted but this was extended to 19 year olds in 2015.

2. YP and YPP recipients are the only income support recipients not serviced by Work and Income, New Zealand's income support agency. Instead, Youth Service providers support the young person to apply for YP/YPP and then make recommendations to the Youth Service Support Agency (YSSU) as to whether YP/YPP recipients have met their educational, budgeting and (where relevant) parenting obligations sufficiently to attract \$10 per week incentive payments (or conversely, to be subject to financial sanctions). YSSU is part of the Ministry of Social Development (MSD) but is run separately from Work and Income;
3. YP and YPP are the only income support recipients in New Zealand subject to Money Management. This is where most of the benefit income is paid directly to a landlord/utilities, up to \$50 is paid as a cash In-Hand Payment and the remainder is placed on a Payment Card which can only be used at specified suppliers and cannot be used to purchase alcohol, cigarettes or electronic goods. Benefit recipients are usually subject to Money Management for at least several months until they meet their educational obligations but many remain on it for much longer because they are not deemed 'financially competent' by the provider and/or YSSU.

For these reasons, it was important to conduct an independent study of Youth Service and, in particular, Money Management. The research suggests that, while the policy-making process does not appear to have been unusual, there is no evidence that MSD undertook research with young people prior to the Youth Service's establishment to determine whether they demonstrated poor

This research fills an important gap in our knowledge about the fundamental assumptions behind the Youth Service and Money Management and whether they are able to ensure the well-being of young people as they are supported in the transition from childhood to adulthood.

financial behaviours and thus whether Money Management was necessary. Nor have previous MSD evaluations focused on Money Management, while the 2018 internal review of Youth Service considered Money Management and the operations of YSSU 'out of scope'. This is troubling since existing evidence about the effectiveness of income management programmes already running in Australia was mixed at best. Although I

understand that the Minister of Social Development in 2012 was influenced by policies in the United Kingdom and the United States for the Youth Service more generally, neither country employed income management and use of electronic cards similar to the Payment Card was voluntary.

Moreover, since some of the ideas reflected in the Youth Service (including income management) were discussed by the Welfare Working Group commissioned to recommend reforms in social security in 2010, no formal public consultation process was undertaken prior to the establishment of the Youth Service. Yet submissions on and political debate about the 2012 legislation introducing the Youth Service and the 2015 legislation extending it to 19 year old parents both suggest there were considerable reservations, particularly about the use of: non-government

providers to assist a group of benefit recipients via a performance payment model; Money Management; and an actuarial 'social investment' model to predict that young people and sole parents represented the highest potential cost to the state and thus should be targeted for intervention.

This research fills an important gap in our knowledge about whether the fundamental assumptions behind the Youth Service and Money Management were appropriate and whether they are able to ensure the well-being of young people as they are supported in the transition from childhood to adulthood.

1.2. THE RESEARCH PROJECT

The New Zealand research is part of a broader project called 'Conditional Welfare: A Comparative Case Study of Income Management Policies' being conducted with Australian researchers Professor Greg Marston (University of Queensland), Associate Professor Philip Mendes (Monash University), Dr Shelley Bielefeld (Griffith University) and Dr Michelle Peterie (University of Queensland). At present New Zealand and Australia are the only two countries to implement income management (known in New Zealand as 'Money Management'), although pilots are experimenting with electronic payment cards exist to differing degrees in the United Kingdom and the United States.

At present New Zealand and Australia are the only two countries to implement income management (known in New Zealand as 'Money Management'), although pilots are experimenting with somewhat similar types of payment cards in the United Kingdom and such payment cards also exist in the United States.

The New Zealand component of the research involved individual or group interviews with:

20 YOUNG PEOPLE FROM ACROSS THE COUNTRY

- 12 YPP recipients (all female, 8 of whom identified as Māori, 3 as European/Pākehā³ and 1 as Pasifika)
- 5 YP recipients (all female, 3 of whom identified as Māori, 1 as European/Pākehā and 1 as both Māori and Pākehā)
- 3 who had transitioned to Student Allowance or Sole Parent Support (2 female, 1 male, 2 of whom identified as Māori and 1 as both Māori and European/Pākehā)

³ A Māori word used to describe New Zealanders of European background that is commonly adopted by many – but not all – New Zealanders with such origins.

16 YOUTH SERVICE EMPLOYEES FROM 9 DIFFERENT PROVIDERS IN 6 CITIES/REGIONAL AREAS IN BOTH THE NORTH AND SOUTH ISLANDS

- 4 providers had a Māori-specific focus
- 4 were educational providers, 3 specialised in family services, 1 had a specific youth focus and 1 was a Work and Income-based Youth Service
- Employees included Youth Service managers, team leaders and youth mentors (with the latter engaging directly with YP/YPP recipients on a daily basis)

8 WELFARE ADVOCATES OR SOCIAL SERVICE ORGANISATION REPRESENTATIVES WHO ASSIST YP OR YPP RECIPIENTS

3 STAFF FROM MSD

3 POLITICIANS FROM DIFFERENT POLITICAL PARTIES

Provider employees were recruited by contacting the main contact person listed on the Youth Service website, although often other employees were also organised by that person to take part in the research. 18 of the YP/YPP recipients were recruited through Youth Service providers, who kindly assisted with advertising the research and often arranged for young people to meet me on Youth Service premises. The other two were recruited via Facebook pages targeted towards income support recipients. Welfare advocates and social service organisations were also contacted to see if they were regularly engaging with YP/YPP recipients. These organisations included Work and Income welfare advocates, community law centres and one-stop-shop organisations servicing youth people.

Legislation, operational guidelines and other policy documents were also examined but the findings here focus largely on the interview data from the different types of interview participants and are organised around three key themes: the Youth Service model; Money Management; and operational issues.

2

FINDINGS



IMAGE: rawpixel.com

2. FINDINGS

2.1. YOUTH SERVICE MODEL

To provide a context for the findings on Money Management, which was the main focus of the research, it is important to consider the broader Youth Service model that shapes the experiences of young people and Youth Service staff.

2.1.1. YOUTH SERVICE IS IMPLEMENTED BY PASSIONATE AND WELL-INTENDED ADVOCATES FOR YOUNG PEOPLE

There is little doubt that most Youth Service employees working at the ground level and MSD staff working at the policy level are doing their best to ensure that the Youth Service works for young people as well as possible. Many Youth Service staff are trained in youth work or related disciplines and have the relevant cultural and professional knowledge and skills to successfully work with young people. In particular, the Youth Service mentors frequently see themselves as advocates for their clients and attempt to develop a trusting relationship with young people to support them in establishing life goals and skills. Although not all young people viewed their mentors as succeeding in this goal, many of them did and were grateful for the assistance they had received. Welfare advocates were less positive and highlighted that at least some providers 'talk down to' young people and tended to treat them as numbers not human beings. They also heard that some young people are not being told of their full entitlements because Youth Service mentors are unaware of or reluctant to reveal such information.

2.1.2. THE YOUTH SERVICE MODEL CAN ALLOW FOR A MORE WELCOMING AND SUPPORTIVE ATMOSPHERE THAN AVAILABLE TO OTHER INCOME SUPPORT RECIPIENTS

The Youth Service model, overall, contrasts markedly with the 'toxic culture' that has historically shaped Work and Income engagement with income support recipients. Although some Youth Service offices were more formal than others, most put a lot of effort into making the Youth Service a space where a young person and their family could feel relaxed comfortable, drop in any time and in many cases make use of the kitchen and common areas. Youth Service mentors also often pick young people up and drop them home again when transportation is needed, go to the homes of young people for meetings, initiate multiple text or phone call reminders to attend appointments and otherwise attempted to break down barriers that inhibited engagement either with the Youth Service or with the courses needing to be completed to meet their obligations.

This welcoming and supportive environment was particularly noted by mentors who had previously worked at Work and Income and by the small number of young people I spoke to who had direct

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experience of Work and Income. I also heard that when a Work and Income-run Youth Service had been co-located within the same building as Work and Income, it had struggled to provide the welcoming environment offered by other providers. For instance, the Youth Service wished to offer free food and drink to young people but felt uncomfortable doing so because this was not available to income support recipients dealing with Work and Income. In addition,

following a 2015 shooting incident in an Ashburton Work and Income office, security increased making even entering the building a challenge for many young people. These issues have been resolved by meeting young people off site and then eventually relocating to a different building, but such examples highlight the very different ethos driving the two services. Even given recent 'front of house' changes at Work and Income, there is a lot that this social security agency could learn from Youth Service in terms of developing a welcoming environment and culture.

2.1.3. BUT THERE ARE TENSIONS BETWEEN THE YOUTH SERVICE STRUCTURE/COMPLIANCE FRAMEWORK AND A STRENGTHS-BASED YOUTH DEVELOPMENT APPROACH

While aspects of the Youth Service work well, the structure supporting the Youth Service does not currently facilitate the goal of supporting and mentoring young people at a crucial period in their lives as well as it could or as consistently as one might expect given the level of national level monitoring involved. Once again, I stress that many Youth Service staff are doing a fantastic job – but this is often in spite of a structure that can at times inhibit strong, trusting relationships and a compliance framework that focuses attention on activities not centred on youth wellbeing.

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THERE ARE MANY BARRIERS TO BUILDING A TRUSTING RELATIONSHIP BETWEEN THE YOUTH MENTOR AND YOUNG PERSON

A major barrier is the fundamental tension between the two roles each Youth Service mentor is expected to fill: on one hand, Cabinet documents envisaged mentors playing a 'quasi-guardian role'

that supports, encourages and mentors a young person. On the other hand, mentors are required to monitor and make recommendations regarding obligations, incentives and sanctions that have a significant financial impact upon young people's lives. Importantly, although providers said they went to great length to highlight that YSSU made the final decisions, many young people and/or their supporters did not understand or believe this. In some cases, they got angry when mentors recommended decisions they did not agree with and sometimes asked to change mentor as a result. Although this problem was reported to be more common when the Youth Service model was first rolled-out and many people were unclear as to how it differed to the Work and Income model where case managers *are* responsible for final decisions, the tension caused by the dual role remains. It is important to acknowledge that not all providers saw this as a major problem, with some mentors likening it to a parent who must act as both a provider of love *and* discipline; in addition, many young people and providers reported strong and trusting relationships despite these dual roles. It is also noteworthy that some providers wanted to resolve this issue by taking on more responsibility to make decisions without having to engage with YSSU but others did not.

A second, inter-connected barrier is that providers are tasked with monitoring young people's compliance with obligations rather than youth development outcomes. Many providers felt that the compliance-focused nature of the Youth Service frequently inhibits the youth work focus that they think is the key aspect of their job. One Youth Service employee described getting very angry when MSD newsletters reported a significant increase in the number of young people in education or exiting a benefit. This is because she felt that these outcome measures hid the real story of what

Most Youth Service providers supported the idea of requiring young people to meet obligations but thought that these should focus on more meaningful or ongoing outcomes. They argued that the current compliance-focus means that many smaller achievements are not being recorded, missing a significant part of a young person's development and life.

was happening with young people who may have met the education obligation but not completed the course or who might have come off a payment not because they moved into work but simply because the stigma or red tape was just not worth the effort. Welfare advocates report knowing of many young people in the latter group who are living rough on the street or in similarly precarious situations. However, current reporting does not appear to allow the exact number of such people to be calculated.

In addition, most Youth Service providers supported the idea of requiring young people to meet obligations but thought that these should focus on more meaningful or ongoing outcomes. They argued that the current compliance-focus means that many smaller achievements are not being recorded, missing a significant part of a

young person's development and life. Reporting focused only on whether a young person met an obligation or not misses the essence of the conversation the mentor had with them or the other aspects of their lives that had to be mediated to get to the point where the obligation could be met. This was particularly important for young people with learning disabilities, for whom two youth mentors thought the educational obligation was inappropriate because such young people are

often unable learn in the same way or at the same speed as other young people. As such, other outcome measures than qualification completion are needed. Important activities such as volunteering, family responsibilities or cultural obligations also do not 'count' according to the reporting system, even if they do matter to the young person and help to demonstrate relevant maturity, skills and knowledge. Nor does the system count all of the one-on-one, often intensive forms of assistance that mentors have provided to ensure that an obligation is fulfilled and thus the young person is not sanctioned.

A third issue that appeared to be a problem in some regions was high turnover amongst Youth Service staff – this meant that the young person needed to change mentor and start all over again trying to trust a new person. Although high turnover was reported as more of a problem in the NEET part of the service than YP/YPP, it clearly acts as a barrier to young people feeling they can trust, engage and be honest with someone who has come to know them well and who will keep their best interests at heart.

NOT ALL YOUTH MENTORS ARE TRAINED AS YOUTH/SOCIAL WORKERS

There is no requirement in provider contracts that all or a significant proportion of mentors be social work/youth work trained. While some providers employ advisors with youth work or social work backgrounds, others employ people who previously worked for Work and Income or in other professions. Provider managers tended to indicate that an ability to engage with young people was more important than formal qualifications. Even if ability to engage is given the highest priority, it remains that some mentors are far more skilled and experienced in the youth work aspect of the role than others. I also heard that some people who had been previously been trained in Work and Income environments were not always suitable for the mentor job, because they focused more on compliance than youth engagement. However, I also spoke to at least three youth mentors with that background who were relishing the opportunity to engage more deeply with clients through Youth Service, noting that being able to work with the same young people week after week made their job more enjoyable than their time at Work and Income.

PROVIDERS CANNOT ENGAGE WITH YOUNG PEOPLE WHO ARE OUTSIDE/MOVE AWAY FROM THEIR CONTRACTUAL GEOGRAPHICAL BOUNDARIES

Providers are contracted to service a particular regional area or, in one city, part of an urban area. One provider noted that this sometimes created difficulties when a young person could not engage with the same provider as their friends or family or with a provider where they have existing relationships with the staff because they did not live in the same area. Another provider noted that there are considerable problems with transience, especially for the YP population in regional areas, which means that when a young person moves they may be transferred to another provider but the original provider would not know this has occurred and it is possible that some young people do

not re-engage in the new location or move so frequently that it is difficult to ever develop a long-term relationship. In this sense, Youth Service contract boundaries can sometimes inhibit the development and maintenance of enduring, trusting relationships between providers and young people.

MANY YOUNG PEOPLE DO NOT KNOW THEIR RIGHTS OR WHO TO TURN TO IF THEY HAVE ISSUES WITH THEIR YOUTH SERVICE PROVIDER OR IN ACCESSING THEIR ENTITLEMENTS

In theory, young people are able to make complaints about their Youth Service provider and/or to seek a review of decision about their application for payment or a food grant. Providers told me that they informed young people of these rights, usually by pointing out a small section on the back of a Youth Service pamphlet. Clearly this information is not being absorbed or remembered by young people, since none of the young people I interviewed were aware of these rights. Although most felt comfortable bringing up an issue directly with their youth mentor, this becomes more difficult when the problem is with the mentor, particularly given the obvious power relationships and self-interest embedded within the Youth Service structure (in that providers receive performance payments based on their engagement with young people). Young people often had no idea who else they would turn to in the organisation or that they could call a Work and Income 0800 number to escalate any issues. Indeed, this seemed strange to them given they do not deal with Work and Income to receive their payment or to engage with Money Management. Welfare advocates also suggested that calling the number was unlikely to successfully resolve any issues the young person had and often a complaint was escalated and addressed only after they got involved.

In many cases, providers said they were proactively advocating for young people and attempting to resolve the issues they faced, but it is problematic that at least some young people do not know they have certain rights or how to activate them if needed.

In many cases, providers said they were proactively advocating for young people and attempting to resolve the issues they faced, but it is problematic that at least some young people do not know they have certain rights or how to activate them if needed. While there is a well-established network of welfare advocates around the country to assist income support recipients engaging with Work and Income and to ensure applicants are having their entitlements met, there is no such equivalent specific to YP/YPP recipients. Many Work and Income advocates are, nonetheless, assisting young people who have contacted them via Facebook pages, through other social services or via word-and-mouth. They report that providers are frequently not clear on the rights and entitlements available to income support recipients established in the Social Security Act. Moreover, mentors sometimes appeared to want to override these rights to ensure 'sound financial management'. For example, an advocate explained that a provider might discourage a young person from establishing debt because they are concerned about the long-term implications, yet

the young person does not currently have food in the house or more than one set of clothes. In this sense, their basic needs are not being met yet the idea of being 'financially competent' takes priority.

Other social service agencies, including community law centres, often direct young people to a Youth Service to seek entitlement but do not appear to be providing significant assistance with issues that occur after payment has been approved. While on one hand, this might mean that most young people's needs are being successfully met through the Youth Service, welfare advocates suggest the number they are assisting and the problems they are asked to solve are significant enough to warrant concern.

ENTRY AND EXIT TO THE YOUTH SERVICE IS NOT AS SMOOTH AS IT SHOULD BE, INHIBITING YOUTH WELLBEING

There are multiple ways that young people hear about the Youth Service – some are told about it by relatives, some are redirected by Work and Income, some learn about it through teen parent units and some meet a Youth Service worker who is engaging with organisations and communities. Overall, knowledge about Youth Service in the community seems relatively low so there is a strong possibility that some young people are missing out on YP/YPP and Youth Service. Moreover, I frequently heard that Work and Income simply tells a young person that it cannot help them without always providing a list of Youth Service providers who could assist; in one case reported by a welfare advocate, a young mother attempted suicide after Work and Income refused assistance and she felt she had nowhere else to turn.

I frequently heard that Work and Income simply tells a young person that it cannot help them and they were not even provided with a list of Youth Service providers who could assist; in one case reported by a welfare advocate, a young mother attempted suicide after Work and Income refused assistance and she felt she had nowhere else to turn.

Youth Service staff do not specifically 'recruit' YP/YPP recipients (as they do for NEETs), so they must usually wait until someone is referred to them. At that point, they are expected assist young people to complete an application. This was something particularly appreciated by young people who had received assistance, given they found the YP/YPP application process extremely challenging to complete by themselves, but there were also some reports where assistance was not forthcoming or was only reluctantly provided. Welfare advocates and providers also reported that if a young person had previously been on Job Seeker Support, the main unemployment benefit, then became pregnant or had a family breakdown and were transferred to YP/YPP, they were often not informed by Work and Income that they would lose full control over their benefit income under Money Management. Having the mentor break this bad news meant a rough start to young person/mentor relationships.

If a young person's application for YP/YPP is declined, then their name disappears from the Youth Service database and it is also difficult for providers to get information about them and advocate on their behalf if a review of decision or other support is needed. While the young person can be transferred to being a NEET with the provider if they sign a NEET enrolment form, it is still difficult to get feedback on a review decision. This does not support a youth-focused model of support.

Concerns were also raised by both providers and advocates that young people received very intensive case management through the Youth Service from age 16 through to 20 but were then left to fend for themselves once they 'aged out'. Of course, such an expensive service cannot continue forever, but some young people struggled with the new freedom gained after being heavily monitored and mentored, particularly when it comes to spending. Others actually needed the chance to seek guidance and be supported by a mentor around a range of issues, not just money. While a small number of providers indicated that some young people did still drop by to catch up or seek advice and they welcomed this ongoing engagement, they are not funded for this activity (asides from one check-up three months after exit from the service). Moreover, those who transitioned to a main benefit soon found that the experience of dealing with Work and Income was very different and they no longer had an advocate willing to raise issues for them if needed.

2.2. MONEY MANAGEMENT

Income management is a relatively new policy tool internationally and, as noted earlier, New Zealand is one of only two countries where it has been fully implemented. No other New Zealanders, including no other group of income support recipients, are subject to Money Management. One would, therefore, assume that there would be strong rationale for intervening in young people's lives in this way, particularly as it is both time and resource intensive. Yet this is not the case and, worse, Money Management is not achieving its intended goals and having some unintended negative consequences for young people.

2.2.1. MONEY MANAGEMENT IS BASED ON UNTESTED ASSUMPTIONS

Money Management is based on two key assumptions. One is the idea that young people do not have the right skills and knowledge to responsibly spend their income. However, no research was conducted into young people's financial management behaviours before introducing Money Management in 2012 and none of the previous Youth Service evaluations have considered the effectiveness of Money Management or the budgeting aspects of the Youth Service specifically.

This study has not been able to assess young people's behaviours prior to engagement with Youth Service providers and Money Management but several findings suggest that the assumption that young people all have problems with money over-generalises their experiences, skills and knowledge for the following reasons:

- Many providers indicated that some young people, particularly those on YPP, already have good budgeting skills and/or clear financial goals with some sense of how to achieve them (often through paid work). These tend to be the ones who appreciate Money Management. On the other hand, others clearly spend their income with little planning or thought about the future. Some of these young people appreciate Money Management because they acknowledge these behaviours are not ideal, while others actively resist any restrictions over their income.
- Given these different starting points, we have no way to be certain that Money Management actually makes a difference to young people's financial management. This is because after completing Money Management, some young people do have the ability to budget, save and plan ahead but others clearly do not even after meeting their budgeting obligations and being mentored for several months. I have heard lots of horror stories of young people building up debt on hire purchases or through unpaid fines once they come off Money Management, which suggests that it has not worked effectively as a behaviour modification tool.
- Although providers were generally confident that Money Management must be making a difference, even those who were initially dubious about its potential effects, no provider nor MSD appears to be measuring any change in competency. The criteria cited in the operational guidelines for 'financial competency'⁴ do not assess whether any *change* in competency has occurred and, indeed, do not appear to be in line with Organisation for Economic Co-operation and Development core competency guidelines regarding financial capability. Money Management also does not appear to be informed or influenced by

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⁴ 'Financial competency' is defined as the young person having earned their budgeting incentive and shown consistent, sound financial judgement which may include:

- the client spending their in-hand allowance on items that are appropriate for their situation;
- any hardship assistance accessed is justified ;
- the client has lowered their costs;
- the client has found a part-time job and is managing the money they receive from that in a way that is appropriate for their situation.

research and work regarding financial literacy going on in other parts of government (for example, the Commission for Financial Capability).

A second key assumption is that if poor financial management is not addressed early in the life course, young people will go on to spend long times reliant on government financial assistance. This view was influenced by the previous National-led government's actuarial risk modelling ('social investment'), which showed that if young people receive an income support payment before adulthood, then they are predicted to spend long periods of time over a number of years on income support. However, not only has such modelling been widely criticised but there is also no direct link between financial knowledge and skills and benefit receipt. Indeed, many studies demonstrate that the only reason many income support recipients struggle with money is due to lack of sufficient income.

Although providers are required to report on YP/YPP recipients three months after they have exited the service to assess their outcomes, this engagement is focused on whether they have returned to an income support payment, in education/training or employment or are in prison. There appears to be no follow-up on financial management. Thus, providers talked of how they 'hoped' Money Management worked but the only evidence they could provide was anecdotal and incomplete. As such, we have no idea if being involved in Money Management improves financial management in the long-term.

2.2.2. MONEY MANAGEMENT MAY IMPROVE FINANCIAL STABILITY BUT NOT NECESSARILY FINANCIAL CAPABILITY

This research distinguishes whether Money Management contributes to improved *financial stability* and/or improved *financial capability* and there was some agreement amongst interview participants that it may improve *stability* by ensuring that rent is paid on time, so young people keep a roof over their head. In many cases, young people were paying board so generally food was also secure. Given a shortage of rental accommodation in many New Zealand locations and that few landlords want to rent houses to young people (and individuals cannot legally sign a tenancy until age 18), the work that mentors do to help young people into accommodation is significant and important. Some young people reported living for long periods in motels, sharing with family who did not really have the space and 'couch surfing' before secure housing was gained. Welfare advocates also knew of young people living rough on the streets or in cars during this period.

I heard from both young people and providers that some YP/YPP recipients are able to use the Payment Card to save money for the future. For some this was only small amounts but a minority

A lack of control over their own income actually makes some young people more rather than less vulnerable to poverty and other outcomes of insecure income.

accumulated several thousand dollars. These tended to be people living in stable households where familial support was significant and, of course, such young people may have saved money in a normal bank account if the Payment Card did not exist. However, it is also notable that some young people said they saved only because they forgot they had a Payment Card or because the suppliers who accepted it were so limited that they found it difficult to use this money. This is particularly the case given the majority of YP/YPP recipients are paying board, which is supposed to include meals, so supermarket suppliers

are not necessarily that useful for them.

There were also reports of landlords that are exploitative and do not provide the meals for which they are paid, suggesting that a lack of control over their own income actually makes some young people *more* rather than less vulnerable to poverty and other outcomes of insecure income. More generally, redirections ensure financial stability for *landlords* while often leaving young people with extremely small amounts of money to use at their own discretion – the worst I heard was that one YP recipient received only \$3 in cash after his board was paid. It is not uncommon for providers to be called by landlords who wish to increase board payments because they have heard of another landlord receiving more or because they are aware the government has increased the Accommodation Supplement. In this way, informed and assertive landlords appear to have more power than young people over YP/YPP income. Given these situations, an advocate indicated that young parents in particular often had to rely on family members or other support people to help them all the time to buy goods they could not purchase on their Payment Card, which in the past included nappies and baby formula. In this sense, financial stability only comes from having financial supporters in the background.

Moreover, although many providers and a small number of young people reported that Money Management was beneficial, the reasons given do not suggest that financial *capability* has been enhanced. For instance, it was frequently reported that young people thought it was easier not to have to think or worry about paying rent/board and other bills because redirections were in place; in at least two instances, a

Although many providers and a small number of young people reported that Money Management was beneficial, the reasons given do not suggest that financial capability has been enhanced.

young person did not actually realise that they got more than the few dollars they received in the In-Hand Payment and/or the Payment Card because the redirections were 'out of sight, out of mind'. Some providers worried this created a sense of dependence on them. Moreover, many of the budgeting courses offered to young people were described by providers as being insufficiently youth-focused; as such, there is at least some evidence that attendance is being regarded as a

compliance issue ('I must attend this course to meet my obligation and get my incentive payment') rather than as an effective tool for long-term financial literacy and capability. Two YPP recipients also supported Money Management because they conflated it with access to child care subsidies and thought that they might have to pay the entire cost of child care themselves if they were not on Money Management, suggesting they misunderstood their entitlements.

There were further concerns that Money Management prioritises budgeting over broader issues of financial capability. While some young people felt it was useful to learn how to distinguish between wants and needs and to identify that expensive and cheap brands of the same product may not be that different except in price, this emphasis on budgeting tends to assume that young people have enough money but are simply not spending it wisely. While views on payment adequacy were more mixed than expected – with some young people indicating that their payment was sufficient to live on without too much difficulty but with others struggling so much they had become reliant on others financially supporting them – it is again worth highlighting that previous research highlights that the major problem most income support recipients have is a lack of money *not* poor budgeting skills.

More generally, providers commented that, while a budgeting course might get a young person

... reporting on obligations regards young people as individuals, not part of family or community units. As such, there was little emphasis on educating the people who support them around financial capability and very limited evidence that a young person being on Money Management benefitted other family members and their financial knowledge.

thinking about how they spend their money, getting them to actually practice sound financial management long-term was a different thing. They felt that ongoing mentoring as consumption decisions were made and, more importantly, talking about money values and goal-setting for the future were more important than completing a course (even when they had developed their own courses to ensure that it was sufficiently relevant to their clients). Yet many felt they did not have enough time or resources for such ongoing discussions once obligations had been met. It is also worth noting that, while some mentors have been trained to run specific budgeting programmes, there is no requirement that they have any

specific qualification in budgeting or financial management, despite this being a key aspect of their mentoring role.

In addition, reporting on obligations regards young people as individuals, not part of family or community units. As such, there was little emphasis on educating the people who support them around financial capability and very limited evidence that a young person being on Money Management benefitted other family members and their financial knowledge. However, providers did note that family members were often very resistant to Money Management when the young person first went on payment and this resistance tended to diminish over time as they became more familiar with the system.

2.2.3. YOUNG PEOPLE CAN GET AROUND THE PAYMENT CARD RESTRICTIONS

The Payment Card aspect of Money Management aims to limit the consumer choice and agency of young people so as to encourage them to make appropriate consumption decisions (for example, spending their money on food not alcohol or cigarettes). Again, this intervention is based on an assumption that all young people smoke and drink, which many of the young people emphatically told me was not true. Moreover, I heard from young people and providers that if a young person really wants to get around the consumer restrictions associated with the Payment Card, they can do so in the following ways:

- Allowing family members or landlords to use the card for grocery shopping and receiving cash in return (sometimes for a lesser sum than the goods were worth);
- Boarding with someone who is paid board through a redirection but then gives them the cash;
- Buying vouchers with the Payment Card and then using them as cash;
- Buying a shopping cart of groceries and then selling the goods to get cash;
- Frequenting the small number of suppliers who are willing to give them cash when using the Payment Card (usually for a lesser sum than the monetary amount taken out of their account);
- Frequenting suppliers that will sell cigarettes using the Payment Card, despite this being prohibited;
- Using the In-Hand Payment to buy cigarettes, alcohol and other items prohibited on the Payment Card.

This intervention is based on an assumption that all young people smoke and drink, which many of the young people emphatically told me was not true. Moreover [...] if a young person really wants to get around the consumer restrictions associated with the Payment Card, they can ...

It is difficult for youth mentors to do anything about these strategies to get around the Payment Card restrictions since they cannot see what young people use the Payment Card for; while this provides an element of privacy for the young person, it also means they may be subject to exploitation. These findings are problematic given that many young people have come from state care and/or have faced a family breakdown, may have come from a background of poor engagement with schooling and, in the case of YPP recipients, have a young baby for which they must care. Nonetheless, these 'get arounds' are rational responses to a system that limits agency and choice, thus requiring young people to come up with innovative ways to meet their own needs and desires.

2.2.4. SANCTIONS AND INCENTIVES DO NOT APPEAR TO MAKE ANY LONG-TERM DIFFERENCE TO YOUNG PEOPLE'S BEHAVIOURS

The sanctions aspect of Money Management is driven by a belief that young people need to experience negative consequences (a reduction in income) for not complying with policy requirements (such as to attend their education course regularly or completing a parenting or budgeting course) so as to change their behaviours in the long-term. This assumes that financial penalties motivate young people to change their behaviours, at least enough to comply with their obligations. Not only has this assumption not been tested with YP/YPP recipients, but there is little evidence that sanctions actually have that effect for at least two major reasons:

- Few providers reported ever recommending sanctions and they did so only after they have tried to get young people to comply through internal measures. Providers talked about sending multiple texts and making personal calls/visits to a young person before they recommended a sanction, meaning that in most cases the young person re-engaged before this formal process was started. Although one provider employee did note that there was actually more discretion available around sanctions than incentives, such discretion meant a lot of extremely intensive and time-consuming work for the provider that was driven by a desire to save young people from significant financial repercussions;
- Sanctions take so long – at least days, if not weeks – to be actioned by YSSU that the relationship between 'inappropriate' behaviour and the sanction was often not obvious to the young person involved. This makes it extremely unlikely they will change their behaviour in response to sanctions.

Two other reasons were mentioned by one or two providers only:

- Young people do not always see their payment income as important enough for sanctions (or, indeed, incentives) to change their behaviours. For some this was because they had other sources of income (such as family members) but for others it was because money itself was not a high enough priority to put themselves through the bureaucratic hoops needed to ensure sanctions were met, particularly if other aspects of their lives (relationships, housing, avoiding violence) required their immediate and full attention;
- Young people who are sanctioned tend to be ones where their poor spending habits are already ingrained and no amount of incentives or sanctions will change their behaviour.

Although there was less discussion about incentives and generally providers viewed these positively, there was some uncertainty as to whether incentives really modified behaviour; similarly, while young people appreciated the \$10 per week incentives they gained, many did not see them as either significant enough or appropriate levers for changing their behaviours in the long-term.

2.2.5. MONEY MANAGEMENT HAS THE POTENTIAL TO HAVE SIGNIFICANT, NEGATIVE IMPACTS ON MANY YOUNG PEOPLE

In addition to being based on false assumptions and being ineffective, the following examples indicate how Money Management can have some negative and harmful, if unintended, consequences for young people. These can be summarised in four key ways, although each of these is clearly inter-connected:

RESTRICTIONS ON CONSUMER AGENCY AND CHOICE – AMONGST A GROUP ALREADY CONSTRAINED BY LOW INCOME

Some young people had already had jobs before applying for income support and had set up hire purchase and other loans to buy goods such as cars, furniture and other large household items. Being subject to Money Management made it extremely difficult or impossible to maintain their debt repayments because they did not have control over their entire income and because they could not guarantee when payments would go in or out.

Young people living in rural or regional areas rely on cars to get to classes, Youth Service meetings and other activities yet they can use only the In-Hand Payment to pay for petrol because petrol stations cannot be Payment Card suppliers. While it is possible for a provider to ask for approval to transfer funds from the Payment Card to the In-Hand Payment, the extra time and administrative effort in processing such requests is burdensome on young people, their mentors and YSSU staff. In at least two cases, young people wishing to attend tangi [funerals] were reported as being stranded because they were unable to buy petrol or contribute to petrol costs when seeking a ride with someone else.

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The requirement to buy products at suppliers who accept the Payment Card often means that young people have to buy more expensive items than they could buy elsewhere. In particular, they were concerned that they could not use the Payment Card at The Warehouse, which they considered to be the cheapest place for common items such as baby and adults clothes and which is commonly located in smaller towns as well as large cities. Although it was noted that Kmart and T & T Childrenswear were now suppliers, many rural/regional places do not have these shops – but they do have The Warehouse. I have been informed by MSD that The Warehouse was purposely excluded because it would be possible for young people to buy large electronic goods there and then sell them for cash. This assumes the worst of young people, many of whom wish to buy approved goods, and ignores the fact that there are already other ways of getting around the income quarantining that occurs with the Payment Card.

RESTRICTIONS ON CONSUMER RIGHTS AND PROTECTIONS

The Payment Card has the name and the PIN code of the income support recipient printed on it, meaning anyone can steal the card, use the PIN and forge a signature to access the funds in a young person's account. Apparently suppliers are not required to ask for other identification as proof of identity. This arguably breaches privacy and consumer rights, particularly as both providers and young people report lost cards is a frequent problem. Some providers felt that many young people would forget the PIN code if it was not on the card but one would assume they are just as capable (or incapable) as adults to remember this code and so should not be treated differently.

STIGMA AND SHAME

Many of the young people talked about how the Payment Card is easily identifiable by its distinct colour and signing procedure, so everyone knows you are an income support recipient when using it. This was described as extremely shaming because of the stigma associated with being 'on welfare'. There were also reports that some checkout operators tried to enforce their own rules about what was appropriate or not appropriate to buy using the card.

YPP recipients found the restrictions on where they can buy clothing particularly problematic because to get money transferred to their Payment Card or In-Hand Payment they have to explain to their mentor and YSSU why they need new clothing and why they have not saved for it. This is the case for something as simple as buying new underwear because their body has grown with the pregnancy, which many young women feel uncomfortable discussing. Providers indicated that the level of justification required by YSSU for such simple purchase was often inappropriate.

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2.2.6. MONEY MANAGEMENT HAS DIFFERENTIAL IMPACTS UPON YOUNG PEOPLE DUE TO THEIR VARIED BACKGROUNDS AND LIFE CIRCUMSTANCES

Young people, like adults, have differing backgrounds and experiences that make the application of a universal policy like Money Management works well for a minority of people (as noted above) but extremely problematic for the following groups and individuals:

YOUNG PARENTS, WHO ARE MAINLY WOMEN

Young women are disproportionately more likely than men to receive YPP. Many providers agreed that YPP recipients were more significantly affected by Money Management than YP recipients for two main reasons:

- Having a child for which they were responsible meant that many demonstrated a high level of budgeting and financial management skills – thus Money Management was often not needed.
- The restrictions on the Payment Card were more significant because of difficulties getting baby clothes and other goods from the limited number of suppliers (particularly in regional areas) and the restrictions on using the Payment Card for purchasing petrol.

A third reason was mentioned by two YPP recipients, who felt that they could not admit to having

Having a child for which they were responsible meant that many [YPP recipients] demonstrated a high level of budgeting and financial management skills – thus Money Management was often not needed.

a partner or boyfriend, even if he was the parent of their child, because his income would then be taken into account and they might lose their payment. Although I suspect they misunderstood their entitlements, their perceptions are important: they felt that Money Management restricted their ability to develop intimate relationships, particularly with another young person who might be working but – being young – did not earn enough money to support themselves, a partner and their baby. As one young woman explained, this not only

impinged on her social and relational development but could also impact her baby's relationship with its father.

VICTIMS OF FAMILY VIOLENCE

While it is possible to be exempt from activity obligations if family violence is evident, there appears to be no exemptions from Money Management. Thus, if a young woman needs to leave her partner suddenly due to violence, she would not have complete control over her income to escape and set up a new household. While I have been told that money can be transferred from the Payment Card to the In-Hand Payment in these cases, this involves a significant level of intervention on the behalf of a mentor to make it happen which takes time. Although this was not a common theme discussed in the interviews, there is limited evidence to suggest that some young women may stay within a violent household because they feel they lack sufficient agency over their own money to save for and execute an escape plan.

MĀORI AND PASIFIKA PEOPLES

Given that Māori are disproportionately more likely than other ethnic groups to receive YP/YPP, it was surprising that few young people or providers reported any culturally-specific difficulties with Money Management. However, some providers noted the difficulty of offering a culturally-specific service when the framework surrounding YP/YPP support is so compliance-focused; they try to do this – for example, through marae-based programmes for budgeting courses and using discretion when making recommendations to YSSU – but sometimes felt constrained in their ability to meet young people’s needs in culturally-appropriate ways. This was particularly noticeable when the broader organisation in which the Youth Service sat offers other services that are culturally-specific, holistic and integrated with each other.

Other providers described how Money Management made it more difficult for Pasifika (and to a lesser degree, Māori) young people to meet cultural obligations. For instance, a lack of petrol money made it more difficult to attend tangi at short notice or meet familial or church expectations to contribute koha [a gift or contribution] because they did not have full control over their income. This led them to feel embarrassed and shameful. However, two providers indicated that some Pasifika young people *appreciated* Money Management because it made it difficult or impossible for their parents to assume control of their income. In this sense, Money Management offered young people some level of agency not normally available within family relationships.

A lack of petrol money made it more difficult to attend tangi at short notice or meet familial or church expectations to contribute koha [a gift or contribution] because they did not have full control over their income. This led them to feel embarrassed and shameful. However, two providers indicated that some Pasifika young people appreciated Money Management because it made it difficult or impossible for their parents to assume control of their income.

THOSE WHO HAVE COME FROM STATE CARE

One provider noted that it was often difficult to engage with young people who had been previously in the care of Oranga Tamariki, New Zealand’s Ministry for Children, which is responsible for child protection. This is because such young people often want to reconnect with their whanau [extended family], even if this sometimes led them to engaging in the kinds of behaviours that Money Management aims to discourage. As such, some of these young people end up dropping out of Youth Service because they are not meeting obligations or similar reasons. In addition, although they may receive a payment, such young people no longer have anywhere to live if their foster parents are not willing to continue caring for them once funding for the young person ends. One provider knew of several young people living in their cars because they had nowhere to live.

Such a difficult transition makes it hard to focus on meeting obligations or other compliance measures meaning such young people are at risk of being financially penalised.

THOSE WHO DO NOT WISH TO ENTER POST-SECONDARY EDUCATION

I understand that the Youth Service was purposely focused on getting young people into education rather than work under the belief that education allows opportunities for more sustainable employment in the long-term. While overall this belief is valid and while it would be inappropriate for young people to have to meet work obligations as working-age income support recipients must do, the obligation to be in education or training has a negative impact upon young people who actually want to work *now*. While in some cases such work is insecure and will not lead to a long-term career – or the young person’s motivation might simply be to get off a benefit – providers highlighted that a surprising number of young people end up in steady work, apprenticeships and other employment with ongoing training opportunities. This suggests greater flexibility is needed to meet the needs and aspirations of all young people.

2.3. OPERATIONAL ISSUES

Even if we were to accept the fundamental assumptions behind the Youth Service and – in particular, Money Management – as appropriate and accurate, there are still many operational and technical issues that hinder the Youth Service from being effective and efficient. I have also heard they may also contribute to some Youth Service staff leaving their jobs because they have found the operational/technical inefficiencies too stressful when it is they who have to deal face-to-face with young people who are hungry and have nowhere to live and thus need assistance immediately.

2.3.1. THE RELATIONSHIP BETWEEN YSSU AND PROVIDERS CAN BE DIFFICULT DUE TO UNDERSTAFFING, RESTRUCTURING AND THE USE OF DIFFERING IT SYSTEMS

Youth Service is unique in that non-government providers make recommendations to YSSU regarding payment applications, incentives, sanctions and exemptions from obligations. As noted earlier, there is an inherent tension in this relationship in that youth mentors/advisors have intimate knowledge of the young person’s background and might best be placed to make decisions, yet that authority lies only with

Approval to receive a payment frequently takes weeks and I heard of many cases where young people received back payments of several thousand dollars, indicating that months have passed.

YSSU. Some mentors appreciated the 'distance' between themselves and the final decision-making because it meant they could act as advocates for their clients and 'blame' any negative decisions on YSSU. However, young people and their supporters (often family members more familiar with the Work and Income approval system) did not always understand that the mentors can only recommend decisions and did blame them. Other mentors found it incredibly frustrating because YSSU did not appear to 'trust' their recommendations and appeared to want to second-guess decisions that they had made according to the set criteria and with greater knowledge of the particular case histories of young people.

While some providers indicated that they had a good relationship with YSSU, many were particularly concerned about the following issues:

THE AMOUNT OF TIME TAKEN TO MAKE DECISIONS ABOUT APPLICATIONS

Approval to receive a payment frequently takes weeks and I heard of many cases where young people received back payments of several thousand dollars, indicating that months have passed. They can apply for a half payment until the full payment is approved but this still requires that young people rely on family members, friends, landlords or – in at least one case reported by a welfare advocate – turn to prostitution to cover costs during this period; a further young woman was reported to be living in a boarding house where an advocate believed she was being groomed for sex work. In another case reported by a welfare advocate, a young pregnant woman with a history of self-harm and no other source of income was couch-surfing and going hungry while she waited for her payment to be approved.

Sometimes such delays are because young people have not supplied the documentation needed but providers indicate that this is difficult for some young people to obtain. For instance, I was told that young people who have been in the care of Oranga Tamariki [New Zealand's child protection agency] will already have a birth certificate on file, but they might not have a copy themselves. YSSU, however, requires that the young person provide this rather than checking to see if the document can be passed on from Oranga Tamariki (which, until recently, was also part of MSD).

Moreover, although applications are supposed to be processed within 20 working days, if not all information is provided within this timeframe, the maximum time limit only starts from the time when the final piece of documentation is received. This can be difficult when YP recipients often require an independent assessment to prove family breakdown and some young people wait weeks to just get the assessment completed (although it was noted that these times had improved recently in some areas). Welfare advocates also found that they frequently needed to challenge the decision of whether a family breakdown had occurred because, if a parent was willing to have the child live with them, it was sometimes assumed that it was safe or appropriate for the young person to do so; or the breakdown report focused on the relationship with natural parents even though the recent breakdown was with another family member or a foster parent.

Welfare advocates indicate that because they have contacts within YSSU/MSD and because they are well-versed in social security law, they are often able to go directly to YSSU to escalate an issue, when mentors are expected to follow a chain of hierarchy first within their organisation, then with regional contract managers who would then take it to YSSU. Although provider interviews suggested some were escalating in a more direct way, they still complained that escalations were no longer addressed immediately and could take days to be dealt with. Either way, YSSU is frequently not responding in a timely fashion, putting many young people in trying circumstances that negatively impacts their well-being.

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THE AMOUNT OF TIME TAKEN TO MAKE DECISIONS ABOUT OBLIGATIONS, INCENTIVES AND SANCTIONS

Similarly, decisions for other aspects of Youth Service is often far too long and variable depending on which or how many YSSU staff are involved:

- Decisions for sanctions, as noted above, can sometimes take several weeks to be actioned;
- Decisions for approving hardship grant applications can range from less than an hour to two days;
- Decisions for incentives seem to be made more quickly but one provider had a running joke about who would have the biggest back-pay in incentives because of common delays.

YSSU AND DATABASE INEFFICIENCIES

Many providers claim that many of the above problems result from the following issues:

- Double-handling at the YSSU end, with requests for information that is provided in the client notes or was not requested by one YSSU staff member but *is* requested when the case file moves to another staff member;
- The checkbox lists they see in the Activity Reporting Tool (ART) database (which was developed for Youth Service specifically) are not the same checkbox lists that YSSU see in the Work and Income computer system, which means that more information may be needed that the provider did not know was required. MSD officials suggest that it would be too difficult for a number of technical and security reasons to allow providers to access the Work and Income system but the current mismatch is behind many delays;

- A change in the case management of client files, which were previously allocated to the same YSSU staff member from payment through to incentives and sanctions. This is no longer the case and different functions are delegated to different YSSU staff members, meaning they never have any deep understanding of any particular young person's case. Moreover, you can get different decisions made based on the same circumstances, depending which YSSU staff member you get – in these cases, providers see themselves as advocates, challenging YSSU to be more consistent and fair;
- Historically there were also some issues with communications between YSSU and providers; for example ART had been updated with some new requirements or functions but providers were not told;
- More generally, many providers do not really understand the Work and Income aspect of the service, while YSSU does not fully understand providers and their clients meaning that misunderstanding is common;
- These problems are in turn linked to what appears to be insufficient staff numbers at YSSU for the workload that is created by over 1700 YP and YPP recipients, as well as NEET clients. I understand this problem has been worsened by high staff turnover which means many staff are always 'getting up to speed' with their new job.

Different functions are delegated to different YSSU staff members, meaning they never have any deep understanding of any particular young person's case. Moreover, you can get different decisions made based on the same circumstances, depending which YSSU staff member you get.

TECHNICAL ISSUES WITH THE PAYMENT CARD

Unlike an electronic EFTPOS card, a young person cannot go to an ATM to check how much they have on their Payment Card. While they can do this online at MyMSD, this requires internet access which is not always available or affordable, so young people constantly ring their mentors to find out how much money is there. However, mentors cannot see the live Work and Income screen that shows benefit payments, only a one-page summary each day indicating the previous day's spending, so the mentors have to call YSSU for an updated summary. Payment summaries also do not show childcare subsidies or the timing that payments will go out, so is very limited in assisting young people manage their money. In the past, one youth mentor estimated that 80% of her work was checking Payment Card balances but that MyMSD has improved that somewhat.

In the past, one youth mentor estimated that 80% of her work was checking Payment Card balances, but MyMSD has improved that somewhat.

Although not a frequent problem, one provider noted that sometimes technical faults meant that young people went

to use their card to discover their payment had not gone in that week. Not only does that mean they have no money to spend but, as noted earlier, declines at the supermarket counter were described by young people as shaming and enhancing the stigma they already faced as income support recipients.

THERE IS CONSIDERABLE DIVERSITY IN THE WAYS THAT YOUTH SERVICE PROVIDERS MANAGE AND SUPPORT YOUNG PEOPLE

This is not *necessarily* a negative outcome, in that some providers are going to great lengths to make their service appropriate for the particular clientele they serve. But diversity may mean that a young person in one part of the country may not receive the same information, access to rights or restrictions on consumption as another living elsewhere, as the following examples illustrate:

- Some providers take their clients off Money Management as soon as they have met the obligations that allow them to do so, regarding it as the young person's right to decide whether they wish to continue voluntarily; others require, or at least strongly encourage (sometimes by not telling them that coming off it is an option), to stay on Money Management if they believe the young person will spend their money inappropriately;
- Providers can choose which budgeting and parenting courses they offer young people as long as they meet set criteria and, in some cases, have developed their own courses to better meet the needs of their clients. This is because existing courses, often developed at a national level or for an older age group, are simply inappropriate and irrelevant to their clients. Money Management was introduced without there already being a set of nationally-available, culturally and age-appropriate programmes available to all Youth Service providers, despite attendance at such courses being obligatory;
- In some cases, the Youth Service is heavily integrated with the other services/programmes by the organisations in which they nested; in other cases, I was told they were run as completely separate businesses;
- Most mentors appeared to make a strong effort to get to know and support the young people allocated to them in a way that covered all of their lives, not just focusing on their obligations. However, a small number of mentors stuck close to the operational guidelines and did not want to know further details about young people's lives, because this might make the job harder. One YPP recipient with experience of two different services said she felt as if she was treated as if she was a 'number', rather than a human being, by both of them;

Most mentors appeared to make a strong effort to get to know and support the young people ... However, a small number of mentors stuck close to the operational guidelines and did not want to know further details about young people's lives, because this might make the job harder.

- Most providers separate the NEET and YP/YPP mentor roles, but in some places one person is doing both thus working from very different contract requirements;
- A small number of providers separate out the role of assisting new applicants from ongoing mentoring;
- Ongoing training largely appears to be in-house and not regularly provided by Work and Income/MSD officials;
- Some regionally-based providers are having to rely more on texting and email than face-to-face contact because of long distances;
- There are also differences in terms of the proportion of clients who are YP and YPP, which means that providers tend to be more experienced with one group or the other.

Again, I stress that diversity is not necessarily a problem but the above does suggest that young people in some areas are better served than others, simply by merit of where they live and therefore which service they were assigned.

2.3.2. IT IS UNCERTAIN WHETHER THE CURRENT YOUTH SERVICE IS COST-EFFECTIVE

I have heard that around 30 staff are employed at YSSU responding to recommendations from 36 Youth Services (which generally employ several staff each and some of which provide services in more than one area). There are also multiple Regional Contract Managers, two Senior Policy Advisors whose responsibilities are centred on Youth Service and a National Manager Youth Service. While some of the provider focus is on the 11,181 NEETs, much of the day-to-day time and effort is focused on 1709 young people who receive YP and YPP. A great deal of this resource is spent administering obligations, incentives and sanctions which, as indicated above, there is no evidence make much difference to young people's behaviours. In addition, providers are paid performance fees for obligations being met, rather than broader outcomes achieved. To some extent, this is due to the difficulty of measuring and tracking outcomes, especially when they take some time to be evident. But, as recommended in the following section, it would certainly be worth investigating whether the two Work and Income-based Youth Services achieve similar outcomes in a more cost-efficient manner or whether there is real value gained in paying performance payments to non-government providers.

3

CONCLUSION



IMAGE: freestocks.org

3. CONCLUSION

This report has documented preliminary findings from the first independent research conducted into the Youth Service and Money Management since both were established in 2012. Drawing on a wide range of interview participants, the research has highlighted the need to address many broader contextual issues that make it difficult for Youth Service providers to do their jobs, including: a lack of affordable housing, particularly for young people in emergency situations; limited mental health services that can quickly and comprehensively respond to young people's needs; and a mainstream education system that is clearly failing many young people. But, more concerning, it has highlighted that, while aspects of the Youth Service that aim to specifically help young people overcome these issues are working well, there are also fundamental problems in the assumptions behind the Youth Service and, in particular, Money Management. Many operational and compliance issues also make it difficult for Youth Service providers to focus on supporting young people to the best of their abilities.

Although welfare advocates acknowledge that they tend to see only those young people who face significant problems, the issues that they, young people themselves and sometimes even provider employees highlight suggest that the current model leaves room for young people to be put at risk of exploitation, stigma and poor mental and physical wellbeing. These are the unintended outcomes of a unique policy experiment that, as is so often the case in New Zealand policy, was rapidly implemented and has not been sufficiently evaluated. Young people in New Zealand – particularly those who are rising to the challenge of not being able to live with their family or are caring for a baby – deserve better.

With particular focus on Money Management, we might ask whether it is fair that:

- YP/YPP recipients have their consumer choices and financial control restricted when there is no evidence of a universal problem with financial management?
- YP/YPP recipients are subject to differing expectations regarding sound financial management than middle class young people and, indeed, older adults?
- A policy that disproportionately affects young women and Māori was developed and implemented with surprisingly little regard to their particular needs and the particular effects that Money Management might have on them?
- YP/YPP recipients are vulnerable to exploitation because a) the Payment Card is not as secure as an EFTPOS card; b) they must sometimes rely on dishonest middle-persons to give them cash; and/or c) landlords are afforded more stability and control over their income than young people themselves?

3.1 RECOMMENDATIONS

I wish to stress that providers suggested only some of the following recommendations and certainly did not recommend abolishing Money Management. Of course, it is not in their best interests to do so, given their organisations receive performance payments that are tied to managing young people and their money.

Perhaps more surprisingly, although most young people I spoke to hated Money Management, they saw it as inevitable if they were to receive their payment. However, they have never known a different system and thus found it difficult to imagine an alternative model without Money Management. Moreover, their passive acceptance of a system that is both coercive and restrictive suggests they do not feel like they have agency or choice – both key goals of a youth development approach.

Welfare advocates and others supporting young people were far more critical – not least because they were providing assistance, often in terms of dealing with applications and reviews of decision, to young people who had faced problems with Youth Service. Welfare advocates unanimously believed that the administration of YP/YPP should be placed with Work and Income, even if Youth Services continued providing youth mentoring. Again, this is not surprising since they feel they can more effectively ensure entitlements within the Work and Income system about which they have considerable experience and knowledge.

Having taken into account these various perspectives, my view is that there is considerable potential in the people and goodwill involved in the Youth Service to support the well-being of young people. However, the fundamental assumptions behind and the operational structure supporting the Youth Service mean that this potential is currently being diminished. The following recommendations stem from this view:

RECOMMENDATION 1: ABOLISH COMPULSORY MONEY MANAGEMENT, GIVEN THERE IS NO EVIDENCE THAT IT IS NEEDED BY ALL YOUNG PEOPLE OR, INDEED, EFFECTIVE IN CHANGING FINANCIAL BEHAVIOURS.

Cabinet document discussion of whether Money Management breached the human rights of young people suggested that this policy was justifiable to achieve a certain desired policy outcome; yet that there is no evidence that outcome is actually being achieved (or that it will ever be achieved).

Alternative options include:

- a) *Voluntary* full Money Management for those who recognise they need assistance managing their money;

AND

Voluntary redirections to pay rent and utilities (without having to be under full Money Management);

AND/OR

b) Money Management only for those who have proven that they are unable to sufficiently manage their own money after attending a budgeting course and being mentored by a youth mentor about financial management for at least 3 months.

- Of course, Options (a) and (b) would be only worthwhile if research had demonstrated that such courses and mentoring actually improves financial stability and capability;
- Option (b) would also require an improved definition of 'financial competency', which draws upon the financial capability literature, so that mentors could determine where Money Management was required;
- In addition, Option (b) mentoring would need to continue even after the young person came off Money Management again (for 3-12 months) to ensure that they were supported in making responsible financial decisions;
- Finally, both options require that mentors undertake some training in financial management and capability mentoring.

RECOMMENDATION 2: IF ANY ASPECT OF MONEY MANAGEMENT IS RETAINED, THEN MSD SHOULD:

- a) Specifically evaluate Money Management through a robust study that considers young people's level of financial knowledge and management prior to starting with Youth Service, after they have completed budgeting programmes, when they exit the service and after they have left the service for at least one year;
- b) Liaise with the Commission for Financial Capability to ensure Money Management is in line with other research undertaken with young people and best practice regarding teaching financial literacy to young people.

RECOMMENDATION 3: REORIENT THE YOUTH SERVICE SO IT IS MORE CLOSELY ALIGNED WITH YOUTH DEVELOPMENT GOALS SUPPORTING THE WELL-BEING OF YOUNG PEOPLE NOW AND IN THE FUTURE.

This involves:

- a) Maintaining Youth Service as a separate entity from Work and Income, which provides a supportive and welcoming atmosphere for young people, and maintaining YSSU as the final decision-maker on payments. Although the two Work and Income-based Youth Services suggest that Work and Income *can* support youth as effectively as non-government providers and this research highlights many problems with providers not having sufficient knowledge of Work and Income entitlements, I believe that young people are likely better off with the more youth-orientated Youth Service providers at least until the latter agency has proven it has successfully undergone a significant shift in culture;
- b) Immediately providing ongoing training for Youth Service providers in all Work and Income entitlements and in review/complaint procedures;
- c) Maintaining intensive case management and mentoring but broadening the focus to life skills more generally, including budgeting, financial goal setting and literacy; parenting; career planning as well as getting a driver's licence; learning to cook and shop on a low income; and self-care etc;
- d) Maintaining budgeting, parenting and education obligations, because I have been told these are a way of ensuring that young people engage with providers and thus benefit from their services, and incentive payments to YP/YPP recipients for completing them;
- e) Abolishing sanctions, since they do not appear to be effective;
- f) Reorienting, and hopefully reducing, obligation reporting so that it is focused on young people being supported to achieve their own self-defined outcomes rather than compliance-focused obligations – here lesson-drawing from New Zealand's Whānau Ora strategy would be useful: aiming to improve family wellbeing amongst Māori, this strategy for several years supported whānau [extended family] planning that was determined by whānau themselves;
- g) Reconsidering the way in which providers are funded to remove performance payments and focus more on block grants for supporting a certain number of YP/YPP recipients. While accountability reporting focused on youth outcomes would still be required, the extremely high level of compliance reporting would no longer be appropriate. This move would also reduce problems caused by contract boundaries – any young person would be able to engage with whichever Youth Service they choose;
- h) Ensuring that the Youth Service has a wider public profile so that everyone knows that this is where young people should go if they need financial and other assistance;
- i) Developing a specific complaints/review hotline for Youth Service clients and advertising their rights more widely and frequently within Youth Service offices and engagement with young people;
- j) Developing an ongoing advisory group to the Youth Service policy team that includes young people, as well as welfare advocates and other social services supporting Youth Service clients, to ensure that young people's rights are being upheld.

RECOMMENDATION 4: STRENGTHEN THE RELATIONSHIP BETWEEN YOUTH SERVICE STAFF AND YSSU, IMPROVING THE EFFICIENCY AND EFFECTIVENESS OF DECISION-MAKING.

This involves:

- a) Returning YSSU to a case-management model for dealing with client files, so multiple staff are not involved in one young person's case;
- b) Updating ART so that the check boxes that Youth Service see on screen are the same as viewed by YSSU staff;
- c) Promoting a greater level of trust amongst YSSU staff so that they view Youth Service recommendations as reliable and based on due diligence rather than using up precious time and resources on double-checking/requesting information;
- d) Regular meetings/trainings should be shared by Youth Service staff and YSSU so they can understand where each is coming from.

Note that, although the timeliness of decisions was raised as an issue above, I believe this does not necessarily require more YSSU staff to deal with current workload; indeed, if Money Management was completely or largely abolished, reporting was focused on outcomes and Youth Service staff were trusted to make sound recommendations, efficiency and effectiveness should improve without further staff being needed.

RECOMMENDATION 5: MSD SHOULD UNDERTAKE RESEARCH AND MONITORING TO ASSURE THE PUBLIC THAT THE YOUTH SERVICE IS BOTH EFFECTIVE AND COST-EFFECTIVE. THIS INCLUDES:

- a) Evaluating YP/YPP recipients' financial knowledge/competency prior to and following engagement with Youth Service budgeting courses/mentoring so as to measure change over time;
- b) Comparing this with the financial knowledge/competency of young people of similar ages but who do not receive an income support benefit to assess whether there is any justification for policy interventions to improve financial stability/capability;
- c) Comparing the outcomes and costs of the Youth Service to the previous Youth Transition Services (if known), give that focused more on youth work goals and outcomes than compliance reporting;
- d) Comparing the outcomes and costs of Youth Services provided by non-government providers with those Youth Services provided through Work and Income sites.

Neither Youth Transition Services or the Work and Income-based Youth Services involve performance payments and thus presumably would be more cost-effective. Such research would thus assess whether there are any perverse incentives created by paying performance payments based on only enrolment and obligation achievement.

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