

## ***POLICY ISSUES ARISING FROM THE RESEARCH ON BUDGETING ASSISTANCE***

Justin Strang  
Social Policy Agency

The research undertaken for the Social Policy Agency by the University of Otago Consulting Group sheds useful light on the outcomes of budget advice for people managing on low incomes. The results of this research are very positive and argue well for the provision of this kind of assistance to help people on low incomes. They also raise a number of issues which contribute to the ongoing policy discussion around the place of budget advisory services in the Government's provision of welfare support services. The purpose of this brief comment is to discuss three of these issues. First, there are policy related questions around the actual changes made by those receiving budget advice to bring their affairs into balance. Secondly, there are issues about sources of income and the relativity between benefit and wage levels. A third policy question is the effectiveness of individualised assistance through programmes like budget advice in alleviating social problems.

In the year ended 30 June 1995 the Government, through the New Zealand Community Funding Agency (a business unit of the Department of Social Welfare), contributed \$2.3 million towards the running of budgeting advice services throughout the country. Of that total, budget services affiliated to the New Zealand Federation of Family Budgeting Services (NZFFBS) received \$1.2 million. At the national level the Community Funding Agency contributed \$180,000 directly to the NZFFBS to help it provide advice and assistance to its affiliated members.

In December 1994 the Government announced it would provide further funding for budget advice services. This was part of a package which was implemented in response to an increase in the use of foodbanks. The additional funding (\$1 million in the year to 30 June 1996) was intended to allow NZISS to refer customers identified as having chronic financial problems to a budget advice service. It is intended that this funding will assist up to 15,000 people annually.

This additional funding shows the Government's confidence in budgeting services as a means to achieve its social policy objectives. Budget advice is part of a wider package of services funded by the Government to assist families in need of support. These services contribute to the Government's overall goal of social cohesion by encouraging people to take responsibility for themselves and their families and whanau. The funding of budgeting services to achieve this goal is based on the belief that managing on a low income is not just about needing more money but about spending that money in a more appropriate way. This research, therefore, offers the chance to evaluate how well budgeting services achieve the Government's goals.

## Balancing a budget

A key objective of this research was to measure the patterns of income and expenditure before and after receiving budget advice. The findings are encouraging in that there was, on average, an increase in income and a decrease in expenditure after receiving budget advice. However, 20% of initial clients did not complete the course (for whatever reasons) and thus were not part of the study. Further, nearly 6% of the beneficiaries and over 1% of the wage earners among those initial clients were deemed to be beyond the capacity of the budget service to provide any assistance. Thus budget advisory services can be seen to have been beneficial, but not for all people facing budgeting problems.

Departmental experience suggests that most beneficiaries will participate in programmes to increase independence if they can see real benefits for themselves as the outcome. A key policy question emerges therefore as to why one-fifth of clients did not go through with the programme and why a smaller percentage could not be helped at all.

On the expenditure side, debt was identified as a significant expense facing beneficiary clients, particularly unpaid bills and commitments. This may be compounded by recent changes to benefit advances administered by NZISS which open this provision up to more beneficiaries. There is a risk, therefore, of debt becoming a more significant problem as NZISS becomes another source of credit for some benefit recipients.

A further issue relating to debt, not dealt with in the research, is that of the effect of benefit duration. Experience shows that debt will become a bigger problem the longer a person is reliant on a benefit. First, as capital reserves are run down the individual is less able to support debt repayment or cope with significant financial crises. Secondly, as an individual becomes less able to meet expenses they are more likely to put them off, possibly leading to more serious problems later on (e.g. delaying dental treatment). Thus the effectiveness of budget advice may be reduced for long-term benefit recipients.

On the income side, the research showed increases to variable extents for all groups. This increased income came from a number of sources including benefits. With the exception of the two-adult household group all others showed an average increase in their benefit income. This reflects the estimated 20% of beneficiary and 8% of wage-earning clients who were not receiving all the assistance from NZISS to which they were entitled. In effect the budget advisory service was also contributing to another Government goal, to ensure that people were well informed about their income support entitlements.

## INCOME

The research indicates that there is a large gap between the income of beneficiary clients and those receiving wages. An important part of the Government's policy on benefit levels is to keep them at a level lower than those reliant on wages (thus maintaining the incentive to move off benefit). The incomes of the groups in this study would suggest that

there is scope for increasing the income opportunities for beneficiaries and still retain a margin below that of wage earners. Further useful information arises out of the data about the current sources of income of benefit recipients. Few beneficiaries in the study earned much income above that received from benefits. The abatement of benefits is known to have a major effect on other income received but in most cases in this study, individuals were earning significantly less than the point where core benefits are reduced. This raises the issue of impediments to beneficiaries earning additional income. While the current abatement regime is one factor, the low level of additional income earned in this study suggests there may be other impediments which may require further investigation or individual assistance.

The recent Government announcement on employment initiatives (October 1995) included significant changes to the abatement of benefits, especially for sole parents. The extent to which the extra income of this group increases in the future will show what impact other factors have on additional earnings.

### Individual Assistance Programmes

Perhaps the most interesting question for the policy minded is the extent to which the use of individual assistance programmes like budget advice helps those on low incomes. The results of the research indicate that such an individual approach has had a positive effect in helping people balance their budgets. Another individual assistance programme, to help Domestic Purposes Benefit recipients into employment and training, COMPASS, seems also to have had a positive effect (for an evaluation of COMPASS see the article by Mike Rochford in this issue). These results are timely as NZISS has embarked on three programmes focused on individualised assistance: individual programmes for young benefit recipients, the expansion of COMPASS and a general move to "customised" assistance for all clients.

Individualised assistance is also a major part of the Government's October employment announcement. A comprehensive range of programmes will be implemented recognising the different needs of job seekers (Māori and Pacific Islands peoples, the young, long-term unemployed, and sole parents). This strategy is based on the belief that government assistance tailored to individual need is the key to successful job placement (for a discussion of active labour market strategies see the article by Graeme Scott in this issue).

The evidence from the study of budgeting services points to some key issues which are relevant. Is the programme fixing the right problem and does it offer the flexibility to meet the diverse needs of the target group? There are tensions between offering flexibility to meet individual need and the delivery of a consistently good service. Individualised assistance is also costly and accountability requirements can conflict with finding innovative solutions. Finally, there are questions about the adequacy of the resources available, and whether the outcomes of the programme justify the investment.

## CONCLUSION

The results of the budget advice service evaluation point to significant advantages in assisting people on an individual basis. However, outstanding issues remain, such as the effectiveness of budget services for all people on low incomes, especially long-term benefit recipients.<sup>1</sup> This inevitably leads to the question of benefit/income adequacy which, while outside the scope of the research, is critical to the success of the budget advice programme. Ensuring that the programme offers real gains which are recognised by participants is, in the end, the most significant factor in determining the success of budget advice and other individualised support provided throughout the state sector.

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<sup>1</sup> Evaluations have been planned on the pilot programme mentioned earlier in this article in which NZISS refer customers directly to budget advisory services. This should provide useful information on the effectiveness of these services for long-term benefit recipients.