



Impacts of COVID-19 on building financial capability: 2021 snapshot

Executive summary

Survey

In October of 2021 FinCap, the umbrella body for financial mentors in Aotearoa, conducted a national level survey of financial mentors.

The intention of the survey was to identify the impact of COVID-19 and the pandemic response on the workload of financial mentors and the whānau they support, being people under financial pressure, stress and hardship.

Measured impact of COVID-19

As expected, the impact on whānau from the past year and a half of pandemic has been significant as has the workload placed on the sector by these changes.

While there has been an increase in volume of financial hardship and distress cases for many mentors, this increase in workload has largely been due to a marked increase in the **complexity** of those cases. As a financial mentor responding to the survey put it:

“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.”

Drivers of complexity

While some of the noted difficulties caused by COVID-19 are related to the difficulties of shifting to working remotely, the survey has identified that two of the key drivers of case complexity are increased **housing** affordability issues and **mental health** needs.

Issues such as rent arrears, access to emergency housing, and costs associated with poor quality rental accommodation, generally involve navigating more stakeholders, processes and agencies than issues such as car finance arrears.

The COVID-19 response has also complicated access to health services and, particularly in lockdown, put barriers between people and their communities of support. This has had a significant impact on the mental health of many clients.

Financial mentor feedback describes a loss of resilience across the populations they are working with. Examples of working with suicidal people, of increased addiction issues, and of people suffering significant relationship problems are featured throughout the recent FinCap survey's qualitative responses, with financial mentors specifically citing people's mental health as a significant issue. As a financial mentor from North Canterbury remarked:

“I feel we are social workers at the same time as most of our clients have more than financial problems.”

Both housing and mental health are long-tail issues in that they create secondary problems that can ripple through many other aspects of a person's financial life.

Impact on financial mentors

This increase in workload and complexity has had a significant impact on financial mentors, many of whom have reported increased work-related stress and wellbeing issues for themselves and their colleagues.

For many financial mentors the shift to having to work under lockdown conditions has exacerbated this stress as IT support and capacity varies significantly on a service-by-service basis. Financial mentors who are working in lockdown also face diminished access to their own communities of support.

More than half of financial mentors surveyed have reported the time it takes them to conduct casework per client has significantly increased. An additional 19 per cent have noted a marginal increase.

This has a measurable impact in the form of hours of work. **Approximately 75 per cent** of financial mentors are working unpaid hours to complete their casework. Additionally, only 132 of 200 services are funded by Ministry of Social Development. All 900 financial mentors meet

significant community need and each client session, wherever the support is accessed, should be funded.

Conclusion

The Building Financial Capability sector is coping with the increased strain created by COVID-19, but only just. It is likely the lack of a pronounced spike in cases is the result of strong government support for working people affected by the pandemic. The significant increase in funding that was provided for over the previous twelve months has been critical to supporting services and their work.

However, looking forward, it is likely the current high workloads will significantly increase, due to complexity of cases and due to the long tail effect of the types of issues that COVID-19 has created for clients. In order to rebuild financial resilience for the many clients affected by the pandemic, there is a commensurate need to shore up the resilience of the sector and the people who keep it running. Sustainable funding should be in place for every client financial mentoring session, currently delivered by funded and unfunded financial mentors.

Who is FinCap?

FinCap (the National Building Financial Capability Charitable Trust) is a registered charity and the umbrella organisation supporting the 900 local, free financial mentors across Aotearoa. These mentors annually support more than 70,000 people facing financial hardship. FinCap leads the sector in the training and development of financial mentors, the collection and analysis of client data and encourages collaboration between services. The organisation advocates on issues affecting whānau to influence system-level change, to reduce the causes of financial hardship.

Financial mentoring services

For more than half a century Aotearoa has had a network of local agencies committed to providing financial mentoring support to people in hardship. Financial mentors work with people and whānau throughout Aotearoa. Their services are free and confidential for people and whānau to access to address or avoid problems with money. Financial mentors do this work within more than 200 distinct services delivering from over 316 locations spread nationwide. Financial mentor's initial assistance involves working to draw up an overview of a person's financial position. From there, financial mentors help to work out what that person's goals are, then follow this by identifying the options available for managing money and debt to achieve those goals and then, where necessary, provide assistance to take up those options. The work generally ranges from a single one-off session for a person or whānau facing a crisis, through to in depth and ongoing assistance. Some services may also offer community education to groups or specialist temporary or ongoing Total Money Management for people otherwise unable to manage their money.

Ministry of Social Development funds 132 of 200 services yet whānau in hardship seek support wherever the financial mentoring service is provided.

Working at scale with New Zealanders in hardship

In 2018 70,800 people received the service described above – a minimum one-hour kanohi ki te kanohi/face to face with a financial mentor, with follow-up advocacy and support. Often those sessions are repeated, and often referrals are made to housing, mental health, addiction, and related services. Financial mentoring services are a gateway by nature – for client access to other specialist supports, to address the driving cause or causes of financial hardship, and a more hopeful financial future.

The financial scale of the issue FinCap sees is numbing. Those 70,800 people (often there on behalf of a whānau/family) represent around one in three in Aotearoa living in hardship.

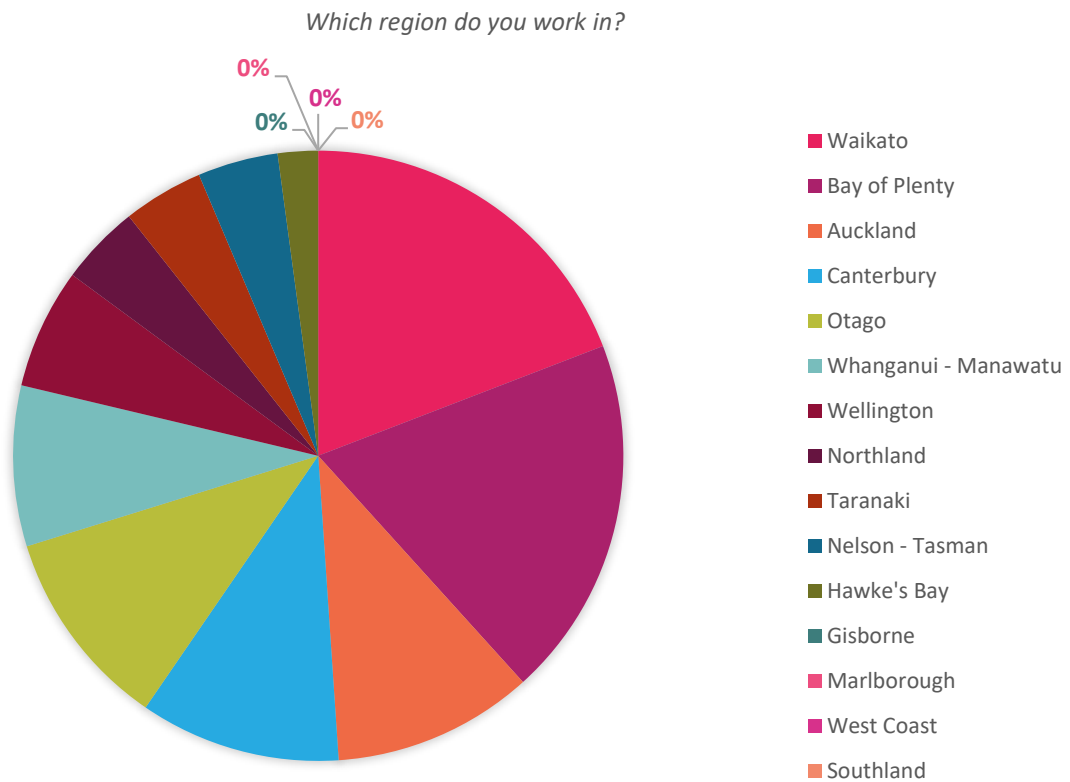
Survey

Purpose

A survey was recently undertaken to better understand the impact of COVID-19 on the building financial capability sector. This survey is part of FinCap’s regular engagement with and representation of the building financial capability sector.

Survey period and coverage

The survey was conducted over the period 4 October 2021 to 20 October 2021. It was made available to the 900 financial mentors FinCap supports.



Responses

The survey gathered 47 responses across a geographical spread encompassing most of Aotearoa.

Methodology

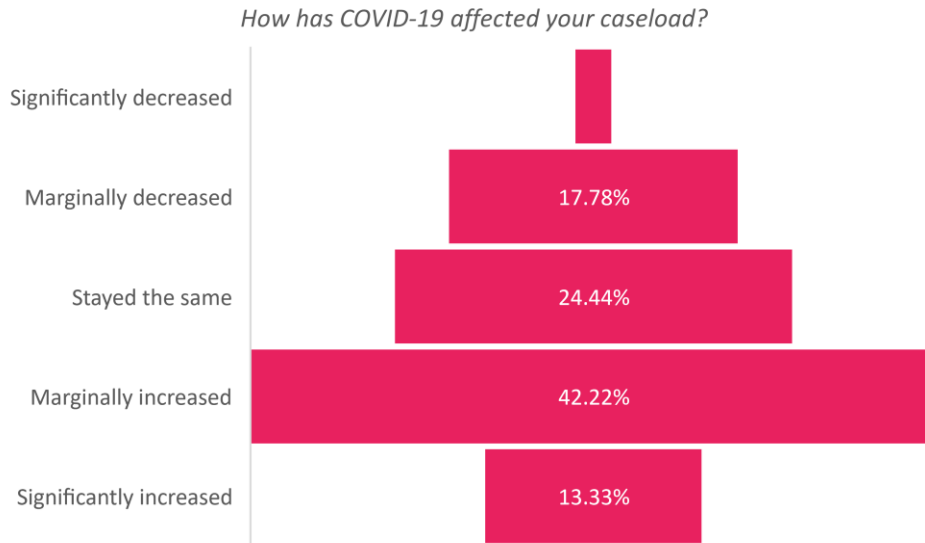
The survey was a mixture of quantitative and qualitative questions. The quantitative report is appended as appendix one.

Excerpts from the qualitative feedback have had personally identifying information removed from them and are used in the report as appropriate. In addition, where it has been possible to do so, the frequency at which specific issues have been raised by financial mentors has been noted.

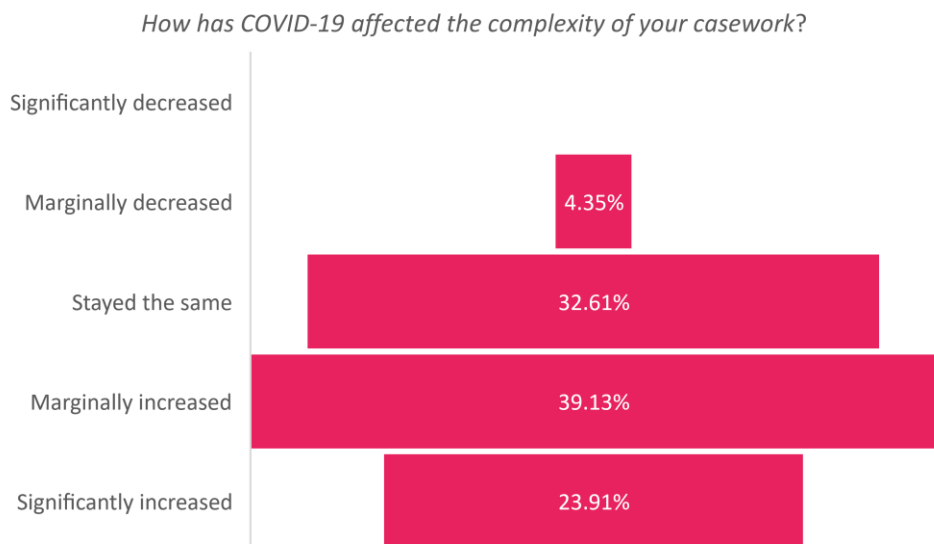
Measured impact of COVID-19

Caseload

Just over half (56%) of financial mentors report a COVID-19 driven increase in the number of clients they are seeing. 13% report that this has been a significant increase.



In addition to increased case numbers, the complexity of cases has significantly increased with 63% of financial mentors reporting that COVID-19 has increased the complexity of their cases on average.



Drivers of complexity

Two key drivers of increased case complexity due to COVID-19 were identified in the survey - **housing affordability**, and **mental health**.

Housing affordability

COVID-19 has compounded the housing crisis.¹ And housing issues have tended to be more complex than many other issues dealt with by financial mentors, for a variety of reasons including:

Variety of providers

Housing providers have vastly varying backgrounds, processes, capability, and purposes. Providers include:

- Private landlords
- Corporate landlords
- Councils
- Central government
- NGOs and social providers.

Scope of issues

Housing issues present in a vast range of ways and often have multiple aspects. A rent arrears issue, for example, may involve the debt itself, the engagement tenancy tribunal, and organising of emergency housing. A mortgage arrears issue may come bundled with rates and insurance debts that need to be negotiated separately.

Variety of agencies

Cases involving rental housing will often involve several government agencies and authorities (such as the Tribunal) in addition to the provider. If the whānau owns their own home their bank, insurers, and council often need to be engaged with.

The multiplier effect of housing issues

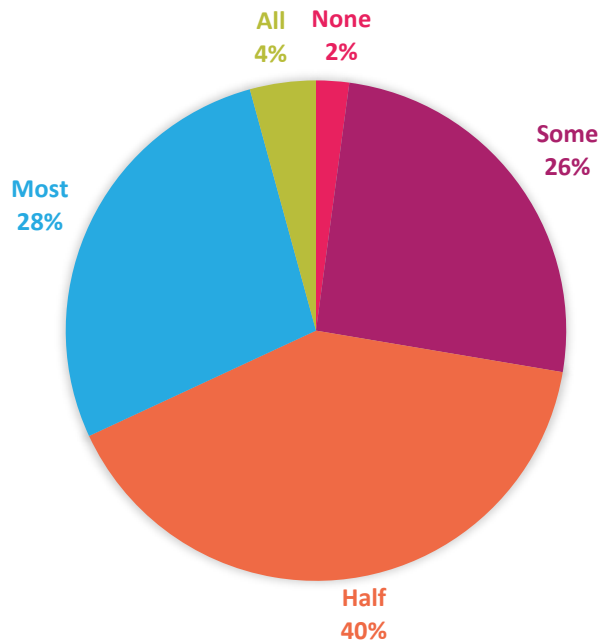
Housing issues often have a multiplying effect on other issues. Poor quality housing can mean increased energy and medical costs. Housing insecurity is a significant barrier to employment and education. Often managing these additional factors must be incorporated into casework.

¹ This is an international phenomenon as observed by this 2020 report:
<https://ohchr.org/Documents/Issues/Housing/COVID19andHousingReportSummary.pdf>

What does this look like in the field?

Almost all financial mentors (98%) report they have clients with housing issues. Nearly three quarters (72%) of mentors have identified housing as an issue for half or more of their clients.

What proportion of your clients are facing issues with housing?



In the survey, financial mentors were asked to describe an example of how they had supported a client with a housing issue. The related examples generally included descriptions of significant casework involving multiple stakeholders such as:

- Managing the hardship withdrawal of KiwiSaver to pay rent arrears
- Negotiation with council housing providers to use hardship clauses
- Having to “shop around” extensively for emergency housing for a young immigrant family
- Negotiating hardship agreements with mortgage lenders
- Rates arrears negotiations with councils
- Negotiation of payment plans for Kāinga Ora arrears
- Negotiation of extension of tenancy term with a private landlord to provide a client time to find another home.

Mental health

The COVID-19 pandemic has created a “double whammy” for people with mental health issues.² The threat of pandemic itself has increased anxiety and this has been exacerbated by the upheaval of routine and increased isolation that has been required by the nation’s response to it.

Additionally, the lockdowns appeared to lead to a greater proportion of those accessing financial mentoring services also struggling with mental health issues, and difficulty accessing their communities for emotional support.

Although the survey did not ask directly about mental health issues and the impact on caseload nearly half of financial mentors (47%) cited client mental health as a significant issue.

The identification of this issue was either in response to the question “*Do you have an example of one of these cases which shows why ‘financial mentoring is more than just preparing a budget’?*” or when asked if they had additional comments.

Financial mentor perspective

Examples of unprompted comments on this mental health are listed below:

A young single Mum who “just spent my money on food” i.e., spent everything apart from rent, power, phone etc. on sometimes expensive food. We talked through her issues surrounding anxiety about cleanliness, hence using a box of soap powder, a bottle each of shampoo/conditioner and four bars of soap plus cleaning products, every week.

One case is a woman suffering from extreme mental health issues telling me of her plan to commit suicide at our second appointment. She was only here to see me as her bank sent her since she was in arrears with her mortgage.

Many clients have mental health issues that need to be addressed before the client can concentrate on budgeting.

² Every-Palmer S, Jenkins M, Gendall P, Hoek J, Beaglehole B, Bell C, et al. (2020) Psychological distress, anxiety, family violence, suicidality, and wellbeing in New Zealand during the COVID-19 lockdown: A cross-sectional study. PLoS ONE 15(11): e0241658. <https://doi.org/10.1371/journal.pone.0241658>

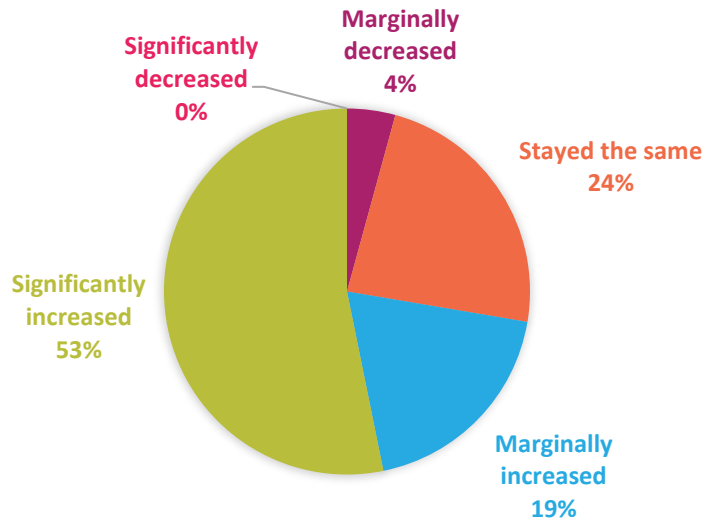
Now that he is cut off from his family, living in a boarding house, [the client] simply needs someone to talk things over with, to assure him that he will get through it.

Although clients are reluctant to engage face to face, due to covid concerns, the COMPLEXITY of the challenges have gone through the roof INCLUDING the clients stress, forgetfulness, irritation, anxiety!

Impact on financial mentors

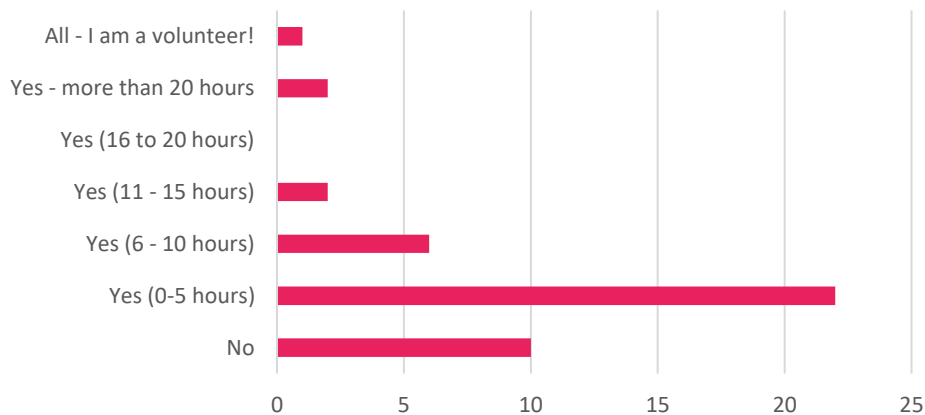
The impact of increases in case numbers and increases in complexity of cases has considerably increased financial mentors' workloads with close to three quarters (73%) of mentors reporting an increase in their workload due to COVID-19.

How has COVID-19 affected the time it takes you to conduct your casework?}



In response to this increased workload more than three quarters (77%) of financial mentors are working unpaid hours to meet the demands of their caseloads

If you are paid for financial mentoring do you ever end up putting in unpaid time because you are focused on getting results for clients? If so, what amount of hours per week on average?



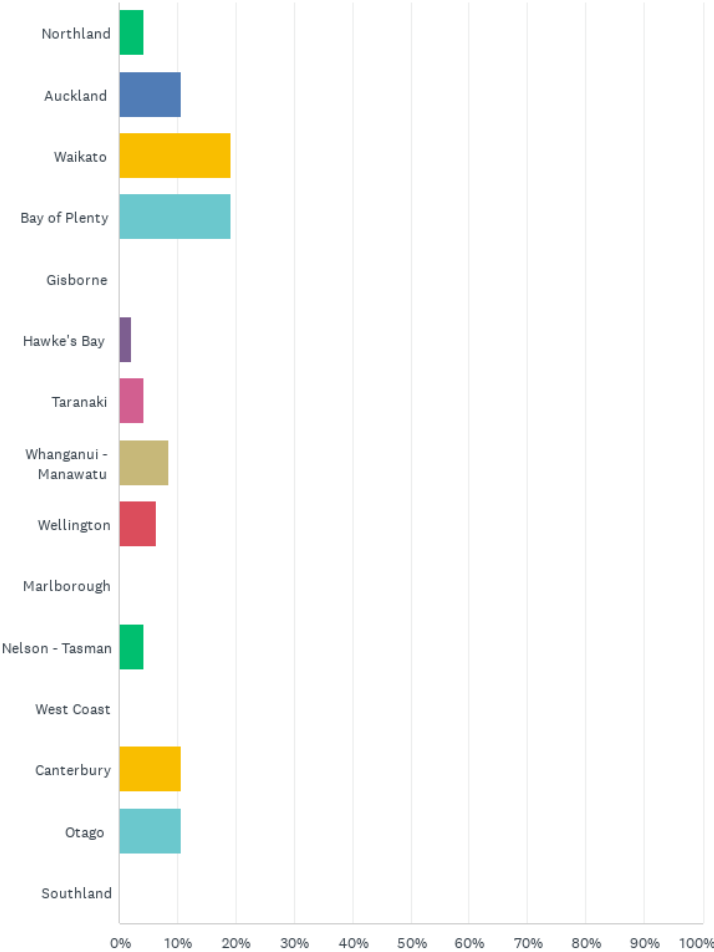
In general comments many financial mentors made unprompted comments regarding the stress they and their colleagues are experiencing, and the desire for additional support and resource.

Generally, the reported caseload and complexity issues from Auckland were greater than the national average. However, sample sizes become too small at a regional level to draw statistically significant conclusions.

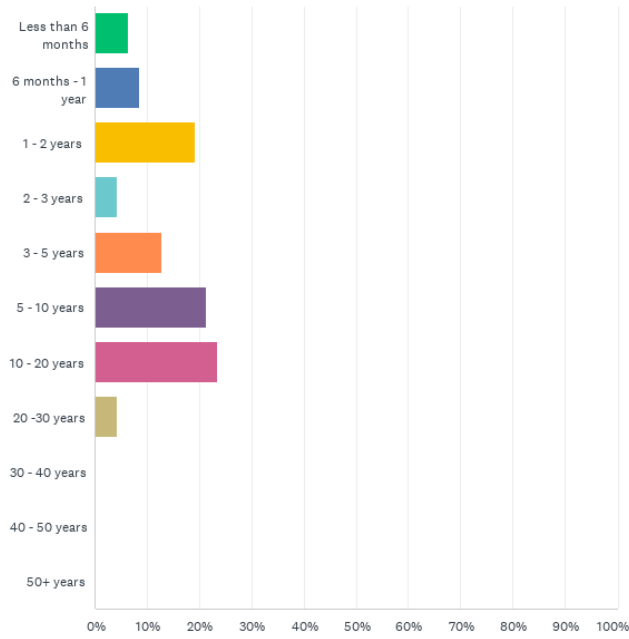
Appendix one

Quantitative data from FinCap financial mentor survey, selected questions

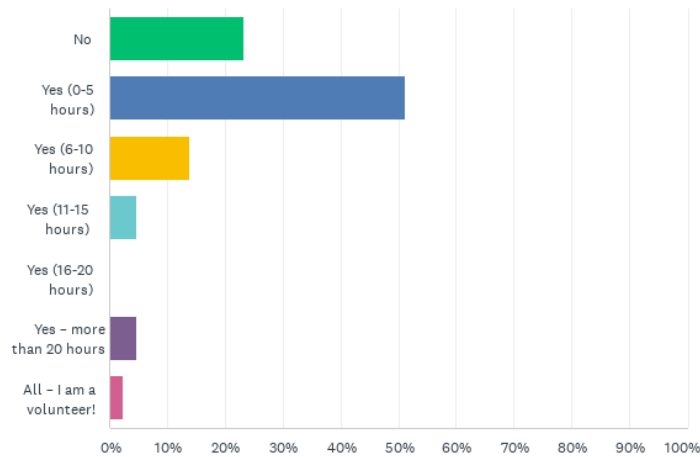
Q2 Which region do you work in?



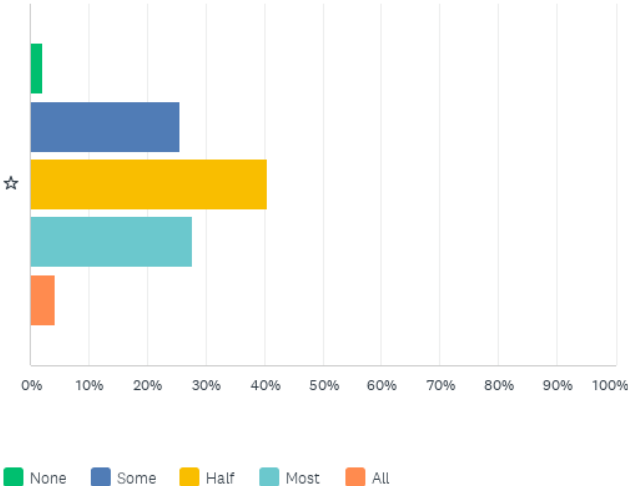
Q3 How many years have you worked in this sector?



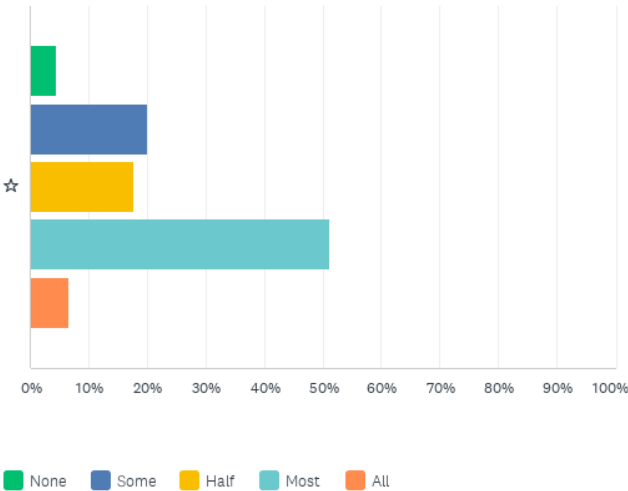
Q4 If you are paid for financial mentoring do you ever end up putting in unpaid time because you are focused on getting results for clients? If so, what amount of hours per week on average?



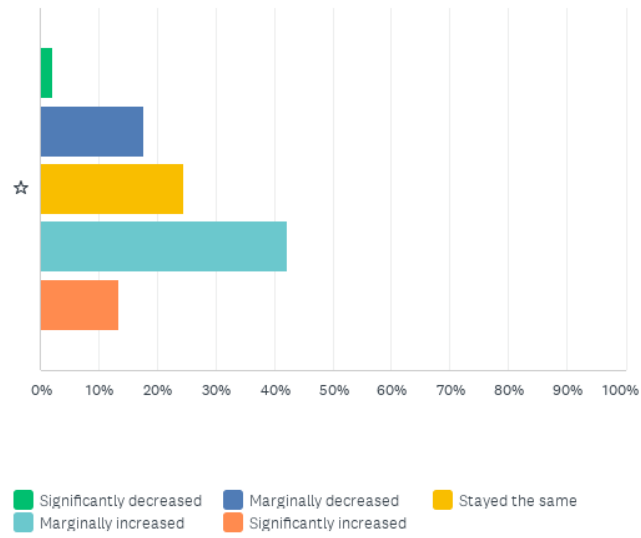
Q7 Housing is a big issue for many people right now – what proportion of your clients are facing issues with housing?



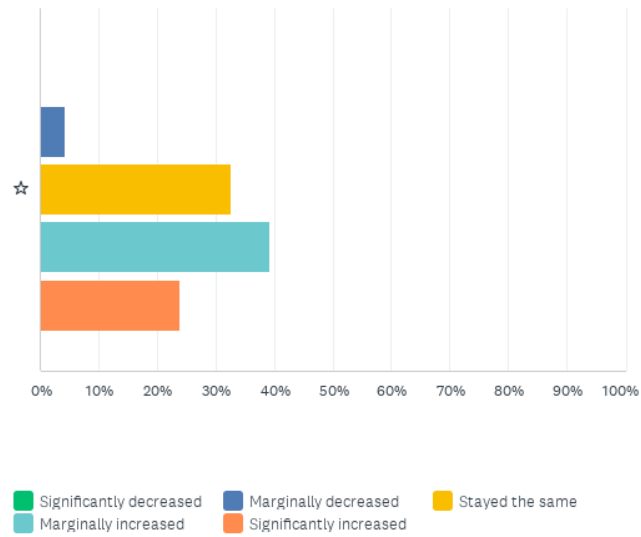
Q9 What proportion of your clients have 'complex issues' where you need to work alongside other support workers or wade through overlapping and confusing debt issues?



Q11 How has COVID-19 affected your client caseload?



Q12 How has COVID-19 affected the complexity of your casework?



Q13 How has COVID-19 affected the time it takes you to conduct your casework?

