



09/09/2015

## **Submission to the Social Services Select Committee on the Social Security (Extension of Young Persons Services and Remedial Matters) Amendment Bill**

### **Introduction**

1. This submission, focussing on the effectiveness of the proposed extension of the Youth Service to certain 18 and 19-year old beneficiaries, has been prepared by Vivian Tan and Gabrielle Groube and the Wellington Community Justice Project.
2. The Wellington Community Justice Project (WCJP) ([www.wellingtoncjp.org](http://www.wellingtoncjp.org)) is a student-led organisation at Victoria University of Wellington. The project, formed in 2010, has twin aims: to improve access to justice and legal services in the community; and to provide law students with an opportunity to gain practical experience. It pursues these goals by establishing community-based volunteer projects and working with other organisations that have similar goals.
2. The research for this submission was carried out by students Vivian Tan (LLB) and Gabrielle Groube (LLB/BA) as part of volunteer work for the project.
3. This submission addresses the effectiveness of mandatory budgeting services set for beneficiaries in the Youth Service, transitions from the Youth Service to other Work and Income programs, financial incentives and sanctions, and the appeal system when beneficiaries disagree with a decision made concerning them; the focus and discretions around education; and the calculation of long-term welfare dependency. Overall we support this Bill with changes we have suggested in this submission.

### **A: Effectiveness of the Youth Service**

1. As the Bill is proposing to extend the Youth Service to more beneficiaries, we think it is important to consider how effective the Youth Service is at supporting its beneficiary clients, and consider areas where changes could help the Youth Service support its clients.
2. The Youth Service was introduced in 2012 to support vulnerable youths to get an education and a better chance of getting a good job. Under the proposed Bill, a Youth Service client will be able to earn an additional \$10 to \$30 a week if their obligations under the new s 171A were met. These obligations include a mandatory budgeting programme and parenting programme.<sup>1</sup>
3. We support the implementation of the mandatory budgeting services as they are sometimes the only form of support available to families who did not have other support networks. The budgeting programme is able to provide help to, and alleviate the most commonly reported factors contributing to debt situation for families which includes, but are not limited to; having children, changes to employment or income situation and a very low main source of household income.<sup>2</sup>
4. A 2009 report indicated that budgeting services have seen an expanding client base, and a growing number of people seeking budget advice.<sup>3</sup> Generally, there were positive views about the budgeting services; more than half of the participants in that research said that the programme made a positive difference to the financial situation for their family.<sup>4</sup> Overall, most participants had decreased their debt since the start of service.<sup>5</sup>
5. We are also concerned about the effectiveness of transitions from Youth Service to WINZ. There was difficulty gathering research and resource about whether or not young people are getting enough support from WINZ when they are no longer eligible for Youth Service. Ideally, with the new provisions in place, a young person will no longer need support from WINZ when they transition into adulthood. However, if this is not possible, we urge the Select Committee to look into coming up with policy issues that can better tackle the transition from Youth Services to WINZ.

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<sup>1</sup> Social Security (Extension of Young Persons Services and Remedial Matters) Amendment Bill 2015 (35-1), cl 29.

<sup>2</sup> Families Commission *Escaping the Debt Trap* (New Zealand Families Commission R6/09, December 2009) at 38.

<sup>3</sup> At 17.

<sup>4</sup> At 35.

<sup>5</sup> At 36.

6. We have to take into account the reality of the matter when a young person is no longer for Youth Services, and not having a source of income as well. We suggest having in place follow up services that enables the Youth Service to find out what happens to young people after not being eligible for Youth Services, whether or not they are able to find jobs after attending the mandatory courses and receiving the relevant help from Youth Service instead of just leaving the matter as it is.
7. The Bill also proposes financial sanctions and incentive payments for meeting or breaching obligations. Clause 31 of the Bill states that sanctions can be applied to a benefit if a beneficiary has breached an obligation without good and sufficient reason for complying.<sup>6</sup> Clause 29 includes incentive payments as well as obligations and money management for Youth Service clients.<sup>7</sup> The Working Welfare Group recommend sanctions in their report on reducing long-term benefit dependency.<sup>8</sup> International research on the effectiveness of sanctions in helping people move off benefits and into employment is mixed, although one German study focussed on young beneficiaries found a positive link between sanctions and moving off a benefit.<sup>9</sup> A German study of beneficiaries generally found a link between sanctions and moving off welfare, and to a lesser extent finding work.<sup>10</sup> An American study focussed on women and families found sanctions lead to increased compliance with obligations,<sup>11</sup> but no link with moving off welfare and finding employment.<sup>12</sup>
8. We think the inclusion of financial sanctions is a reasonable course of action for Parliament to take, but believe the government's focus should be on supporting young beneficiaries and getting

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<sup>6</sup> Social Security (Extension of Young Persons Services and Remedial Matters) Amendment Bill 2015, above n 1, cl 31.

<sup>7</sup> Clause 29.

<sup>8</sup> Working Welfare Group *Reducing Long-Term Benefit Dependency: Recommendations* (Cabinet Social Policy Committee, 22 February 2011) at 57.

<sup>9</sup> Gerard J. van den Berg, Arne Uhlendorff, and Joachim Wolff "Sanctions for Young Welfare Recipients" (research paper for the IZA Discussion Paper Series, September 2013) at 23.

<sup>10</sup> Bernhard Boockmann, Stephan L. Thomsen, and Thomas Walter "Intensifying the Use of Benefit Sanctions: An Effective Tool to Shorten Welfare Receipt and Speed Up Transitions to Employment?" (research paper for the IZA Discussion Paper Series, November 2009) at 21.

<sup>11</sup> Chi-Fang Wu, Maria Cancian, and Daniel R. Meyer "How Do Welfare Sanctions Work? New Findings from Wisconsin and Illinois" (2004) 23 Focus 37 at 40.

<sup>12</sup> At 42.

them ready for the work force, rather than merely aiming to move young beneficiaries off welfare as soon as possible. This goal will be more achievable if other aspects of the Youth Service are effective in getting clients work-ready, as discussed regarding the topics of mandatory courses and the focus on education for beneficiaries who are clients of the Youth Service.

9. The Welfare Working Group has stated clearly communicating the nature of the sanction system could improve the integrity of the welfare system.<sup>13</sup> We also think if beneficiaries knew exactly what their obligations were and what would happen if those obligations were not met, the financial incentives and sanctions proposed in this Bill would be more effective. In the First Reading of the Bill, Green MP Eugenie Sage mentioned examples of some young beneficiaries not knowing whether settling their children during class in a teen school would breach their obligations, or beneficiaries found in breach because they were attending a tangi. This indicates some clients of the Youth Service are unsure of what their obligations are, and when they are in a situation which they think may be a breach of their obligations, they are not getting an answer as to whether they have breached their obligations, or if they have breached their obligations, whether their reason qualifies as 'good and sufficient'.

10. We suggest the committee look at how clients to the Youth Service are informed about their obligations and possible financial sanctions or incentives, and whether unsure clients know who to approach if they have questions about whether a possible action could be a breach, or if they are unwilling to approach Youth Service employees, what could be changed to make it a more accessible service for young beneficiaries.

11. We also think clearer communication would help make the appeal system for decisions made that beneficiary clients disagree with more useful and more effective in keeping young beneficiaries engaged and sure of their rights and obligations while they are using the Youth Service. Evidence on whether young beneficiaries are aware of the appeals system, and if they are whether they have found it useful, is scarce, so we suggest the Committee look into this matter and see if the way the appeal system is currently brought to Youth Service clients' attention should change, or if the appeal system itself could be changed in some ways to make it more useful and engaging for clients.

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<sup>13</sup> Working Welfare Group *Reducing Long-Term Benefit Dependency*, above n 8, at 15.

## **B: The focus and discretions on education**

12. The new s 88I will give the chief executive discretion to allow payment of jobseeker support to 18 and 19 year old beneficiaries who are completing or proposing to undertake specified full-time study, if the chief executive is satisfied that the study would reduce the beneficiary's risk of long-term welfare dependency.<sup>14</sup>
13. We support the initiative to empower young people to move from being dependent on social benefits to paid employment through education. This is because those who have been relying on a benefit long term will not be able to build up any financial resources.<sup>15</sup> A previous study has also shown that having school-qualified parents has the equivalent impact on the probability of the having an increase in mean family income of \$38,000.<sup>16</sup>
14. Participation in paid work provides access to higher income, increases social contact, and enhances self-esteem. All of which are crucial to the lives of young people in New Zealand. Therefore, encouraging young people to enhance their academic qualifications will not only provide job security, it is also beneficial to the economy in the long run.
15. We understand that NCEA Level 2 is an important and well regarded qualification, and is often an entry-level requirement for jobs and some tertiary courses. In this aspect, it is commendable that young people are able to go out and look for entry-level jobs and be self sufficient while still having the opportunity to continue upgrading themselves through education if they choose to.
16. However, in terms of whether or not the study would reduce the beneficiary's risk of long-term welfare dependency, we suggest a work-focused system where work expectations, employment supports are personalised to individual circumstances. For example, clarifying the nature of job search expectations in assisting a young person in course choices.<sup>17</sup> It is also important for those with children, that childcare assistance be available to cover the periods when

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<sup>14</sup> Social Security (Extension of Young Persons Services and Remedial Matters) Amendment Bill 2015, above n 1, cl 16.

<sup>15</sup> Families Commission, above n 2, at 39.

<sup>16</sup> Tim Maloney "Are the Outcomes of Young Adults Linked to the Family Income Experienced in Childhood?" (2004) 22 Social Policy Journal of New Zealand 55 at 74.

<sup>17</sup> At 57.

these parents are in training. Parliament should look into the development of intensive services which will focus on support the wellness of a child and the family, and preparing the parent for employment when job search expectations begin to apply.<sup>18</sup>

17. We are also concerned about the vagueness of the discretion test. We suggest that the model behind evaluating a young person's 'risk factor' and how that would be reduced by further study be clearly set out to compliment ss 88I(6A) and 88I(6B).<sup>19</sup>

### **C: Calculation of long-term welfare dependency risk**

18. Under s 171A(2), the chief executive can determine if a young person is required to receive youth service if the young person is at at significant risk of long-term welfare dependency.<sup>20</sup>

19. The definition of 'risk of long-term welfare dependency' is defined in s 171A(6) to mean a person who is, for an indefinite period, not be able to obtain full-time employment and will be likely to remain wholly or largely dependent on part or all of a main benefit under this Act. There is also research in this aspect, that in addition to high youth unemployment, a key issue for the benefit system is that there is a group of highly disadvantaged young people who are granted a benefit as a teenager, and who remain on a benefit for long periods of time. Long-term dependence on social benefit is especially damaging and represents a considerable loss to the wider community.<sup>21</sup>

20. The Ministry of Social Development's Regulatory Impact Statement discusses some factors that are considered 'risk factors' for long-term welfare dependency, like low education levels, benefit history for themselves or in their family, or prior contact with Child, Youth and Family.<sup>22</sup> Beyond this however, what is involved in 'risk modelling' is not clear.

21. We think identifying young beneficiaries who may be better served by the Youth Service's 'wraparound' approach is a good idea, but strongly believe this process should be transparent, for

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<sup>18</sup> Working Welfare Group *Reducing Long-Term Benefit Dependency*, above n 8, at 67.

<sup>19</sup> Social Security (Extension of Young Persons Services and Remedial Matters) Amendment Bill 2015, above n 9.

<sup>20</sup> Clause 29.

<sup>21</sup> Working Welfare Group *Reducing Long-Term Benefit Dependency*, above n 8, at 47.

<sup>22</sup> Regulatory Impact Statement "Regulatory Impact Statement - Extension of the Youth Service" (February 2015) at 10.

New Zealand as a whole and for individuals who approach Work and Income for help. Using secret or vague criteria to make decisions about beneficiaries will not help the Youth Service build a rapport with young clients; we think it is likely to alienate these people the government considers vulnerable. We suggest the Bill is amended to state that risk factors, discretions, and how risk modelling works to decide whether a person is considered 'at risk' of long-term welfare dependency, is a transparent process publicised by the Ministry of Social Development.

22. In addition to making the risk modelling process transparent, we believe individual decisions made about young beneficiaries should be explained to them, so they know the reason they have been placed with a different provider. This Bill proposes that some young beneficiaries will be receiving a different benefit and different services to other young beneficiaries, and it is highly likely some of these people will want to know why they are receiving different support to other young beneficiaries. The Committee should ask the Ministry how they were planning to answer these questions, and also consider ways in which the decision to place an 'at-risk' 18 or 19 year old beneficiaries with the Youth Service could be explained honestly and respectfully.

## **Conclusion**

23. Overall, while we support this Bill we strongly suggest several changes are made in order to better achieve this Bill's aims of supporting 18 and 19 year old beneficiaries who are considered to be at risk of long-term welfare dependency. We think the Select Committee should look into transitions from the Youth Service to see if the Youth Service is achieving its goal of supporting young people to find employment, as well as how communicating obligations and the appeals process to Youth Service clients could be better achieved. We also strongly suggest the reasoning behind how a discretion will be exercised for a Youth Service beneficiary wanting to study full-time, and the risk factors involved in risk modelling to determine if a young beneficiary will be enrolled in the Youth Service are made transparent, both in the legislation and to the Youth Service clients about whom these decisions will be being made.