How do organisations in the Hunter and Central Coast support young people experiencing debt?

Newcastle Youth Studies Centre Report

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The Newcastle Youth Studies Centre – Our People

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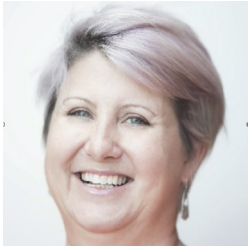
Julia Coffey is Senior Lecturer in Sociology at the University of Newcastle, Australia and Deputy Director of the Newcastle Youth Studies Centre. She researches in the areas of youth, gender, embodiment, wellbeing, and feminism. Her most recent books are titled *Everyday Embodiment: Rethinking Youth Body Image* (2021, Palgrave) and *Gender in an Era of Post-truth Populism* (co-edited with Burke, Kanai & Gill, 2022, Bloomsbury).

Julia Cook is a Lecturer and ARC DECRA Fellow at the University of Newcastle. Her research interests include the sociology of youth, time and housing, and the intersections of each of these topics and economic sociology. Her most recent research addresses young adults' pathways into home ownership and young adults' navigation of debt and financial assistance, with a particular focus on buy now pay later services. She is a chief investigator on the current phase of the long-running Life Patterns research program (2021-2025).

Kate Davies is passionate about bringing together research, lived-experience and practice to explore issues of social justice. She is a Senior Lecturer in Human Services at the University of Newcastle, Australia. Her collaborative research explores topics such as family inclusion in the child protection system; young people, youth workers and debt; relational practice with people who have experienced long-term homelessness; and gendered models of assertive outreach with women experiencing homelessness. She's excited to be part of a team of lived experience researchers developing collaborative autoethnography and trauma-informed research methods. Kate is also an experienced policymaker, evaluator and community development practitioner who has worked throughout the Asia Pacific region and is involved with various Hunter region organisations, including as a Board member for Nova for Women and Children.

Josh Healy is a leading researcher and commentator on employment relations and the future of work. He has published recent work on technological disruption, the gig economy, experiences of younger and older workers, and the living wage movement. His contributions also include influential commissioned reports, editorial roles, events and media appearances, and innovative classroom teaching. Before joining the University of Newcastle in 2021, Josh held research-focused appointments at the University of Melbourne (2015-20) and Flinders University (2010-15), where he undertook several large-scale survey studies of Australian and international organisations and their workforces.



Kate Senior is a professor of Anthropology at the University of Newcastle. Her youth focussed research has focussed on the lives and aspirations of remote living Indigenous youth, youth leadership and civic responsibility and youth sexual health and sexual decision making. In addition to the traditional ethnographic methods of participant observation, Kate utilises a range of arts-based methods to facilitate youth participation in research.

Executive Summary

Executive Summary

While many young people experience significant challenges associated with debt, they are unlikely to seek support specifically for financial issues. In this report we share the findings of a research project that examined the roles of youth sector practitioners in supporting young people who are experiencing debt. We conducted interviews and focus groups with practitioners who provide services to young people in relation to housing, mental health, drug and alcohol use, out of home care, disability, domestic violence, financial counselling, advocacy and generalist casework. The practitioners reflected on how young people experience financial stress and debt and described the strategies they used to support these young people.

We found that young people do not experience debt in isolation. Rather, their debt is intertwined with a range of social and economic inequalities in areas such as homelessness, unemployment, exclusion from education, mental health issues and domestic violence. Practitioners reported that Buy Now Pay Later products are the most common form of credit used by young people, and that other sources included personal loans and payday loans. They identified myriad reasons that young people experience debt including accumulation of fines (especially transport fines), needing to purchase essentials, buying 'nice things' for themselves and others, gambling, and because of complex circumstances associated with mental health issues and drug and alcohol use.

Youth practitioners generally reported that they had no training or formal resources for supporting young people with debt-related issues. They tended to rely on their personal knowledge and create their own tools and resources on-the-job. Some practitioners were able to refer young people to financial counselling services which were highly regarded, but not tailored to young people's needs.

Youth practitioners offered valuable recommendations including that:

- More training be provided to youth sector workers to build their capacity to support young people with issues related to debt;
- Resources be developed specifically for the youth sector so that they can offer a consistent and evidence-based approach to supporting young people with financial concerns;
- Financial capability information be designed and provided to young people in engaging and accessible formats;
- School-based financial literacy programs take a more grounded, real-world approach relevant to young people with complex life circumstances;
- There be policy safeguards put in place for financial products targeting young people; and
- All approaches to improving support to young people in relation to debt recognise that these issues are challenging and take time to address.

Introduction

Introduction

At present young people are experiencing significant challenges related to debt and financial hardship. They represent the highest concentration of users of Buy Now Pay Later financial products (ASIC, 2018; Gallo Cordoba et al., 2022) and have born some of the most severe financial impacts of the pandemic (CPRC, 2020). Moreover, these challenges have been exacerbated by the rising cost of living, which has been particularly acute for low-income households who spend a larger proportion of their income on non-discretionary items (such as food, bills and accommodation).

While young people are unlikely to seek help specifically for financial concerns, many young people experiencing these challenges are already engaged with youth services supporting them in other areas of concern. We have therefore consulted with youth sector practitioners in the Hunter and Central Coast regions of NSW in order to understand their experiences of supporting young people experiencing debt and financial hardship. We have focused particularly on how equipped they feel to provide this support, and their recommendations for improving outcomes for both young people experiencing debt and financial hardship and the youth sector more generally.

This report begins by providing the background to this issue in order to establish the existing evidence base in relation to young people's experiences of debt and financial hardship. It then moves on to provide an overview of the study underpinning this report. The findings of the study are then presented, beginning with the practitioners' views on young people's experiences of debt. This section considers some of the social determinants of debt identified by the practitioners, as well as the types of credit/debt that young people are likely to experience, and some of their pathways into debt and responses to being in debt. The following section then considers the practitioners' experiences of supporting young people experiencing debt and financial hardship. This includes discussion of the practitioners' referral pathways and formal and informal interventions, as well as some of the barriers to help-seeking that young people face. The report concludes by presenting the practitioners' recommendations for improving both young people's debt-related outcomes and the youth sector's capacity for supporting these young people, and by reflecting on the findings presented in the report and the next steps suggested by the practitioners.

Background

Background

Debt and financial hardship are problems for many young people, but particularly so for those who experience a range of intersecting socioeconomic disadvantages and inequalities. Such disadvantage is prominent in the Hunter and Central Coast regions, making these rich sites for this research project. For example, in the most recent NSW Council of Social Services (2022) 'Cost of Living' survey, 73% of respondents from the Newcastle-Lake Macquarie region and 69% of respondents from the Central Coast region reported that they are experiencing housing stress. The same survey found that young people aged 18-24 years were the most likely age group to have experienced a period of homelessness.

Importantly, young people may be unlikely to seek support specifically for financial matters due to fear of judgement and lack of knowledge about the supports available. Very little is known about young people's patterns of help seeking for issues related to finance and debt specifically. However, evidence on young people's help seeking behaviours in areas such as mental health indicate the importance that young people place on support services that offer cultural safety, informal opportunities for connections, trust, and confidentiality (Gilchrist & Sullivan, 2006; Price & Dalgleish, 2013). Importantly, young people are often engaging with youth services supporting them in other areas of concern such as unemployment, poverty, homelessness, poor mental health and domestic violence. As a result, the best points of contact for this cohort of young people are the youth sector practitioners with whom they are already connected, and with whom they feel comfortable discussing financial issues. It is not known though, whether and how these crucial practitioners are equipped to support young people in relation to debt, and to financial issues more generally.

Young people's experiences of inequality in Australia

Young people in Australia consistently report concerns about inequalities in access to, and costs associated with, housing, education and employment and dissatisfaction with government policies and interventions (Youth Action, 2018). Complex intersections between different forms of discrimination and marginalisation exacerbate inequalities for some young people. For example, young people with disability report feeling less positive about the future compared with young people without disability (AIHW, 2021). The COVID19 pandemic was particularly impactful on young Australians who experienced disproportionately large increases in psychological distress during the height of the pandemic and significantly worse employment outcomes compared to the wider population (AIHW, 2021). Importantly, for young people in Australia, factors such as unemployment, poor mental health and insecure housing have been found to correlate with experiences of financial difficulties (Gallo Cordoba et al., 2022).

Economic changes in Australia over recent years have been particularly impactful for young people. Factors such as unemployment and low wage growth (stagnation of income) have had disproportionate effects on young people, who do not generally have diversity of income streams, savings or assets that mitigate the effects on older Australians (Wood & Griffiths, 2019). For example, the Productivity Commission (2020) found that between 2008 and 2018 average income declined for young people (aged 15-34), a period that they describe as the 'lost decade of income growth'. They further reported that young people have been disproportionately impacted by high unemployment and have seen substantial depletion in their savings (Productivity Commission, 2020).

Approximately 10% of young Australians (aged 15-24) have experienced financial stress (unable to, or have substantial difficulty to, meet their basic financial commitments such as electricity bills, food, rent or mortgage) (AIHW, 2021). Large numbers of young people work in casual employment, work multiple jobs and report working fewer hours than they want or need (AIHW, 2021; NCOSS, 2022). The financial insecurity associated with these types of employment has been associated with various indicators of financial stress, including high rates of accessing credit, pawning items, using BNPL for essential items, taking out payday loans and seeking financial assistance from family, friends or community organisations (NCOSS, 2022).

Young people and debt

Young people are among the highest users of Buy Now Pay Later (BNPL) products in Australia. Young users of BNPL report some positive experiences of BNPL associated with its convenience, ease of use, money management functionality and capacity to purchase items that are otherwise not affordable (Youth Action and NCOSS, 2021). However, young users of BNPL in Australia have also reported a range of issues such as not knowing how much money they owe, using credit cards to pay off BNPL debts and therefore incurring high interest, and spending beyond their means. Additionally, young people (aged 18 to 29) are more likely than older people to have problems with credit card use, such as having overdue payments and high balances. However, their use of credit cards is declining as young people move towards online forms of payments and BNPL (Gallo Cordoba et al., 2022)

Globally, similar patterns of youth debt have been found - debt among young people is generally increasing, access to credit has increased, young people are large consumers of digital financial products and youth wages have stagnated in many countries (Dwyer et al., 2011; Hoeve et al., 2014; Hohnen et al., 2020). Further, experiences of debt have been correlated with other complex inequalities such as poverty, discrimination, participation in criminal activity and homelessness (Hoeve et al., 2014; Hodson et al., 2014; Mäkelä et al., 2021).

However, debt is not the exclusive domain of young people who have experienced hardship and marginalisation – increasing levels of debt have been found among young people from middle- and high-income households in some instances (Dodson et al., 2014; Hohnen et al., 2020). Debt is also not necessarily considered a problem by many young people, who may perceive debt as an investment in their future (such as via tertiary education loans) and an inevitable part of the transition to independence (Dwyer et al., 2014; Farrugia et al., 2022).

There is inconclusive evidence as to the interventions and strategies that might be most effective in reducing the likelihood of young people getting into debt. Interestingly, in some studies high levels of financial knowledge or financial literacy among young people have not been found to correlate with lower rates of debt. Such literature suggests that the development of specific financial skills and/or financial capabilities should be the focus of interventions (Hoeve et al. 2014; Loke et al., 2015). However, questions of who is best placed to deliver such interventions and support young people who experience debt are unresolved and, in fact, under-researched. In Australia, while young people most commonly report seeking help during times of crisis from informal supports such as family and friends, they also report that they are likely to seek help from health, legal or financial professionals, community organisations, government services and school counsellors (AIHW, 2021). These support providers may offer potential for better connecting young people with the skills, resources and opportunities needed to improve their life circumstances and reduce financial stress. Gallo Cordoba et al. (2022, p.14) state that:

Young people's financial decisions do not happen in isolation—they are closely linked to specific situations in their life such as family support, work, mental health and housing.

Young people's experiences of financial stress and debt are closely connected with their wider experiences of health and wellbeing. As such, efforts at preventing and responding to young people's experiences of debt should be developed with consideration of their complex life circumstances and existing support networks.

Methods

Methods

This study involved interviews and focus group discussions with youth sector practitioners in the Hunter and Central Coast regions. Data were collected from eighteen participants via eight one-on-one interviews and two focus group discussions. Focus groups participants were practitioners from the same organisation, each with five participants. A total of 10 organisations were represented. The participants worked in a variety of roles. Sixteen were in youth-specific positions, while the remaining two worked in financial counselling or capabilities roles that were not youth-specific. Fifteen of the participants in youth-specific positions were in roles that involved case management, long-term mentoring and support, or program delivery, while one was in a strategic position. Participation in the research was voluntary and the privacy of participants has been protected by not naming their organisations and by using pseudonyms.

The organisations and programs that the participants worked within were relatively diverse, including early intervention programs for justice-involved young people, youth mental health programs, youth and family programs, support programs for young people leaving out of home care, general youth support services and local councils. Notably, the participants' organisations and programs also covered a range of age-groups within the youth categorisation; some focused on young people aged under 18, while others had a broader focus from 12-24, or focused on the 18-24 age-range. As outlined in the findings section of this report, issues related to debt and financial hardship are relevant to young adults and young people under the age of 18.

The interviews and focus group discussions covered topics including young people's experiences of debt, pathways into debt, the types of debt and financial hardship that young people faced and how this may have changed over time, the impact of debt and financial stress, the practitioners' formal and informal responses to young people experiencing debt and financial hardship, the success of these responses, referral pathways for young people experiencing debt and financial hardship, as well as discussions of how equipped the youth sector is to support young people experiencing debt and financial hardship, and recommendations for improvements in this area. The interviews and focus group discussions were transcribed and then analysed thematically to identify patterns in the participants' reports.

Findings

Findings

Practitioners who participated in this study reflected on the extent and nature of debt as an issue across the cohorts of young people they support, as well as their perceptions of young people's individual experiences of debt. They considered the experiences of young people in relation to their journeys into debt, the impacts of debt and ways that young people navigate debt. All participants clearly indicated that debt is not an isolated issue for young people, identifying that it is intertwined with complex life circumstances and, for many, multiple forms of inequality.

Social and structural determinants

During the interviews and focus group discussions the practitioners identified that many of the young people who they support are facing a range of economic, social and health challenges. Moreover, they found that, for some, these hardships are intergenerational and reflect entrenched poverty. During these discussions they highlighted social factors and domains of life that could be considered social determinants of debt and financial hardship.

Housing and homelessness

Housing stress, including the high cost of housing and lack of access to stable housing, was considered by participants to be a critical factor in young people's experiences of getting in and out of debt. Participants considered that all other forms of support hinge on stable housing – it is almost impossible to work with a young person on issues such as employment or addressing debt when they are experiencing a housing crisis.

For young people who are housed, the high cost of rent has flow on effects that mean they need to access various forms of credit for basics such as food or caring for their children. For others, the consequence may be homelessness. One participant identified that financial issues are particularly problematic for a couple of groups of young people who access their service:

…two most prominent groups would be young single mothers with children or young couples with children. And they kind of come into us from – a lot of them were in out of home care and they don't have anywhere to go. They're in temporary accommodation, they're running out of their 28 days temporary accommodation that they get through [name of programs]. And then our second group would just be young people that have been kicked out of home or it's unsafe for them to live at home. (Sienna)

Housing cost pressures lead to other financial problems. One participant described the ways in which costs of living are much higher when a young person is homeless or has insecure housing.

…accommodation is a stumbling block, so if you don't have accommodation everything automatically costs more, and so even though you might not be paying rent you're paying more to get places, more for food, more on transport because you don't have somewhere to go or you can't get somewhere. I guess that – and you can't work kind of with a young person on anything until they're housed essentially, safely and securely and in a safe location. (Laura)

Ultimately, the lack of affordable rental housing and the housing crisis leaves young people in dire financial circumstances, where they have to make difficult decisions and may be unable to break the cycle of disadvantage.

So even if they're on Centrelink and casual employment, because their rent is so high in the property market and fuel at the moment for some of these young people getting to work is costing more than… So I guess it's obviously a lot of things that's compounding for them at the moment, but they're basically being set up to fail being pushed out so young in that sense. (NGO 1)

Mental health and trauma

Mental health was an important factor identified by the participants. Poor mental health and mental illness may be influential on some young people's pathways into debt.

Yeah, some people, like this one person from Newcastle – again she would have been maybe 25, but she seems young to me – I think she had $8,000 in fines and so very complex mental health trauma stuff going on there. (Naomi)

Mental health issues, and the impacts of trauma, were also found to make it more difficult for a young person to make the changes needed to reduce their debt or get out of debt. Participants noted that any interventions about reducing debt must be undertaken alongside interventions to support improved mental health and wellbeing.

So if you don't have the mental health supports in place you're never going to get anywhere with them. So they have to work on themselves and their self-worth. And their coping strategies... Which when you've experienced huge traumas like a lot of these kids have it's very hard for them to actually believe they deserve. (Jasmine)

Importantly, participants were also mindful about the capacities of young people to engage with strategies such as budgeting when they may be focused on other critical issues, or where young people are struggling with their mental health.

Family environment and role modelling

Most participants described the ways in which young people's pathways into debt, and their reactions to debt, are influenced by the family environment they have grown up in. Participants generally described this as 'role modelling' which could positively or negatively influence young people's experiences of debt.

I've had young ones come and say, "I don't want to be like my parents," or, they'll be the opposite, "Yeah, my mum told me to get rid of that other credit card". (Sally)

Participants explained that many young people's family environments are tricky spaces where parents and other family members are often navigating their own challenges.

I guess it comes down to what they have seen modelled. You know, we can talk until we are blue in the faces to a young person about being responsible and budgeting, but if they've never seen that behaviour modelled by their parents, it's really difficult to change. (NGO 2)

There were seen to be particular complexities for young people who have grown up in Out Of Home Care (OOHC) who may have experienced substantial instability in their home environments and who may need to take on financial (and social) independence at a younger age than their peers.

…we work in the demographic that are forced to be independent younger than the average young person at home. So we put these young teenagers into properties, they have to pay their rent, they have to pay their bills, but their friends are going out to have bowling and a bit of fun. So it's also getting in those bad habits, because unfortunately they're forced into independence earlier than anybody else, which does set off that whole budgeting and trying to work those things out. Because let's face it, adulting sucks and they've got to do it young. (NGO 1)

Education

Young people's experiences with school were considered to affect, and be affected by, financial difficulties. Participants worried that high levels of disengagement from school limit young people's opportunities to get out of cycles of disadvantage and financial stress.

So there's a lot of disengagement from schooling. I can see where they're coming from. But I can also see the other side of it where it's like how much harder it can make it for you if you're trying to build your résumé or a CV to try and get a job, how that could look to an employer that you struggled to stay at school or your attendance hasn't been good… (Dianne)

They also recognised that school can be a very difficult and, at worst, re-traumatising space for some young people and that disengagement from school is often a consequence of the many other complex challenges facing some young people.

Participants noted that disengagement from school is an obstacle to building young people's financial literacy and capability. One participant found that young people who had disengaged from school at a young age lacked fundamental knowledge that might help them manage finances.

I guess not understanding commerce as well, you know, they are not particularly savvy on interest rates as well and how much you know you are actually going to pay back. (NGO 2)

A few participants remarked that even though financial literacy programs targeting school-aged children are important, they might miss these cohorts of young people.

Employment

Participants recognised that employment is key to maintaining financial security and managing debt. Many talked about young people's desire to work and their efforts in gaining employment. However, work was also viewed as a difficult space to navigate and sometimes yet another example of where young people's power is limited. Young people may be at risk of being taken advantage of by employers, and are likely to be working in fairly low-paid jobs which don't alleviate their financial stress or overcome barriers such as the high cost of housing, which is, again, more problematic for young people who don't have the safety net of secure housing or a stable family environment.

They have a part time job but they don't earn more than $600 a week… a lot of it stems from not having a home or a social support network that's positive and literally just trying to find somewhere where you belong and fit in. (Jasmine)

Income earned from employment also becomes more complicated to manage when young people are in receipt of Centrelink payments, with their level of employment income impacting their eligibility for various forms of support.

And sometimes even they're doing all the right things, they're on Centrelink and they are working as well, but because of the rental prices and because of then separating from a relationship, they no longer have that second income. So then they're actually not eligible as well for supports because they do have Centrelink and income coming in. (Janine)

Lack of a safety net

Participants related their concerns that the stakes for making poor financial decisions are very high for the young people they support. They described the lack of safety nets that these young people have, in comparison with their peers who may have stable housing, family members who could help them out of financial difficulties and secure sources of income. In contrast, they described how the young people they support risk immediate and dire consequences such as not being able to afford essentials including housing and food if they make one financial mistake.

And there's no space for them to make safe mistakes either. Like thinking back to when you were young 18 year old and you got your first pay cheque or whatever and you'd go and buy a stupidly expensive pair of shoes, because that's what all the other kids are wearing as well, wanting to keep up with their peers. But their peers are living in safe homes where they don't need to pay for their food that week because mum and dad have provided for them. (NGO 1)

For some young people who don't have financial support from their families – because their families are experiencing poverty or because they are estranged from their families – this can further ingrain disadvantage. One such example is the difficulty for a young person to get a car and a driver's licence without some level of financial support and security.

It all comes back to they might be from a family who are lower income earners and they really can't afford to just help a young person get their own car but they also are parents and carers that need their own car or don't want to have a young driver driving their car because that changes your insurance. So there's a huge financial barrier. (Diane)

Domestic violence

Experiences of violence within relationships were identified by participants as complicating factors in managing finances for young people. Some participants identified situations where young people have accumulated debt due to the controlling behaviours of partners.

…we also see a fair amount of our young people in violent relationships where they're accruing debt on behalf of a loved one or a spouse and then that relationship breaks down and they're left with the debt. (NGO 1)

Additionally, where young people are being supported to leave domestic violence relationships, financial stress and debt may be barriers to leaving and re-establishing independence from an abusive partner.

…sometimes they've left DV relationships and I'm looking to secure yeah, safety and instability away from that relationship. And then that looks like separating finances that looks at, looking at all their debt, what financial abuse they experienced as well. And yeah, looking at really how they can set themselves up again. Because a lot of them have kids as well… but then also looking at what barriers there are to leaving and finance is always a big one that they identify. (Janine)

Resilience and the capacity to 'adult'

Participants recognised strengths in young people that come from navigating complexity and fighting inequality. This type of resilience was viewed as an important characteristic for shaping thoughtful and responsible financial management practices for some young people. One participant praised a young person they were supporting who was about to become a parent.

…because she's been taking on that caring role for so long that she is probably all over the budget situation. She knows how much money she can spend, she has a list for Coles and groceries and budgets out everything. Because she's had to survive so long on so little that I think she's developed some really good life skills that will work in her favour. (NGO 2)

Participants also expressed confidence in young people's motivation and capacity to achieve financial stability and, in particular, to gain work in the future.

I think a lot of them will eventually get that work ethic that's like I can work to earn more money rather than just get Centrelink. So a lot of them will try and get, as they get to 17, will want to get into work. (NGO 2)

Nature of debt

The practitioners also discussed the specific nature of the debt that their young people experienced. They focused particularly on what the young people were purchasing and the forms of credit that they were accessing.

Expenses – where the money goes

Participants described a wide variety of items and activities that young people pay for with credit, and expenses that make financial management difficult. However, they also identified that some young people need to access credit because they cannot otherwise afford to pay for everyday expenses and living costs.

Participants also felt that rising costs of living, such as electricity and rent, were making it more difficult than ever for young people struggling to break cycles of poverty.

The other issue they have is around debt from moving place to place to place if they are lucky enough to have a lease. Other forms of debt are around utilities, phone, internet, electricity through the roof. (Laura)

Young people's spending was also seen to be linked to psychosocial factors. Buying items for themselves or others may reflect efforts towards self-worth, building identity and holding onto relationships.

…they use it [credit] for presents for their family members, kids, things for themselves if they need clothes. (Laura)

…sometimes it's like, you know, it could be mental health related that they kind of, you know, having a bit of a bit of a low week. So they're like, oh, I'm going to kind of treat myself to some spending to make myself feel better. (Janine)

Like if you've been in foster care and you've never had new clothes, you've never had anything nice, it's just been hand-me-downs they have this desire for things that are nice that in increases their self-worth. They try and give themselves a boost through having possessions opposed to just snapping. (Jasmine)

A few participants also suggested that some young people accumulate informal debts through their use of alcohol and illicit drugs. In some cases debt is incurred because young people spend money on drugs and alcohol and then need to access credit or resort to borrowing money or stealing to cover their living expenses.

…the alcohol and the drugs are completely outweighed by any other expense. And our young people will resort to, I guess, stealing essential items because the majority of their money, if not their parents' money that they get given, go to the drugs or the alcohol. (NGO 2)

Some participants described situations where young people accumulate informal debts with drug dealers, but they viewed this as a complex issue that is intertwined with the many barriers facing young people. It is a form of debt that, because of the illegality, can have dire consequences.

What I have seen though is I guess debts that get racked up for young people trying to survive through taking substances to manage day to day. Even if they're not massive users or even if they've still got jobs or they're going to uni and things like, obviously drug use and or debts from that can be massive and scary at times because then they've got this massive debt that they can't pay back and I've seen it cause actually physical harm a number of times and emotional harm. (Laura)

Forms of credit and debt

The most common form of credit described by all participants was Buy Now Pay Later (BNPL) products, such as Afterpay and Zip Pay. BNPL products were particularly concerning to participants because they are easily accessible, you can use multiple different BNPL products simultaneously, and they are cleverly targeted to young people in particular.

…the marketing and advertising that goes into Afterpay, I think that really draws our kids in. Even if you look at the colours that people use and the brands that endorse using it it's just made to look like a less daunting way of getting into debt. (NGO 1)

The practitioners identified that BNPL debt were particularly difficult to address through interventions such as financial counselling.

And in terms of a financial counselling perspective, they are very difficult to negotiate with because they are not regulated…I think the marketing of buy now pay later is that it's very low fees and it's, you know, therefore it's not credit, it's low risk, blah, blah. But that's not the case in practice. (Naomi)

Small Amount Credit Contracts (SACCs), known as payday loans, were also identified as a source of credit that young people access. Participants noted that young people able to access such loans quickly and easily via apps and websites.

I've had two clients recently who, within two days of turning 18, have signed up to a Cigno [payday lender] debt, which can be done on your phone within minutes essentially. And I don't know if you've ever seen what these statements look like, but basically they apply for a $150 loan and when they come to me, Cigno says "oh well we've added all these fees and interest and now they owe $850". (Naomi)

These loans were viewed as particularly problematic because of their high rates of interest.

We see a lot of high interest loans. So they've gone online to like Wallet Wizard or something like that and have gotten like a $500 loan and they're paying like $2000 back to cover that loan because of how high interest it is. (Sienna)

Pawnbrokers were also worrying sources of credit to some participants, who saw young people get caught in a cycle of pawning their items for quick access to finance.

Taking their vacuum to Cash Converters and getting $50 for the weekend and then having to pay $130, $150 to get their vacuum cleaner back. And that just snowballs into a cycle of the next week they're paid everything back but they've got no money, so they've got to go through the cycle again and it gets deeper and deeper. (NGO 1)

However, credit providers were not the only sources of debt that the participants identified. One of the main sources of debt that they encountered was accumulation of fines. They explained that young people, particularly those already experiencing poverty or with little money, can accumulate substantial debts by accruing multiple fines and not paying these back over time. Fines for traveling on public transport without a ticket, breaching public health orders during COVID and minor traffic offences were commonly reported by participants.

And they will just keep catching the train without a ticket or keep catching the bus because they have no way of paying it back anyway. So it doesn't matter if we just keep racking these [fines] up. You know, that's a later problem, I will deal with that later. (NGO 1)

Young people were seen to be particularly vulnerable to being fined because they are often already known to the police and so may be targeted.

Even if it's specific to demographics, like the police presence is higher in those areas which is where our young people are residing and spending their time. So they are already exposed to that. (NGO 2)

The practitioners also identified that young people may not have the money to buy tickets or may find the system of purchasing tickets difficult.

…most of our young people don't have access to or don't know how to access concession cards for public transport. It's actually a massive gap that the concession cards for public transport are so inaccessible, and then if you're homeless and you lose one then to try and get another one is really difficult. (Laura)

Other sources of debt and credit mentioned less frequently by participants include car loans, money owned to Centrelink, subscription services, and gambling debts.

Young people's responses to debt

Participants frequently reported that many young people did not acknowledge their debts or financial difficulties, often for a number of complex reasons. One reason is that debt may be viewed as a problem for the future and not prioritised, particularly when young people have immediate critical issues to address.

…it's a very much bury your head in the sand, kick the can down the road, someone else will fix it for me, very much not interested in solving. (NGO 1)

Some participants observed that the impacts of debt sometimes became more apparent to young people when they got older and wanted to do things like get a driver's licence.

And it's "I'm not going to think about what the repercussions are of me, you know, racking up a bunch of debt until I hit 16 and go to go for my licence or, you know, try to obtain these things, but can't because I've got all of these fines". (NGO 2)

However, they also reported that debt might not be acknowledged because of its associated shame and stigma.

And I think there's a lot of shame or yeah, not wanting to talk about it because it's embarrassing. Also a feeling of hopelessness… (Naomi)

While discussing why young people may not make repayments on loans, some participants identified that some young people may not understand the long term consequences of their debt.

He just stopped paying because he didn't see there was anything wrong with that. That's where his mental health was at that time and he really didn't think they would pursue him and they did. It was $1,000 dollars and they were pursuing him. But he did say, "I didn't think they would," he found it really hard to believe that they would. So it's those consequences that they're not aware of and also what it could have on their credit history. (Sally)

Or, in contrast, some young people may understand the consequences but they may be relatively unimportant in the grand scheme of their life's challenges.

Well a lot of the time it's like who cares about the consequence, like "What can you actually take away from me because I have nothing left anyway." So "What's the worst you can do? If you put me in jail I'm going to get fed and have a roof over my head." And so sometimes if it's that bad than they don't actually care because it's whatever you're going to give to them could actually be more beneficial than where they are at the moment. (Jasmine)

Supporting young people experiencing debt

As already established, the youth sector often acts as a primary point of assistance for service-involved young people who are experiencing debt and financial hardship. However, we found that practitioners do not necessarily feel that the sector is well equipped to provide support in this area.

When asked during one of the focus group discussions how equipped they felt the sector was to support young people experiencing debt and financial hardship one practitioner replied:

They are not. It's up to the school to do it… Where our sector, in terms of [program that they work in] falls down, is that a lot of our young people don't go to school. So they are not going to get that education. (NGO 2)

Another practitioner then highlighted that many of the young people that their organisation worked with did not learn financial skills in the family home, and needed the opportunity to learn them elsewhere:

I think, as I said before, you know that lack of modelling, pro-social modelling from family, you know, those basic living skills and budgeting and things like that are missed. So they are not taught. So this is where, I guess, somebody needs to step in and make those sort of, you know, changes. Whether it is within the curriculum or how that looks, I'm not sure. (NGO 2)

The participants' general reflection that the youth sector was not well equipped to support young people experiencing debt and financial hardship was based in part on the lack of training that most practitioners had received in this area. When asked if they had undertaken any training in this area during their tertiary study or while working in the sector one practitioner replied:

No. Definitely not. I have no background whatsoever. Degree didn't even – I don't think I even had to do one mathematical equation once. I do it way more in my job now than I ever expected I would have to do. I don't know why I do so much math and I wish I didn't. (Sienna)

As a result, many of the practitioners developed their approaches through on-the-job learning and trial and error.

[I had] no training, it was just each time I get better at it, I've done it a lot now. Oh okay 52 weeks in a year, rego is this, tyres is this, let's put away for repairs. When they've got young kids we'll add on a Christmas fund because I will get Christmas is coming, I've got no presents for my child. (NGO 1)

Other practitioners drew on their own lived experience while developing approaches to supporting young people experiencing debt and financial hardship.

I can't say that I have. I think for me it's just personal experience and lived experience. (NGO 1)

Although the participants pro-actively developed their own strategies and resources, they did not always feel confident in this aspect of their practice. For instance, one practitioner identified the challenges associated with the diversity of financial challenges that her clients experienced.

I think it is a gap in our collective understanding… Every client is different and they have a different level of understanding. And you'll often come across a client and just think well these things that I've implemented before aren't going to work and you really are just fumbling through it with them. (NGO 1)

In addition to the lack of training that the practitioners received in this area during their tertiary study, two further challenges were identified: the inability to access external training, and the high level of turnover in the youth sector.

I don't even know where we would go to get external training on it to be honest. (Sienna)

I think we discovered the way we've all learnt is purely by seeing where kids fail or add that on or we've seen this – oh this is bad and as you know staff turnover is crazy in this industry, so you're losing that. So it would make sense to go to a third party source that has those skills because they are, you need them to teach the young people. (NGO 1)

Notably, one practitioner had undertaken training provided by ANZ bank, which was designed for people experiencing financial stress, and provided some strategies that she could use in her practice. However, she also identified that she did not have any referral pathways for young people experiencing debt and financial hardship.

Referral pathways

The majority of the practitioners identified that they had no referral pathways for young people experiencing debt and financial hardship, and those who identified referral pathways generally found that they were limited. When asked about their program's referral pathways one practitioner who worked outside of Newcastle responded:

I know there are some services within the Newcastle region that do offer financial counselling. But not regional Australia unfortunately. (NGO 2)

Another practitioner responded:

No clear referral pathways, nothing. You basically just have to use your own prior experience, your personal experience. If you're lucky enough to have a good team to use whatever they've used before and hopefully try and talk it through and say, "Oh I once had a kid that went through that," and "Maybe you could try X, Y, and Z." It's very insulated and it's basically ad hoc. It's based on personal experience, it's not for the best needs of the young people… when it comes to financial issues there's definitely nothing. (Katie)

Another practitioner identified that while there were several services available to address aspects of financial hardship, there were few services that focused specifically on debt:

We do utilise a lot of other services within our programme delivery. And what I mean by that is to access some brokerage funding. So we work in partnership with [organization] to access budgeting funding through them to sort of assist with things like school uniforms or driving lessons or things like that, that sort of I guess assist. But nothing specific in relation to debt. (NGO 2)

Notably, some youth practitioners referred their young people to financial counsellors. While these appointments could be successful, they were also, at times, pitched at a level of detail that was too high for the young people that the practitioners were working with.

I have gone and sat in financial counselling appointments with young people so I kind of got that. And it's really funny because you say that because my budget that I will do, I will do with someone before they get into financial counselling to get them started. But I will tell the young person when your financial counsellor looks at this they won't like it because they are very to the cent. I will say your weekly income is 200, when I know it's 300. I want to make sure they've got extra and we factor in everything from that and things like that. And they will say you're right they said it's not detailed enough, but it's basic and it's for those ones that don't have a lot of debt and I know they're going to get a better one after the fact. (NGO 1)

Additionally some of the practitioners found that financial counsellors required a lot of information prior to the appointment, meaning that the barrier to entry was too high for some of their young people.

I would say that that service was not particularly conducive to young people in financial crisis, in that they have to provide so much information prior to attending that sometimes that's a process of excluding instead of just getting them there and then trying to gather that information… I'm not a terrible worker I promise. But I'm yet to successfully get a young person to that specific counsellor. (Katie)

Another practitioner reflected that the young people whom they worked with were already involved with multiple services, and could experience the need to tell their story and communicate their circumstances to yet another worker as a burden.

Yes and they get very sick of telling their story. I often hear they're like "You're the sixth person I've told this to and the other five people haven't helped." "I know but I really need to know your background so I can help you." And they're like "Well how many people do I have to tell?" I'm like "Yeah I know." And a lot of them are reliving the trauma of their childhood or even what they're experiencing like right this very second. (Sienna)

She went on to say:

I think they would respond a lot better if it was us implementing those things. Our young people already have a lot of services involved with them. They already have a DCJ worker, then they have us, then they have a Housing worker and somebody else. And it's just adding one more person to the equation that they have to worry about contacting and going to appointments where we're already a point of call for that. So I think they would respond a lot better and we would probably have like a hundred percent success rate for engagement compared to probably the 50 percent engagement that we have through [name of organisation] Financial Counselling. (Sienna)

However, the financial counsellor who took part in the study added a different perspective, reflecting on times at which referrals from and work with youth sector practitioners had been successful. While discussing a specific program she stated:

Often the caseworker will come to the appointment with the client. I don't know if that's just to ensure that the client actually shows up or what. And so yeah, it really depends on the case. Some of the [program] caseworkers are awesome and they are very proactive and you can tell that what you are saying in the financial counselling session, they are going to reiterate afterwards and like hammer home the messages, which is great. (Naomi)

She also reflected upon a successful meeting with practitioners, in which she discussed the specific nature of financial counselling, and provided clear information about how financial counsellors work.

And that was really good. So I just met with the [program] team, not their clients. And it was really good, like that was just a conversation about what financial counselling is and what it can do. So yeah like there was not even a level of understanding, they thought that why would their clients be interested because they don't have money. So just saying that actually I'm not a financial advisers. Financial advisers work with people with money and generally I work with people who don't have money. So I think there's a lot of room for improvement. (Naomi)

Formal and informal interventions

Although the practitioners identified a general lack of appropriate resources and referral pathways, they nevertheless identified and developed both formal and informal means of supporting young people experiencing debt and financial hardship. Beginning with informal tools and interventions, one practitioner identified that she discussed the realities of using appliance rental services with one of her young people:

I'm like "You realise for a $1300 phone you've spent four and a half thousand dollars over three years?" And they're just like "Oh my God." It doesn't seem like that much, it's only $70 a week and they're like "I can budget for that," and it's like but it's actually four and a half thousand dollars and you would have an extra $70 a week – which is loads of money. (Jasmine)

The value of lived experience for connecting with young people arose in these discussions as well, with one of the practitioners discussing their own struggles while talking to young people about money and budgeting:

A lot of them are actually really receptive and open to sitting down and doing the budget because they're struggling… It's just honest conversations like "hey I struggle myself and I'm a grown woman". I write a shopping list and walk around and check off the items. I still shop at Aldi and when I say it to them they're like oh yeah that's life, you've just got to learn and I think it's just about instilling how important it is to learn and then sitting down with them and breaking it down to something they can easily follow. (NGO 1)

Another practitioner discussed the importance of identifying why young people were distressed or anxious, and using this as a way to identify potential financial problems before they had reached a crisis level. However, he also identified the difficulty of implementing this approach in the context of the busy and time poor youth sector:

It's reactive to what's in front of them on the ground. It's not so much preventative, are they, you know, lip service gets paid to that, but in the end really, you know, the sector sits there and just deals with what comes across its plate each day in the week. (Thomas)

Similarly, another practitioner identified how long it can take for young people to feel comfortable disclosing their experiences of debt and financial hardship:

I've had a lot of new young people come on so like all my oldies would open up to me about all this financial crisis stuff but the new kids aren't as transparent yet, because it takes a while to build up a relationship. (Katie)

Moving on to consider formal interventions, some of the participants identified programs that had been successful in the past. However, in most cases these programs were short-term and had stopped operating.

We had one, I don't know who was funded to do it, but it was kind of like a financial advice program and they ran some sessions and schools had them come in to the [name of program] to talk about all the different types of things to do with finance, like what to expect if you get a job and trying to outline what tax is and just trying to provide that sort of support and information, advice and referral, I'd say. They came and spoke at an interagency a few years ago and then it's like they just fell off the face of the earth and we never heard anything from them again. (Diane)

When the financial counsellor was asked about early interventions she identified that the Salvation Army has recently established financial capability officers for this purpose:

So there's not as many of them. But they are being employed for that very reason to hopefully stop the problems before they even start. And so they essentially do everything a financial counsellor does, except they are not allowed to do advocating and they can't do bankruptcy either. But yeah, all that stuff of education and setting up a budget and, you know, putting payment plans in place for your power bills and stuff. Just like setting money aside fortnightly. (Naomi)

Additionally, although the youth sector practitioners in our study did not work in roles that focused on financial wellbeing, some of them identified that young people nevertheless received benefits from their programs in this area:

Definitely once they start having to pay the rent and they have to understand their percentage of rent that they have to pay we do try and work out a budget with them that they – like they implement the budget and they kind of tell us what they normally spend. And we try and make them set up a separate savings account that they don't touch. We do see a lot of young people when they're coming out of the program at the two or three year mark that they're coming out incredibly financially secure. (Sienna)

Barriers to help-seeking

Although almost all of the practitioners supported their young people with financial hardship, they nevertheless found that their young people experienced barriers to help-seeking in this area. One practitioner discussed why some young people may not seek financial counselling.

That they don't know the service is available. Again, the shame and embarrassment and feeling judged. They don't know where to start and it gets so involved in everything that they do, the emotional side, so often there's tears first before we get to anywhere in some cases. (Sally)

Some practitioners also identified that young people were unlikely to access services until they were in crisis, meaning that preventative measures could be difficult to implement effectively.

In terms of the services and things like that that you could potentially be looking at for support, a lot of young people aren't going to access that until they are in crisis… And I guess in terms of that, the services to access around that sort of stuff is going to be on a time limited basis… I guess that's why they lay it back off onto schools to do that sort of stuff. (NGO 2)

Another practitioner identified that young people struggled to seek help from organisations and individuals whom they had no prior relationship with.

They're not going to walk into community centre and ask for help. They're just not. So having those sort of – yeah they're just not going to call up and go "Hey, I'm in financial crisis." Or "Hey, I've got a bit of a problem." It's not going to happen. It's about relationships with young people I think more than anything, and trust. (Katie)

Another challenge that was identified was practitioner burnout. When asked how equipped the youth sector was to support young people experiencing debt and financial hardship one of the practitioners responded:

I feel deflated, if I'm honest. I have been to [name of program] as well, got skills myself in budgeting. I've got a mortgage – you know, I'm "financially literate" and that's in quotation marks… I'm, you know, not incapable. I know how to advocate for myself and how to teach them to advocate for themselves, but it is deflating trying to support young people through their financial issues at the moment because there's just simply no money. They have no money. You cannot sit there and tell the young person to be better with their money when they have no money… So even if I sit down and do a hundred budgets with them and I follow up with them each week, it doesn't matter because no matter how good they are with their money, which nobody is perfect all the time, nobody can maintain that ever, I don't care who you are, you cannot maintain that level of perfection, but even if they did they couldn't survive. (Katie)

Practitioner Recommendations

Practitioner recommendations

When asked how the youth sector could be better supported in their work with young people experiencing debt and financial hardship the practitioners put forward a number of valuable recommendations.

Recommendation 1: More training for the youth sector

Several of the practitioners identified that the youth sector could be up-skilled in areas related to financial wellbeing so that they could have more informed conversations with their young people:

You don't have to be a financial counsellor or have any qualification to be able to have the conversation about young people about how buy now pay later is actually debt and just because it's advertised everywhere doesn't mean it's good. You know, that type of simple thing could reduce a lot of harm. (Naomi)

While discussing how training or up-skilling of this type could be provided some of the practitioners highlighted the potential benefit of face-to-face learning:

Face to face learning definitely. Where you sit down with colleagues that are all in the same space and you can hear their stories and their opinions and that's really important. I know that because of Covid we went really online and virtual but I think face to face training just like we do mental health first aid and we do DV alert and everything like that. We do all these programs and I think if one could run very similar to that that would be great. (Sienna)

Recommendation 2: Better resources for the youth sector

Some of the practitioners identified that it would be beneficial to have good quality resources on debt and financial matters available to the youth sector. They highlighted the youth sector's existing strength in sharing resources across organisations, demonstrating that the only current barrier to sharing resources on debt and financial hardship was the difficulty that they had finding them:

Quite often, we share – we do a monthly newsletter and we find different resources that might be helpful that come across to our lap or that we learn about and we try and share them with the sector. So it would be really great to know what kind of is the go-to for youth debt, who would be the go-to peak organisations or services that offer support. It would be really good to know and have some sort of nice visually-appealing sort of – I guess it's kind of like a campaign, isn't it? (Diane)

Recommendation 3: Provide information to young people in an engaging and accessible format

Several of the practitioners also identified the need to provide information on financial matters directly to young people, but to do so in a format that they would find engaging and accessible. For instance, one practitioner discussed the possibility of resources that were based on young people's lived experiences of debt:

So yeah, maybe young people with lived experience of how, for example, how easy it is for buy now pay later to get out of control when you just buy something and you think "oh yeah, four payments of $25, no worries" except then you buy like several other things and they are also adding up pretty quickly. And yeah, maybe the implications piece of "hey I tried to switch to get a cheaper power bill and I can't because of my credit history". Yeah, like maybe, I reckon hearing it from young people is probably, like in terms of that prevention piece. (Naomi)

However, some of the practitioners also identified that in-person workshops would not necessarily be appealing to young people due to the social stigma associated with debt:

My criticism of financial literacy workshops is that it's difficult to get a lot at them because everyone is embarrassed about talking about finances in front of other people. So if the youth workers can get the skills and then if they are working with the young people one on one and they've already built that level of trust and rapport with the young person, then yeah, the young person can really be vulnerable and, you know, open up fully which they might not do in a group setting. (Naomi)

Recommendation 4: A more grounded, real-world approach in school-based financial literacy programs

Some practitioners also identified the role of schools and school-based programs in providing young people with the knowledge and skills to navigate financial matters. However, they emphasised the need for these programs to focus on real-world scenarios that young people may encounter in the present and near future:

Look, it would be great if there was something in schools, even if it was around paying off your phone or – because that's what the young ones will go, "What's the cost of running a car?" Touching on that, "So you've got your first job, how do you budget?" So it goes right back to the basics. You know, you're going to spend more than you're – getting in, then you are going to end up in debt," and the consequences… So even just starting with those and saving up, not looking at getting credit. So yeah, it starts early on. And look, in a perfect world it would be at the schools before they got a credit card, "What are the consequences? Do you know what the interest rate is?" You know, telling them that if you have a $5,000 credit card debt and you only pay the minimum, it's going to take your 40 years to pay it off. So that'd be great if they had to read all this or have a little lesson in that before they could actually get one. (Sally)

Recommendation 5: Ensure that there are policy safeguards for financial products targeting young people

The practitioners also identified a role for policy in improving young people's financial experiences and outcomes. Specifically, they identified that young people who were experiencing various types of vulnerabilities would benefit from a policy landscape that protected them from unscrupulous actors:

Have robust safeguards against big banks and big business taking advantage of young people would be a great place to start. Our kids are so vulnerable, it is wild to me that there are big businesses out there who have a business model which is setting kids like ours to sign up to things, I think that's pretty abhorrent so yeah. (NGO 1)

Recommendation 6: Be mindful that these issues are challenging and take time to address

During the interviews and focus group discussions the practitioners reiterated that the young people whom they work with often have complex lives, and that it could take time to see improvements in their lives and financial practices.

One practitioner recounted her experience working with a young person over a four-year period:

I had a young person that left nearly a year ago recently call me and she was like, "I now get what you were saying. You know, for two years you were trying to get me to go to that financial counsellor. Now I understand why." I'm like "Okay cool." But she called me up really to say, "I get it now."

She went on to say:

They will get there, you know – and she was one who was in absolute financial crisis, like really, really horrific financial crisis. And at 22, she called me to go, "Oh I get it now." You know? So they can get there, they just need that support along the way, youth focused support. (Katie)

Conclusion

Conclusion

The findings of this study highlight the complexity of young people's experiences of debt and financial hardship. They demonstrate that far from being an individual problem, or purely the result of individual choices, there are clear social determinants of debt and financial hardship. Moreover, consultation with youth sector practitioners demonstrates that young people have specific experiences of debt, as illustrated by the types of credit that they access. For this reason their needs are likely to differ significantly from those of other age groups when it comes to resources, support and intervention. Young people's reasons for accruing debts and failing to make repayments are equally complex and contextual, and similarly cannot be attributed solely to factors such as a lack of personal responsibility.

While consulting with the practitioners we found that although they did not have any formal training in supporting young people experiencing debt and financial hardship, they drew on their lived experience and accumulated on-the-job skills in order to develop strategies for working in this area. However, the practitioners identified that they were typically unable to access training that would support them in working with young people experiencing debt and financial hardship, and expressed the desire for resources and support. The practitioners also identified that they had limited referral pathways. While some had experienced success with referring their young people to financial counselling, others were unable to access this service, or found that it was not tailored to the needs of the young people whom they were working with.

The practitioners put forward thoughtful and pragmatic recommendations for improving both young people's debt-related outcomes and the youth sector's capacity to support young people experiencing debt and financial hardship. Drawing on these recommendations, we suggest the following four steps as a pathway forward in supporting youth sector practitioners in their work with young people experiencing debt and financial hardship:

1. Provide training workshops and resources for the youth sector, co-developed with financial counsellors and youth sector practitioners.
2. Create resources for young people that are co-designed by financial counsellors and young people themselves.
3. Continued advocacy for financial regulations that protect the interests of young people (for instance, via the recent Treasury consultation on the regulation of BNPL).
4. Potentially working with school-based programs to ensure that they cover the immediate financial needs and challenges experienced by young people, as well as the future challenges that they may face and that they account for the complexity of their lives.

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