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New Zealand Productivity Commission  
PO Box 8036  
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### **Re: Fair chance for All Interim Report**

Parents, children, carers and whānau members should be able to participate fully in their communities to increase the prosperity of whānau and the wider community. The public management system needs to truly work for whānau in Aotearoa. No tamariki should have to go without essentials because of inconsistent and confusing support systems and rules. A fit for purpose public management system is crucial for increasing whānau prosperity in Aotearoa.

FinCap welcomes the opportunity to comment on the Fair Chance for All Interim Report (Interim Report). We comment to provide insights from on the ground about what the barriers and system challenges look like in reality.

The following submission draws on the expertise of financial mentors, who walk alongside many whānau that interact with multiple aspects of the public management system. FinCap also works in partnership with Muaūpoko Tribal Authority (MTA) in Taitoko, Levin. The focus of this work is to promote whānau prosperity by addressing child poverty. The insights from MTA are also included in this submission.

### **About FinCap**

FinCap (the National Building Financial Capability Charitable Trust) is a registered charity and the umbrella organisation supporting the 200+ local, free financial mentoring services across Aotearoa. These services support more than 70,000 people in financial hardship annually. We lead the sector in the training and development of financial mentors, the collection and analysis of client data and encourage collaboration between services. We advocate on issues affecting whānau to influence system-level change to reduce the causes of financial hardship.

### **Response to the Interim Report**

#### **Chapter 2 – Our approach to creating a fair chance for all**

*Q2.1 Do you support our framing of wellbeing and how disadvantage can arise from a lack or break down in one or more of the four dimensions? Are there any core factors or elements missing that would help us to understand and break the cycle of persistent disadvantage?*

We strongly support the He Ara Waiora framework being used to understand and address the complexity of persistent disadvantage for whānau, individuals and communities in Aotearoa. As part of the understanding of mana whanake or prosperity, the MTA and FinCap partnership look at the prosperity of whānau as a whole. This ties to an understanding that the wellbeing of tamariki is

linked to the wellbeing of their whānau, community, iwi, and hapū. This view is integral for growing sustainable and intergenerational prosperity.

We agree that a break down or lack of one of the four dimensions likely leads to disadvantage. Financial mentors and MTA kaimahi work with whanau who are often facing intersecting barriers or challenges in multiple dimensions of the He Ara Waiora framework.

One of the comments that financial mentors have made is that when services that work to support different specific aspects of mauri ora are linked and the referrals are smooth, then the outcomes for whānau are more meaningful. For example, when the process of a referral between MoneyTalks and financial mentors is smooth then the contribution that is made towards the prosperity of whānau is much higher. The connection and closing of gaps between services that support all different dimensions of whānau prosperity is important for providing real wrap-around support.

**Recommendation:** The Commission to consult actively and directly with Muaūpoko Tribal Authority and financial mentors to understand how the overall system level challenges appear on the ground.

## **Chapter 4 – causes of persistent disadvantage**

### **Financial exclusion**

Financial mentors operate within the financial inclusion element of social inclusion, working with whānau to make their aspirations a reality. Within the elements of the framework sit the real-life barriers that cause financial exclusion and entrench disadvantage. Unexpected life events can impact all whānau. Financial mentors see whanau where exclusion has been a constant issue, or exclusion is created through a life event.

Many whanau are experiencing exclusion from access to essential services, such as banking, power, food, housing and from the government departments that are meant to support them. An urgent issue for financial inclusion, and one worth highlighting here, is that of the ‘unbanked.’ Financial mentors regularly report concerns about financial exclusion and barriers for whānau in accessing banking and payment tools to suit their current and changing needs.

Cases of exclusion from banking services are apparent for those who are currently in or have recently exited prison, have been through insolvency procedures or are homeless. The reasons for declined bank account applications are typically related to issues of identification, address or account history. Although, at times declined account applications are given with vague or unknown reasoning, according to financial mentors that work with declined bank applicants.

Some action has been made to improve the availability of bank accounts for released prisoners, although financial mentors have mentioned that these initiatives have not been as widespread and effective as is urgently needed.<sup>1</sup> While this initiative is appreciated and begins to address the issue, there needs to be widespread and urgent attention given to access for all this cohort.

Actions also need to meet the needs of those already out of prison for some time that do not have bank accounts. Wellbeing for prisoners following release can be impacted by financial exclusion and does not support a healthy reintegration into society.

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<sup>1</sup> Corrections New Zealand <https://www.corrections.govt.nz> and [https://www.corrections.govt.nz/news/2022/bank\\_account\\_on\\_release\\_is\\_one\\_less\\_challenge](https://www.corrections.govt.nz/news/2022/bank_account_on_release_is_one_less_challenge)

Currently, a large portion of the gap in access to bank accounts is being filled by “Total Money Management” programmes at financial mentoring services.<sup>2</sup> These services are providing characteristics of a bank account for those declined by banks, despite that not being the purpose of the programmes. For those that have been declined access to banking services, money management programmes are a practical alternative. However, this places an additional strain on the financial mentoring services providing this and the costs are being transferred to these services to fill the gaps that banks have created.

Ensuring that all in Aotearoa have a right to access essential banking services is crucial. This issue adds additional urgency and importance to the issue of financial exclusion. We have members of our communities completely unable to access the bare necessities that are required for participating in their communities.

**Recommendation:** Ensure that access to essential services, such as banking, are identified and prioritised within an understanding of wellbeing for whānau. The issue of ‘going without’ as identified in the Interim Report, can look like complete barriers to access to the essential tools. Whānau need these tools to access the everyday necessities that support their wellbeing.<sup>3</sup>

### **Debt to Government**

One of the clearest examples of a siloed and fragmented system can be seen in the debt to government space, where each department has different processes. These inconsistencies range from different call-back options when a person is trying to make initial contact, to different capabilities for debt forgiveness. Within each different department there are also inconsistencies.

Debt to government is greatly impacting the lives of whānau and tamariki in Aotearoa. According to data from the Child Poverty Action Group, as of June 2021 the total outstanding debt to the Ministry of Social Development (MSD) for current main benefit clients was \$980 million. For those on low incomes, such as benefits, the impact of debt to government is especially massive and growing.<sup>4</sup>

The debt that currently exists for whānau needs to be addressed and hardship assistance options for whānau are needed, to relieve them from unaffordable debt that has been created unfairly. The potential for future debt to be created also needs to be addressed, to ensure that changes are made to prevent persistent disadvantage.

Further issues with debt and government, and the justice system include the attachment order process. This issue highlights a severe lack of safeguards in the justice system. These factors that are outlined in the Interim Report are aligned with the challenges that financial mentors see as barriers to mauri ora or causes of mauri noho.

**Recommendation:** In their research, the commission should focus on the ability of government departments to create debt for whānau and entrench persistent disadvantage as an example of how inadequate government agencies contribute to persistent disadvantage.

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<sup>2</sup> A list of all services offering financial mentoring in Aotearoa with contact details and a flag for those that do or previously did offer Total Money Management is available at <https://www.moneytalks.co.nz/find-help-now>

<sup>3</sup> Page 30 of the Interim Report <https://www.productivity.govt.nz/assets/InquiryDocs/EISM-Interim/Productivity-Commission-A-fair-chance-for-all-Interim-Report.pdf>

<sup>4</sup> See <https://www.cpag.org.nz/statistics/debt-to-msd#:~:text=Total%20outstanding%20debt%20to%20MSD,to%20over%20%244%2C000%20in%202021.>

## Plain language

As part of capability and belonging, we focus on the system needing to produce support that is useful. When information provided by essential services is complicated, and unnecessarily confusing then no one benefits. Many of the forms and processes that essential services, including government departments are unnecessarily complicated and unclear when given to whānau who are working with financial mentors. The core reason for providing such forms usually comes down to informing the whānau about what they can expect and what is expected from them. Relaying this information clearly and concisely with adequate resourcing in place to facilitate an invitation for readily available support to warmly explain or translate any information would improve outcomes. This would help to make sure that whānau are getting the correct information and can move ahead with confidence.

The habit of unclear communication often ends in whānau walking away with further distrust, annoyance, or at times with debt to a government department due to a misunderstanding. For a busy whānau experiencing several challenges at one time, the clarity means that less time is spent interpreting the steps that they need to take. This allows for more attention and time to be given to the more pressing matters that may be present.

A 2021 survey of financial mentors showed that their client cases have become more complex.<sup>5</sup> This reflects the multiple and compounding challenges that whānau can face. Through ensuring that plain and clear language is used by public services, time can be saved for financial mentors and the whānau they walk alongside.

*“My clients are needing far more intensive pastoral care than ever before. The cases are more complex, with many mental health issues. We have now had to extend the appointment times to two to three hours as opposed to the one to two hours previously.” – Financial Mentor*

Furthermore, plain language minimises the chance of error that can result in further harm to whānau. When the expectations are clear in terms of both what they need to do and what they can expect from the service, then the likelihood of unnecessary financial stress and confusion is reduced.

**Recommendation:** Plain language is implemented across the public management system and during the process of change to ensure that there is true access for all whānau and engagement in the process.

The survey of financial mentors also noted mental health challenges and how they can create a barrier to focusing on building financial capability.<sup>6</sup> There should be strong and focused effort to connect services, to minimise the cumulative impact of experiencing multiple disadvantages. All young people should have the essentials, be cared for, have security and safety, and access to play.<sup>7</sup>

*“Many clients have mental health issues that need to be addressed before the client can concentrate on budgeting.” – Financial mentor*

**Recommendation:** The commission to look at strategies for strengthening the connection between support networks, without the brunt of that work being placed on the services themselves. Mental health needs to be addressed alongside other services that are working within different dimensions of waiora.

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<sup>5</sup> See <https://www.fincap.org.nz/wp-content/uploads/2022/01/COVID-19-financial-mentor-snapshot.pdf>

<sup>6</sup> See <https://www.fincap.org.nz/wp-content/uploads/2022/01/COVID-19-financial-mentor-snapshot.pdf>

<sup>7</sup>See CPAG report 2017 [Child poverty and mental health - a literature review](#)

## Chapter 5 – barriers in our public management system

*Q5.1 Do you have any comments to make on specific policy areas listed in Table 5.1, where reforms are currently under way, and what needs to happen in those areas so that the chances of someone ending up in persistent disadvantage are minimised? Do you agree that the reforms may well be necessary, but will not be sufficient in completely unlocking persistent disadvantage?*

Distrust in public services, as mentioned above, is a major barrier for many whānau and may mean that changes in specific policy areas are not truly effective. Many of the exclusionary issues highlighted above build a distrust in essential services. For example, when overpayment debt occurs after a whānau have tried hard to avoid it, there grows distrust and resentment.

Financial mentors use a strengths-based approach in their work with whānau. A strengths-based approach to financial mentoring means that the capabilities, knowledge and skills of each individual client or whānau are harnessed to support the growth of their financial capability.<sup>8</sup> This means that those being assisted are made aware of the options available to them and can opt to be supported on the pathway forward that they choose. Time again we hear that whānau facing hardship are not feeling able to trust a process. This becomes a barrier to them engaging with systems designed to support those at risk of persistent disadvantage.

Financial mentors often observe that a pathway that could be most promising is avoided on the basis that some people experiencing persistent disadvantage, based on past experiences, do not trust that institutions with more power than them will deliver an outcome in their interest. For example, many do not go with the option of complaining to a business where that organisation has clearly failed to meet a regulatory requirement to treat them fairly.

Similarly, few are comfortable with escalating the complaint to a disputes resolution scheme who might restore a fair balance of power in a dispute. Financial mentors also report that most people and especially those facing severe hardship are very cautious in complaining about non-compliant rental property conditions out of fear around the risk of retaliation from their rental housing provider.

**Recommendation:** The Commission as an overarching theme to investigate what can be done to prevent experiences that lead to whānau losing trust in aspects of systems that should support them. Any means of rebuilding trust, engagement and rapport may hold the key to preventing persistent disadvantage.

**Recommendation:** The Commission removes barriers and builds trust through investigation of how systems for consumer protection place onus on traders through enforcement could better rather than an onus on consumers to instigate processes that remedy non-compliance

*Q5.3 Do you agree with the barriers we have identified? How can they be overcome?*

Short-term decisions that don't look to the future are having an impact on whānau via the challenges that this presents for financial mentors. Funding for financial mentors reflects this pattern of short-termism. Financial mentors need security in their work in order to continue to support whānau across Aotearoa. Sustainable funding for services like financial mentors is essential. These services work on the ground with our communities, finding solutions that are grounded in a

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<sup>8</sup> See <https://www.msd.govt.nz/documents/what-we-can-do/providers/building-financial-capability/bfc-services-for-people-experiencing-hardship.pdf>

strengths-based approach, building the capability of whānau and recognising their strengths to build on to meet their aspirations.

Many financial mentors undertake their work on a voluntary basis but there is a growing cohort of professional financial mentors. Unfortunately, many professionals and volunteers are determined to continue their vital work in their communities but face uncertainty because they are under resourced or where currently adequately resourced do not have certainty of sustainable funding in the future.

This uncertainty looms over their shoulder and limits their ability to stay working as a financial mentor. It contributes to the risk of burn out and leads to inefficiencies where their skills and experience are lost as they make the difficult choice or have no choice but to move on from the work they are passionate about.

Adequate sustainable funding of support services that help people on a pathway away from 'falling through the gaps' is clearly vital to ensuring people have the opportunity to maintain their wellbeing on an ongoing basis. The role of financial mentors is to rebalance the power for many whānau and provide strength to disputes that would often see whānau disadvantaged.<sup>9</sup>

Increased funding for services such as financial mentors can also support stronger collaboration and information sharing across the many organisations and services that are supporting their communities and noticing many of the same challenges. It can be difficult and time consuming for productive collaboration to occur.

**Recommendation:** Ensure than funding patterns are considered within the theme of short-termism.

Please contact FinCap policy advisor Janeka Rutherford-Busck at [janeka@fincap.org.nz](mailto:janeka@fincap.org.nz) for any questions related to this submission.

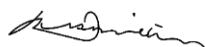
Ngā mihi,

Di Rump



**CEO**  
**Muaūpoko Tribal Authority**

Ruth Smithers



**Chief Executive**  
**FinCap**

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<sup>9</sup> See [https://www.dss.gov.au/sites/default/files/documents/10\\_2019/report-review-financial-counselling-services.pdf](https://www.dss.gov.au/sites/default/files/documents/10_2019/report-review-financial-counselling-services.pdf)