

**Defining Energy Hardship (EH) consultation
Ministry of Business, Innovation and Employment (MBIE)**

Salvation Army Submission

1. The Salvation Army has chosen to provide a short general submission to this consultation. We have encouraged our national network of financial mentors (FMs) to write their own submission or complete the online survey on the MBIE website. We have engaged with MBIE and other stakeholders throughout the Energy Price Review process and so we welcome this consultation and other progress to this body of work.
2. This submission has been prepared with feedback from our financial mentors and budgeters who engage directly with people and whanau on energy-related hardship issues, as well as a host of other issues the person or whanau is facing. However, while it is our financial mentors (and to some extent our community finance loans workers) who are the primary point of engagement with people and whanau facing energy-related hardship issues, it is important to remember that these people and whanau are often facing several complex and challenging social (and other challenges) issues that are happening at the same time for them. Therefore, the 180,000 (on average) New Zealanders that use our services each year are facing multiple issues. Consequently, any energy-related hardship issues they face must be viewed in light of the other surrounding yet impactful issues they are facing in other parts of their lives. This is the reality for many using our social and Christian spiritual support services.
3. This submission aims to summarise general views and feedback from our financial mentors on three questions or areas: how do they as financial mentors define EH in their day-to-day work? What types of people or whanau do you see facing EH in your work? How does financial capability and the work of financial mentors help people face and overcome energy-related hardship issues? We have taken this approach because the data and statistical analyses from MBIE is no doubt comprehensive in quantifying EH issues. We aimed for a more on-the-ground approach to give first-hand insights of these areas. Please note that each *italicised* section/quote is a separate piece of feedback from our FMs.
4. **How do you define EH in your work?**
 - a. **Struggling to pay energy bills** - Our FMs described EH as *people struggling to pay their energy bills* and *people in arrears with their energy bills*. One FM said that *electricity ranks behind food and shelter as a basic need*.
 - b. **People and whanau making trade-off decisions** – FMs described how their clients weigh up paying energy bills and paying for other living costs. Because of their limited and/or fixed incomes, they often forego one set of costs for another.
 - i. *EH is where clients who are constantly in arrears or missing payments to pay other things.*

- ii. *Either clients being unable to afford their power by defaulting on month end payment, or by going without other things incl. food so that they can pay the bill or resorting to WINZ advances or money shop loans to do so.*
 - iii. *Those individuals or families that live in a negative budget and have to make choices on a weekly or monthly basis or to put money onto their power account or another bill like registering their car or food for their children.*
 - iv. *Smooth pay, redirections, direct debits etc for power impacting the client's ability to afford other everyday essentials.*
 - v. *Also, some don't put any money aside each week and then they're trying to pay the monthly bill with their weekly income so fall short in other areas (financial illiteracy).*
 - vi. *Energy Hardship would be something about the condition people are in when they struggle to pay for their power usage or have to sacrifice basic living needs like food, clothing, etc in order to pay their power bill.*
 - vii. *Families/whanau not paying full amount of power bills on due date – in order to have income for other essentials, hence they fall in arrears and into more hardship*
 - viii. *More and more have insufficient income left for other essentials expenses such as (Rent, food, medicals, clothing etc) after paying minimum amount of power required.*
- c. Involves credit and debt collection issues – Other FMs highlighted:**
- i. *Most common debt with debt collector that my clients have is to power companies*
 - ii. *Some clients have trouble getting the weekly payment amounts lowered so are in credit and then get charged to have the credit refunded to them each month.*
 - iii. *Bad credit means that the client has no choice about which provider they use and often end up with high charges as a result.*
 - iv. *At times W&I request a redirection as the client has had power bills paid for them too many times and then the client has trouble getting the redirection lowered and/or cancelled.*

5. What are the demographics of those you are working with that are facing EH issues?

- a. Overwhelmingly beneficiaries –** Our FMs clearly and strongly highlighted that those people and whanau facing EH issues were primarily those receiving welfare payments. They comment:
- i. *I see all sorts of people struggling to pay power, probably the main group is the beneficiaries, in particular the seniors. I have clients say they really miss the winter energy payment when it stops. I think the other issue is that clients don't understand what plan is best for them and so they often end up on the wrong plan and pay more than they need to for power.*
 - ii. *I believe the demographics that are struggling the most at present are the single beneficiaries renting alone especially those on single jobseekers. They often are reluctant to set up weekly redirections for power from their benefit as this leaves them unable to buy food or pay other essential bills – e.g., warranting or registering their cars – if no weekly power payment is set up, they are free to juggle other bills – BUT this often/always leads to overdue power bills – the upside is WINZ will often help with when they receive a power disconnection notice.*
 - iii. *I mainly see beneficiaries, so my knowledge comes from their stories.*

- iv. *Demographics would be across the spectrum but primarily we work with beneficiaries or low-income earners of any race.*
- b. **Maori, Pasifika, and senior citizens, and non-citizens highlighted**
 - i. *All beneficiaries and 65% would be Māori with a spread across all other ethnicities.*
 - ii. *A number of New Zealand residents apply for energy hardship, but non-residents are a higher percentage of the clients who are in hardship in our area of Queenstown.*
 - iii. *Pacific, Māori, NZ European, young families with multiple children, beneficiaries*
 - iv. *One Salvation Army FM previously worked as a WINZ case manager and gave this feedback too - While I worked at W&I there were multiple Seniors who struggled with power because they were living in older houses and couldn't afford to make improvements to their home, they were using energy sucking devices such as fan heaters or not using anything and being cold all winter.*
- c. **The far-reaching impacts of EH** – Several FMs talked about the impact of EH issues on all types of people and whanau. One mentioned that *it is a regular ongoing bill (usually monthly) so fair to say majority of our clients struggle to pay power bill, some often and some occasionally.* Another FM put it this way - *no clear age demographic with EH affecting across the board.*

6. What influence does financial literacy and do FM's play in helping people out of EH?

This question was focussed on a strengths-based approach and how the work of FMs can help break some of these cycles of EH. The general feedback is below:

- a. **FMs providing quality advice, guidance, and information to the community**
 - i. *FMs encourage clients to see paying the power bill as a high priority. For example, I advise my clients to pay the power bill even if it means missing payments on a loan from Cash Converters.*
 - ii. *Provision of guidance, tools, and education very vital in FM – enabling families to budget wisely and having enough money put aside for all household expenses. Looking at ways to save Energy by referring to online Energy Savings Tips; by comparing Energy Company costs and/or Power switch – compare and find cheap energy plans. Empower/encourage constant communication with their own power companies to find out ways to cut costs and to lessen energy usage.*
 - iii. *Financial literacy and FMs often help people prioritise electricity/power – beneficiary couples or solo parents with several children do usually have enough in their benefit to set aside weekly redirections for power – debt repayments can be negotiated down to help with this – BUT those on the single jobseekers – just do not have the income to be able to do this.*
- b. **Advocating on behalf of clients to other stakeholders**
 - i. *We play a big part because we help educate and negotiate with the power companies.*
 - ii. *We do have some influence (sometimes) as there are resources such as some Trusts and our Mayors Fund in Christchurch that will help people with a one-off payment on their power. Once the arrears are cleared then we can set up a payment plan (smooth pay, etc.) that will hopefully keep them on track. This often includes asking WINZ to pay something on their power before they receive their benefit each week.*

- iii. *For those that engage it can make a huge difference, even simple things such as paying power weekly by benefit deduction helps smooth the bill and avoid the one-off large month end bill.*
- iv. *Financial literacy does help with managing power accounts*

7. What things work in helping people out of EH?

a. Working directly with clients

- i. *Best way is to avoid debt. Every dollar made in loan repayment is \$ that isn't available food rent and power. Would also like to see clients maintain an emergency fund \$1000.*
- ii. *Working with them on the budget, ensuring they can afford the ongoing power costs. If they are struggling with other debts, they tend to pay one and not the other at times and power is one that will get left out as well. I have helped clients switch companies to have power and internet with one provider. I have setup weekly payments as sometimes a monthly bill can be a big expense in one go.*
- iii. *Top 3 things are paying power weekly to avoid large month end bill, reducing/replacing bad debt that has high interest and repayments, using a budget as a tool to explore where their money goes and enlighten about waste to change habits and encourage saving*
- iv. *I find that as the client is able to take control of their finances, they feel more confident in making changes and advocating for themselves*

b. Practical tools for clients

- i. *Areas I look at with my clients are reducing power consumption, effective use of heating/cooling devices, talking to their family members about making changes, lowering automatic payments (when their power bills are less than what they're paying), changing energy providers, contract vs casual rates, priorities*
- ii. *Setting up pay as you go power or a phone app that tells you how much power you are using is a good way of people realising just how much power they are using on an hourly or daily basis and can prevent those large \$600-\$800 a month power bills*
- iii. *Referring them to Power switch; and or GLO BUG.*
- iv. *Consistent basic monitoring of power usage, hot water cylinder faults, leaks etc around the house*
- v. *Empower families/whanau/individuals to always communicate with their Power company to make negotiation for payment extension.*
- vi. *Utilise smooth pay/even flow process with Energy providers if available and necessary.*
- vii. *Education about how to keep your power lower, etc. We usually suggest Community Energy Action as a resource for clients. That "What's my number" campaign was also good for a while to help people find out if they were getting the best rates.*

c. Engage with WINZ/MSD

- i. *WINZ advance loans*
- ii. *WINZ redirections help keep payments current on smooth pay.*
- iii. *Refer clients to MSD for assistance*
- iv. *Definitely suggesting to people to set up a weekly redirection straight from their benefit to their power account helps a lot – if people can do this for their rent and power – other bills can then be worked on without the threat*

and penalties of having your power disconnected and having to find a way to pay the bill and the reconnection fee.

- v. For Beneficiaries – having a small amount every week (e.g., \$20/30), redirected from WINZ – to avoid missed monthly payments.*

d. Other community supports

- i. Canterbury has access to mayoral fund (Christchurch city council) and then carter fund which is through MP's*
- ii. Helping people with curtains or referring them to a local curtain bank can help reduce power costs as can helping a family get warm clothing and extra blankets and talking to them about wise power usage etc.*