**Submission to the United Nations Special Rapporteur on extreme poverty and human rights: New Zealand’s Money Management and Payment Card for young benefit recipients**

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The submission focuses on the introduction of digital technologies as part of the New Zealand Youth Service, which was established in 2012. In particular it focuses on:

* 16 to 19 year-old young parents who receive Young Parent Payment (YPP)[[1]](#footnote-1);
* 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).

Both groups are subject to a form of income management (‘Money Management’) where:

* Most of the benefit income is electronically paid directly to a landlord/utilities;
* Up to NZ$50 is paid as an In-Hand Payment to an individual’s bank account and accessed via normal EFTPOS banking systems;
* The remainder is placed on an electronic Payment Card which can only be used at specified suppliers and cannot be used to purchase alcohol, cigarettes or electronic goods.

YP and YPP are the only social security recipients in New Zealand subject to Money Management, although other benefit recipients may receive Payment Cards when awarded a hardship or food grant (they also cannot purchase alcohol, cigarettes or electronic goods but the grant is a one-off payment that must be spent within three days and the amount of money controlled through the card is relatively small).

YP and YPP recipients are also the only social security recipients not serviced by Work and Income (WINZ), New Zealand’s social security agency. Instead, non-government, community-based 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, financial sanctions). YSSU is part of the Ministry of Social Development (MSD) but is run separately from WINZ.

**What kind of digital technologies were introduced?**

1. The Payment Card - MSD developed an in-house card that can be used at electronic EFTPOS terminals in retail shops but is not controlled or financed by a commercial banking network (such as Visa, which is used for the Australian BasicCards or Cashless Debit Card) or connected to a regular bank account. The Payment Card can only be used at a limited number of suppliers. See <http://www.youthservice.govt.nz/ways-we-can-help/financial-assistance/payment-card.html>
2. Money Management - quarantines YP and YPP recipient incomes and monitors their spending. Although only YSSU staff can electronically monitor where YP/YP recipients spend their Payment Card income, Youth Service mentors can ask for this information and ask young people to supply details (and sometimes receipts) to track their overall spending. Some of this is recorded electronically and recommendations based on it are made in an online system called Activity Reporting Tool (ART) as the basis for performance payments to the provider.

**What were the stated objective(s) cited by politicians and government when introducing those technologies, and how did these reflect the broader political context?**

Money Management was rationalised in two ways:

1. Young people do not have the right skills and knowledge to responsibly spend their income. However, there is no evidence that MSD undertook research into young people’s financial management behaviours before introducing Money Management in 2012 and neither the Youth Service evaluations conducted in 2014 and 2016 nor the Youth Service Review undertaken in 2018 considered the effectiveness of Money Management, the Payment Card or the budgeting aspects of the Youth Service specifically. Money Management does not align with Organisation for Economic Co-operation and Development core competency guidelines regarding financial capability or work on financial literacy going on in other parts of the New Zealand government (for example, the Commission for Financial Capability).
2. 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 National-led government’s (2008-2017) actuarial risk modelling (referred to as the ‘social investment’ approach), which argued that predicted that if young people receive an social security payment before adulthood, they will spend long periods of time over a number of years on social security. No formal public consultation process was undertaken prior to the establishment of the Youth Service, although submissions on the 2012 legislation introducing the Youth Service and the 2015 legislation extending it to 19 year old parents suggest considerable reservations about: non-government providers assisting a group of benefit recipients via a performance payment model; Money Management; and the actuarial ‘social investment’ model predicting that young people and sole parents represented the highest potential cost to the state and thus should be targeted for intervention.

**To what extent did governments rely on the private sector for the design, building and operation of these technologies in the social protection system?**

That the Payment Card is administered in-house by MSD limits the risk of information about YP/YPP recipients and their consumption patterns being used for commercial purposes (for example to target certain products at this group). However, it is possible that MSD can use data about consumption and other patterns in YP/YPP behaviour in the government’s actuarial modelling to further target behavioural interventions at an already vulnerable group of citizens. Although probably unlikely, such information could also be used in similar ways to the Chinese social credit system to penalise citizens who demonstrate ‘poor behaviours’.

Moreover, private (non-profit) providers are being used to administer social security entitlements and monitor YP/YPP recipient finances. This is problematic because many young people and welfare advocates indicate that Youth Service providers are not sufficiently well-trained in the entitlements available/social security law. Some young people are missing out on entitlements as a result.

In addition, problems result from Youth Service providers and clients not being able to access the WINZ computer database. For instance, the checkbox lists that Youth Service providers see in the ART database (developed specifically for Youth Service) are not the same checkbox lists that YSSU sees in the WINZ database, which means YSSU must request information that provider did not know was required. Moreover, a young person cannot go to an Automatic Teller Machine to check how much they have on their Payment Card; they can do this online at MyMSD but this requires internet access which is not always available or affordable, so young people ring their Youth Service mentors to find out how much money is there. However, mentors cannot see the live WINZ screen that shows benefit payments, so they have to call YSSU for an updated payment summary that does not show childcare subsidies or the timing that payments will go out, so is very limited in assisting young people manage their money. One youth mentor estimated that 80% of her work involved checking Payment Card balances.

**What human rights concerns might arise in connection with the introduction of digital technologies in social protection systems?**

**Payment card**

1. The Payment Card has the name and the Personal Identification Number (PIN) 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. 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.
2. The Payment Card restrictions on the types of goods that YP/YPP recipients can purchase often requires them to buy products more expensive than they could buy elsewhere. For example, they cannot buy online goods, second-hand furniture or fruit and vegetables at farmer’s markets.
3. 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.
4. The above limitation particularly impinges on Māori, New Zealand’s indigenous peoples, for whom attending tangi and making cash contributions towards events are significant cultural obligation. Being unable to meet these obligations left them feeling embarrassed and shameful. It is notable that two providers indicated that some Pasifika young people *appreciated* Money Management because it made it more difficult for their parents to assume control of their income. This practice is common in Pasifika families where individual incomes are viewed as family income. In this sense, Money Management offered young people some level of agency not normally available within family relationships.
5. 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 a social security recipient when using it. This was described as extremely shaming because of the stigma associated with being ‘on welfare’. Technical faults which resulted in a decline at the store counter enhanced the stigma, as did reports that some checkout operators tried to enforce their own rules about what was appropriate or not appropriate to buy using the card.
6. Such problems led some young people to get around the consumer restrictions associated with the Payment Card, some of which made them vulnerable to exploitation. For example, some allowed family members or landlords to use the card for grocery shopping and receiving cash in return, while others frequented the small number of suppliers who are willing to give them cash when using the Payment Card. In both cases, it was common for them to receive a (lesser sum in cash than the monetary amount taken out of their account

**Money management**

1. Some young people already had jobs before applying for social security 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/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.
2. 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 person needs to leave a partner suddenly due to violence, they do not have complete control over their income to escape and set up a new household. Money can be transferred from the Payment Card to the In-Hand Payment but this involves a significant level of intervention on the behalf of a mentor and cannot happen instantaneously.
3. Young people coming out of state care often want to reconnect with their biological family, even if this sometimes led them to engaging in the kinds of behaviours that Money Management aims to discourage. Some of these young people end up dropping out of Youth Service because they are not meeting obligations or similar reasons. If foster parents are not willing to continue caring for them once funding for the young person ends, many also have nowhere to live, making it hard to focus on meeting obligations or other compliance measures to avoid being financially penalised.
4. Although Money Management may improve financial *stability* by ensuring that rent or board is paid on time, so young people keep a roof over their head and are generally fed, there were also reports of landlords that are exploitative and do not provide the meals for which they are paid. This suggests 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 for rent 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.
5. There little evidence that Money Management enhances financial *capability* amongst young people. While some YP/YPP recipients are able to use the Payment Card to save money for the future, they tended to be living in stable households where familial financial support was significant. Others 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. In at least two instances, a 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 in place. Some providers worried this created a sense of dependence on them.

Most YP/YPP recipients stay on Money Management for at least several months until they are deemed ‘financially competent’ by their Youth Service provider and YSSU. This involves them 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.

Although providers were generally confident that Money Management was making a difference, these criteria for ‘financial competency’ do not assess whether any *change* in competency has occurred. Providers are required to report on YP/YPP recipients three months after they have exited the service to assess whether they are receiving an adult social security payment, in education/training or employment or in prison. There appears to be no follow-up on financial management.

**Conclusion**

In the various ways described above, digital technologies have contributed to the surveillance, control, and exclusion of the poor and young people who come from vulnerable backgrounds. **I recommend that compulsory Money management and the Payment Card be abolished.**

1. Originally only 16-18 year olds were targeted but this was extended to 19 year olds in 2015. [↑](#footnote-ref-1)