WHITE PAPER

# Young People Are Not Broken. The Systems Are.

*Legislative and contracting recommendations to prevent youth disengagement in Aotearoa New Zealand.*

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**November 2026**

YEA
YOUTH EMPLOYABILITY AOTEAROA

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## YOUTH EMPLOYABILITY AOTEAROA (YEA)

YEA exists to ensure all young people in Aotearoa New Zealand between the ages of 13 and 30 have the skills and confidence to thrive in the changing world of work.

> Our mission is to create a collective voice leading systems change for youth employability in Aotearoa.

Our network of more than 500 members, including individuals, organisations, and businesses, is committed to building a future workforce to strengthen communities and the economy by ensuring young people are supported through pathways into work.

## NOTE ON PRIMARY SOURCE MATERIAL

This White Paper draws on primary research conducted with the youth employment sector during 2025 and 2026. YEA sector interviews refer to focused stakeholder consultations with seven established NEET service providers across New Zealand. YEA sector survey refers to a survey of the YEA membership completed in 2026, with 19 respondents. Participants in both were assured that their contributions would not be attributed to them or their organisations. Many hold current contracts with the agencies discussed in this paper, and candour on the terms of those contracts would not otherwise have been possible. Quotations from both sources are cited by source and period rather than by name. Participating organisations named in the acknowledgements consented to being named.

The paper also draws on the Piritahi Youth Collective sector survey report (2026), a report conducted by the Piritahi Youth Collective and shared with us ahead of its publication.


## ACKNOWLEDGEMENTS

This White Paper draws on the experience of the youth employment sector, and we are grateful to those who shared it. Our thanks go first to the NEET service providers across the YEA network who gave their time as interview subjects: Lift Social, Mayors Taskforce for Jobs (specific provider anonymous), REAP Aotearoa, Taupō Pathways, Youth Inspire, and Youthtown. Several others contributed on the condition of anonymity, and we are equally grateful to them. We also thank everyone who responded to our sector survey, whose collective insight shaped the arguments throughout this paper. We are indebted to the Piritahi Youth Collective, who generously shared their survey findings with us ahead of publication and, in doing so, considerably broadened our primary source material. Our thanks also go to the stakeholders who reviewed the draft and offered frank and valuable feedback. Finally, we thank Apeksha Victor, our student volunteer who supported our interviews.

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# EXECUTIVE SUMMARY

## Over 95,000

young people in New Zealand aged 15 to 24 are classified as not in education, employment or training (NEET), a rate of 13.9 per cent.

(StatsNZ, 2026)

## Nearly 74,000

students are chronically absent from school.

(Education Counts, 2026)

Young people are not failing the system; the system is failing them. Over 95,000 young people in New Zealand aged 15 to 24 are classified as not in education, employment or training (NEET), a rate of 13.9 per cent (StatsNZ, 2026). Provisional data show that nearly 74,000 students are chronically absent from school (Education Counts, 2026). Behind these statistics lies a deeper institutional problem, whereby the system fails to provide timely, coordinated, and sustained support.

This White Paper asks what is wrong with the systems that allow young people to fall through the cracks, and most importantly, why those cracks exist. It does not call for additional funding, but rather a change in how existing funding is committed, a shift in contracting model to enable preventative service delivery, and a durable allocation of statutory responsibility for the successful transition of young people into adulthood.

## CRITICAL TIMING

For young people classified as NEET, many contributing factors emerge during early adolescence. These risks accumulate over time, disproportionately affecting Māori, Pacific, and disabled young people. Preventing disengagement before it becomes entrenched is therefore critical, yet the current system remains oriented towards responding *after* young people have already disconnected from education or employment pathways. Professionals working in the NEET sector emphasise the importance of intervening before a young person leaves school. Despite this, the capacity to deliver sustained preventative support is negatively impacted by fragmented services, short-term funding, and contracting arrangements that prioritise immediate results.

## REFORMING THE OUTCOMES-BASED CONTRACTING MODEL

Community providers are well positioned to deliver preventative support, having established expertise in building trusted relationships with at-risk young people and supporting their engagement in education, employment, or training. They can maintain relationships across the transition into adulthood, bridging the gap as the education system's responsibility ends and young people find themselves without other agencies to support them.

Currently, prevention is constrained by the contracting-for-outcomes approach used across the sector. This model prioritises end-stage results and fails to quantify the most effective elements of preventative work, such as behavioural change, transferable skills development, and even re-engagement. Contracts are paid against end-stage results such as employment placement or benefit exit and cannot count the developmental progress that makes those results possible, namely behavioural change, transferable skills, or re-engagement with learning. The same model rewards efforts to place young people into employment who are easily placed over those who require more intensive support. Contracts are typically annual, which prevents providers planning beyond twelve months, drives the loss of experienced staff, and interrupts the trusted relationships that evidence identifies as the most important element of effective support.

This White Paper therefore endorses a stewardship model that treats providers as long-term partners, as committed as government agencies to achieving social objectives, rather than as self-interested entities that require strict monitoring. Under this model, providers would meet a clear capability threshold and then receive proportionate oversight. This model would involve:

STEWARDSHIP MODEL

**1**
Contracts of at least five years.

**2**
Reporting tiered to contract size and track record, rather than applied uniformly.

**3**
In-person relational assurance alongside written reporting.

**4**
Untied grants for providers with a demonstrated record.

**5**
Independent mediation where disputes arise.

# CONTRACTING REFORM

The recommendations emphasise the creation of a contracting environment that prioritises trust, flexibility, and community needs, while maintaining transparency and accountability in public investment.


Scaled Funding Transition →

Stewardship Contracting →

Outcome Measures →

Relational and Proportionate Assurance →

Contract Length →

Untied Grants →

Independent Mediation →

Prevention Infrastructure →

# FUNDING TRANSITION TOWARDS PREVENTION

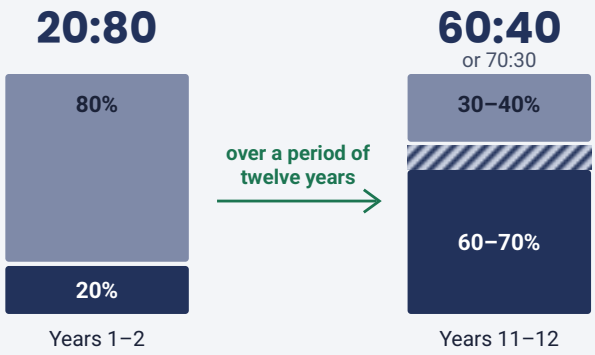
This White Paper proposes a gradual and planned transition towards prevention services. It does not endorse withdrawing funding from support for young people who are already NEET. It recommends a scaled transition in the funding of work delivered by community partners, commencing with a 20:80 split between prevention and NEET support and moving towards 60:40 or 70:30 over a period of twelve years. The model would account for a young person aged thirteen at the time the model is adopted who reaches twenty-five at the end of the twelve years. The graduated model includes five-yearly reviews, aligned with contract renewals, and allows for regional differences. Therefore, funding for NEET support would not fall below levels required to meet the needs of young people.

### A gradual and planned transition towards prevention services

Commencing with a 20:80 split between prevention and NEET support and moving towards 60:40 or 70:30 over a period of twelve years.

Prevention  NEET support  or 70:30

**Note:** The graduated model includes five-yearly reviews, aligned with contract renewals, and allows for regional differences.




# ESTABLISHING STATUTORY RESPONSIBILITY

Although contracting and funding reforms can create the conditions for effective prevention, they cannot guarantee that these arrangements will endure. Administrative approaches remain vulnerable to changing government priorities and budgetary pressures, leaving preventative services without a lasting institutional guarantee. This White Paper proposes the co-design and enactment of a Youth Transitions and Accountability Act. The proposed Act would establish a positive duty to identify and respond to risks of disengagement, clearly allocate accountability across agencies, enable lawful information sharing, and establish Māori partnership consistent with Te Tiriti o Waitangi. It would also provide a nationally consistent, school-based risk-identification framework and funded cross-agency infrastructure to coordinate youth transitions.

# RECOMMENDATIONS

RECOMMENDATION FOR LEGISLATION

## YOUTH TRANSITIONS AND ACCOUNTABILITY ACT

This White Paper recommends a co-design process to develop legislation that establishes a statutory framework to prevent youth disengagement and facilitate successful transitions into adulthood.

RECOMMENDED LEGISLATIVE DESIGN PRINCIPLES

This White Paper recommends that the following principles guide its development.

- **Prevention Must Be a Statutory Responsibility** →
- **Every Young Person Should Have Access to a Meaningful Pathway** →
- **Accountability Must Be Clear and Measurable** →
- **Prevention Requires Information Sharing** →
- **Young People Must Be Supported Through Relationships** →
- **Māori Partnership Must Be Embedded** →
- **Frameworks for Identification and Accountability** →
- **Prevention Requires a Cross-Agency Infrastructure** →

# PAY THE PRICE OF FAILURE OR INVEST IN THE FUTURE

**Aggregate cost of youth disengagement across OECD countries**

## 0.9 to 1.5 per cent

of gross domestic product, or several hundred billion dollars annually.

(Aktakke et al., 2020)

Youth disengagement carries significant economic consequences, with its aggregate cost across OECD countries estimated at 0.9 to 1.5 per cent of gross domestic product, or several hundred billion dollars annually. This cost stems from a combination of lost productivity, lower tax revenues, and increased public spending on social assistance, healthcare, and the criminal justice system. For individual young people, early disengagement typically leads to lower lifetime earnings, higher risks of future unemployment, and reduced health and wellbeing outcomes. New Zealand should stop paying the price of failure and invest in the future success of young people in our country.

CHAPTER ONE

# 01

# THE COST OF YOUTH DISENGAGEMENT

"These young people are not broken. The systems around them are."

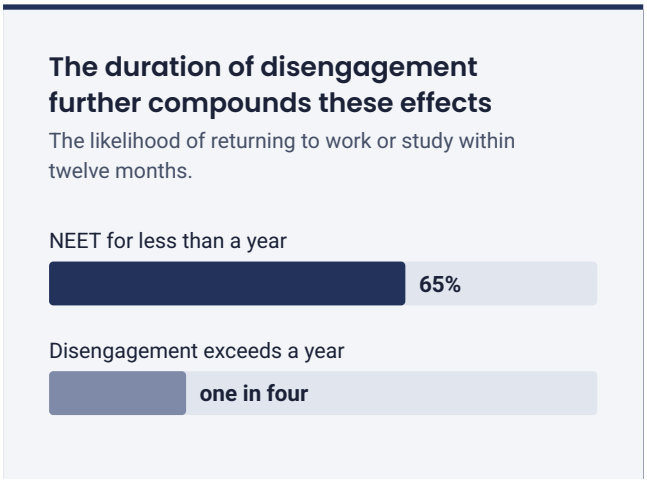
(*YEA sector interviews*, 2025–2026).

On 15 December 2011, Statistics New Zealand released its first official statistics on youth defined as NEET, bringing the New Zealand NEET classification standards into line with international practice. In the year to September 2026, over 95,000 young people were classified as NEET and nearly 74,000 students identified as chronically absent from school (StatsNZ, 2011; StatsNZ, 2026; Education Counts, 2026). This chapter sets out what that disengagement costs to the young people themselves and to the country.

# 1.1 THE COST TO INDIVIDUALS

At the individual level, becoming NEET can have lasting consequences for a young person's employability, economic security, and overall wellbeing. International research identifies the long-term "scarring" effects of NEET status, including sustained unemployment, lower wages, and poorer mental health extending into adulthood (Redmond & McFadden, 2023). These disadvantages can persist even after re-entry into education or employment, as young people who experience NEET status between the ages of 15 and 24 are more likely to be outside the labour force later in life and, when employed, to occupy low-skilled and insecure positions (Dinku, 2024). The duration of disengagement further compounds these effects, with the likelihood of returning to work or study within twelve months falling from 65% among those who have been NEET for less than a year to just one in four among those whose disengagement exceeds a year. Moreover, a UK study shows that a 24-year-old who is NEET today could forgo up to £300,000 (over NZ$700,000) in lifetime earnings, even if they subsequently return to work (Milburn, 2026).

These impacts are more pronounced for specific groups. Young women, especially those with caregiving responsibilities, face elevated risk (O'Higgins & Brockie, 2024). In New Zealand, Māori, Pacific, and disabled youth experience disproportionately higher rates of early disengagement and extended periods outside education and employment (Apatov, 2019). Over time, these patterns contribute to persistent inequalities in earnings, productivity, and workforce participation (Craven et al., 2021).




**A UK study shows that a 24-year-old who is NEET today could forgo**

**Up to £300,000**

(over NZ$700,000) in lifetime earnings, even if they subsequently return to work.

(Milburn, 2026)

# 1.2 THE COST TO SOCIETY

At the societal level, these individual effects result in considerable economic and fiscal costs. NEET status leads to lost productivity, decreased tax revenue, and increased spending on income support and social services. International estimates indicate that the aggregate economic cost of NEET across OECD countries ranges from 0.9 to 1.5 per cent of GDP, with substantially higher impacts in countries where NEET rates are elevated. Country-specific analyses reveal that these costs can reach up to 3 per cent of GDP, reflecting both lost earnings and broader economic inefficiencies (Aktakke et al., 2020).

International evidence demonstrates the substantial fiscal and social costs associated with youth disengagement. In Australia, modelling conducted by the Mitchell Institute estimated that early school leaving incurred an annual fiscal cost of AUD $8,300 and a social cost of AUD $15,400 per person, rising to AUD $10,300 and AUD $27,600, respectively, for young people experiencing long-term workforce disengagement (Lamb & Huo, 2017). Across approximately 38,000 early school leavers, the cumulative lifetime fiscal cost exceeded AUD $12 billion, with the study noting that these estimates were deliberately conservative.

**The substantial fiscal and social costs associated with youth disengagement**

In Australia, modelling conducted by the Mitchell Institute.




**Source:** (Lamb & Huo, 2017). Graph produced for illustrative purposes by YEA.

Such costs are similarly observed in New Zealand, where the scale of youth disengagement has raised significant concerns regarding the expected fiscal burden. AUT modelling estimated that NEET status costs at least NZD $26,840 per young person over three years (Pacheco & Dye, 2013). With over 95,000 young people classified as NEET in the year to September 2026, the potential aggregate cost is substantial. Furthermore, as the original estimates date from 2013, they are unlikely to reflect the full contemporary cost of disengagement, given subsequent inflation and increases in living costs.

Beyond measurable fiscal impacts, high levels of NEET create broader social risks that not only affect individual wellbeing but also weaken community resilience and long-term economic performance. Disengaged young people are more likely to experience greater social exclusion, mental health issues, and poor physical health outcomes (Graeme Dingle Foundation, 2022; Mendelson et al., 2018). As a result, the consequences of high levels of NEETs extend beyond a labour market issue to represent a systemic challenge with enduring economic, social, and intergenerational consequences.

CHAPTER TWO

# 02

# A SYSTEM BUILT FOR CRISIS

> "The system is largely set up to respond to crisis. Those who are quietly struggling — present in school but disengaged, managing but not thriving, early in a difficult journey — often receive nothing until they deteriorate."
>
> (Piritahi, 2026).

Young people are more likely to benefit from intervention before disengagement becomes entrenched. Disengagement is a gradual process and often begins well before a young person leaves education. Government analysis in New Zealand suggests that most factors associated with long-term limited employment emerge before age fifteen, suggesting that prevention efforts should begin in early adolescence (Ministry of Business, Innovation & Employment [MBIE] et al., 2023). By the time disengagement becomes entrenched, these underlying challenges may have compounded, requiring more intensive support to address complex and interrelated barriers to participation. Consequently, re-engagement can be more difficult, progress slower, and have less certain outcomes. In contrast, early intervention provides an opportunity to address emerging risks before they become entrenched, strengthen young people's capabilities, and maintain their participation in education and training or support their transition into employment.

# 2.1 KEY RISK FACTORS OF YOUNG PEOPLE BECOMING NEETS

Early indicators of disengagement include declining school attendance, reduced participation in learning, behavioural challenges, and withdrawal from extracurricular activities. However, disengagement is not always reflected in observable behaviour, as less visible indicators such as declining confidence, increasing anxiety, and a diminished sense of agency regarding the future can also signal emerging difficulties (Graeme Dingle Foundation, 2022; Sottini et al., 2025). These indicators are interconnected in that difficulties with wellbeing and self-confidence can undermine participation in education, while continued disengagement can further weaken a young person's sense of belonging and belief in their prospects. Recognising these early warning signs is therefore essential to identifying and addressing emerging barriers before they reinforce each other and entrench disengagement.

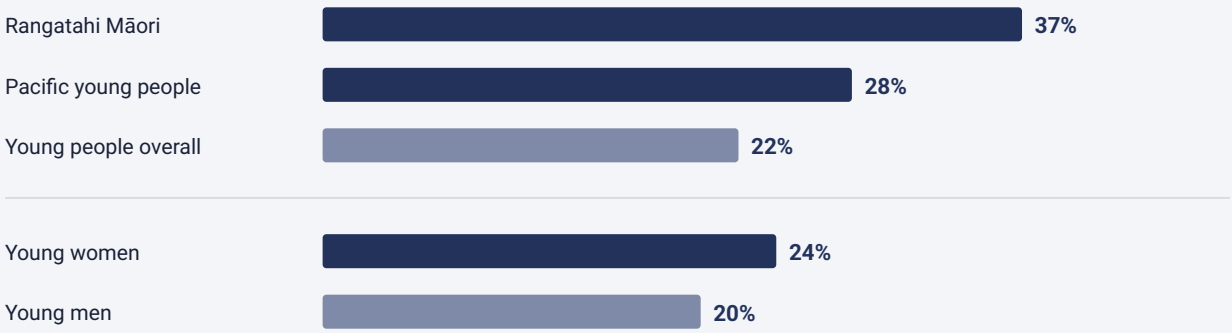
NEET status encompasses a diverse group and, as a result, there's a range of underlying causes and varying levels of disadvantage experienced by young people. Some encounter complex and persistent barriers, including mental health challenges, systemic racism, diagnosed and undiagnosed disabilities, housing insecurity, poverty, domestic violence, sexual abuse, or overly burdensome caregiving responsibilities. Māori and Pacific children experience material hardship at more than twice the rate of non-Māori and Pacific children.

Disabled children have a material hardship rate of 26.9% against 12.7% for non-disabled children, and 27.5% for children in disabled households, while psychological distress is reported at 70.5% for disabled young people, around 2.5 times the non-disabled rate (Ministry of Social Development [MSD], 2026). Disabled young people report poorer health and wellbeing outcomes and have less trusting and communicative relationships with peers and parents (Neumann et al., 2026).

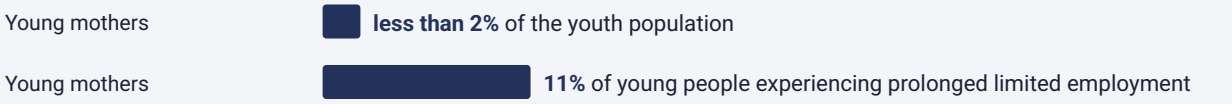
These disadvantages are reflected in the disproportionate rates of unemployment among NEET demographics. Government analysis found that 37% of rangatahi Māori and 28% of Pacific young people spend more than half of their years between the ages of 16 and 24 in limited employment, compared with 22% of young people overall. Young women are also more likely than young men to experience this outcome, at 24% and 20%, respectively. This disparity is particularly pronounced among young mothers, with 77% of those who have a child before the age of 19 spending more than half of these years in limited employment. Although young mothers constitute less than 2% of the youth population, they account for 11% of young people experiencing prolonged limited employment. Furthermore, more than half of these young mothers are Māori, while a further 20% are Pacific peoples, indicating that Māori and Pacific young mothers are particularly likely to encounter multiple and compounding barriers to sustainable employment (MBIE et al., 2023).

### Not all youth are impacted the same

Government analysis found that 37% of rangatahi Māori and 28% of Pacific young people spend more than half of their years between the ages of 16 and 24 in limited employment, compared with 22% of young people overall.




**This disparity is particularly pronounced among young mothers**




**Source:** (MBIE et al., 2023)

# 2.2 GROWING COMPLEXITY OF NEEDS

WHAT THEY SAID

"For most of the ones that come to us, they've been on quite a journey before they arrive on our doorstep."

(YEA sector interviews, 2025–2026).

Professionals working with youth report increasing complexity in the needs of young people. Piritahi Youth Collective conducted a survey of practitioners and organisations working with rangatahi across Tauranga-Moana and the Western Bay of Plenty. Their report shows clearly that rangatahi needs are becoming "more complex." This perception was consistent across 82% of NGOs, schools, health providers, iwi organisations, government agencies, and employment services. Mental health was the most frequently cited concern, alongside housing instability, poverty, neurodiversity, social media harms, substance use (particularly cannabis and vaping), and family harm (Piritahi, 2026). Additionally, providers note that by the time many young people become eligible for support, disengagement and distrust of the system have often intensified, which limits the effectiveness of intervention efforts.

This increase in complexity results in a higher chance that youth will become NEET. A recent United Kingdom study identifies a clear correlation between the number of risk factors and the likelihood of NEET status. Among young people with no risk factors, only 5% were NEET; this figure increased to 18% among those with 2–5 factors, and to 74% for young people with 10 or more risk factors. As risk factors accumulate, the likelihood of NEET status rises substantially (Crowley et al., 2023).

**As risk factors accumulate, the likelihood of NEET status rises substantially**



**5%** No risk factors

**18%** 2–5 factors

**74%** 10 or more risk factors

**Source:** (Crowley et al., 2023)

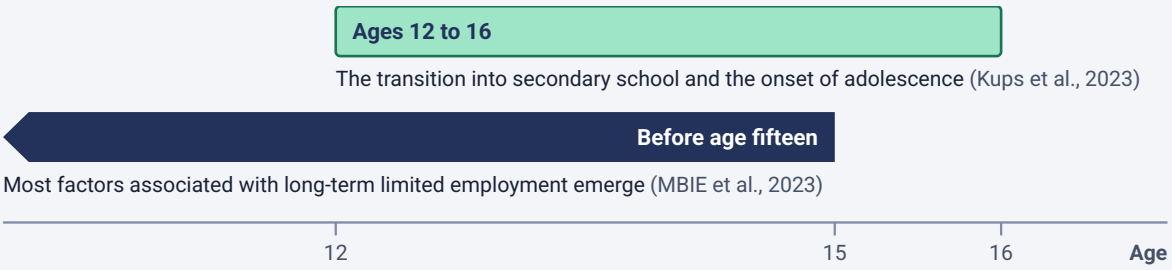
# 2.3 INTERVENTION POINT FAILURES

Despite the identification of clear risk factors and the recognised benefits of early intervention, support for young people is often introduced only after patterns of disengagement have become established. Practitioners are acutely aware of this misalignment, observing that "by the time young people are eligible for support, things have already gone wrong" (YEA sector interviews, 2025–2026). Delaying intervention until young people reach a point of crisis increases both the complexity of their needs and the intensity of support required, making sustained outcomes more difficult to achieve. This is reflected in evidence on post-disengagement interventions, where many programmes demonstrate mixed or delayed impacts, with some producing only limited improvements in employment outcomes (Redmond & McFadden, 2023). The longer disengagement continues without intervention, the more difficult and resource-intensive it can become to re-establish a young person's connection to education or employment.

The insufficiency of this approach is evident in the Ministry of Social Development's evaluation of the Youth Service NEET programme. The evaluation found that halving youth coach caseloads and more than doubling expenditure per participant in 2020 did not improve programme outcomes. The programme's contracts included milestone payments linked to sustained employment (de Boer, 2025), placing considerable emphasis on achieving outcomes after young people had already disengaged. A similar pattern was identified in the United Kingdom, where the Milburn Review found that preventative services had been reduced across government while expenditure on crisis intervention continued to grow, concluding that the country was spending more to achieve less (Milburn, 2026). These studies highlight the limitations of concentrating resources on managing the consequences of disengagement without investing in identifying and addressing the factors that contribute to it in the first place.

# 2.4 THE MOST EFFECTIVE POINT OF INTERVENTION

**Ages 12 to 16 is the most effective window for intervention**




**Sources:** (Kups et al., 2023; MBIE et al., 2023)

Early adolescence is a period of heightened brain development, particularly in the systems that shape social and emotional life. This makes young people more vulnerable to new adversity, but it also creates a valuable opportunity to help them recover from the effects of earlier trauma (Boyd et al., 2024). Intervention during early adolescence would address the broader drivers of participation while they are still developing. Adverse childhood experience (ACE) studies show that early intervention can change patterns and disrupt the disengagement trajectory before it becomes deeply embedded (Asmussen et al., 2019). An OECD review of NEET prevention in Australia identified ages 12 to 16 as a particularly important window for intervention, as this period encompasses the transition into secondary school and the onset of adolescence, when young people's sense of belonging, socialisation and learning progress are most open to influence (Kups et al., 2023). These findings are consistent with sector opinion, where providers emphasise the importance of early engagement. For example, providers responding to the YEA sector survey described the focus on NEET young people as "a band-aid approach", and said, "there needs to be a focus on prevention and early intervention to change the trajectory" (YEA sector survey, 2026).

> **"There needs to be a focus on prevention and early intervention to change the trajectory."**
>
> (YEA sector survey, 2026)

Early intervention is especially important as young people can be best reached while they remain connected to educational or community contexts. Service providers have reported that "there's a cohort of young people who are not in education, employment or training, but they're also not on anyone's books. Unless they seek out support, they're invisible in the system" (YEA sector interviews, 2025–2026). The Education Review Office (ERO) found that New Zealand does not have a system with effective supports to address the number of chronically absent students (Education Review Office [ERO], 2024). For many young people, "the system only re-engages youth once they seek benefits, so the intervention is coming really late" (YEA sector interviews, 2025–2026).

Early intervention is also essential to establishing the sustained, trust-based relationships that underpin effective youth support. NEET contract providers have identified the need for sufficient time to build trust with young people and consistently identify relational engagement as central to effective support, noting that what is required is "trust, time, and relationships, not compliance" (YEA sector survey, 2026). Evidence demonstrates that strong, trust-based relationships with supportive adults improve social skills, confidence, school engagement, and achievement among young people (Frederick et al., 2023). Early intervention enables these relationships to develop, whereas later-stage interventions are often time-limited and outcome-driven, making it more difficult to build trust and sustain engagement. The earlier providers can begin building relationships, the less likely disengagement will result in withdrawal from services and institutions.

NEET contract providers in New Zealand deliver trusted, tailored, community-rooted support with staff experienced in supporting youth who struggle in the formal system. These NEET contract providers express a willingness to intervene earlier, with one respondent emphasising that "the benefits would be far greater the earlier we can engage in terms of employability skills and exposure to the world of work … let's start at the beginning and catch a large pool of students while they are still in education" (YEA sector survey, 2026). However, the contract settings typically make early intervention difficult or impossible.

WHAT THEY SAID

> "The benefits would be far greater the earlier we can engage in terms of employability skills and exposure to the world of work … let's start at the beginning and catch a large pool of students while they are still in education."
>
> (YEA sector survey, 2026)

# 2.5 CONSTRAINTS ON EARLY INTERVENTION DELIVERY BY SCHOOLS

**Over 30 per cent**

of young people in New Zealand do not feel safe at school.

(MSD, 2025)

**Nearly 30 per cent**

avoid school because they fear being hurt, teased or bullied.

(MSD, 2025)

Schools may have a limited ability to effectively address disengagement as the youth most at risk often no longer perceive school as a safe or supportive space. For these young people, school is not an environment in which they feel safe, but rather an institution that they are withdrawing from. For instance, over 30 per cent of young people in New Zealand do not feel safe at school, and nearly 30 per cent avoid school because they fear being hurt, teased or bullied (MSD, 2025). If support is provided by the institution from which a young person is disengaging, even well-intentioned efforts may be undermined. Trust is often most difficult to establish in relationships that already carry the history and dynamics of the disengagement itself.

The current school funding mechanisms also prevent a school-based solution to disengagement. School funding is tied to enrolment, which creates a structural incentive to retain young people on the roll, rather than formally recognise that they have stopped participating. This lack of incentive for prevention means that schools are slow to escalate students to the appropriate services, with the ERO finding that nearly one in five school leaders wait until a student has been absent for more than 21 consecutive days before referring them to Attendance Services, and that over two-thirds of Attendance Service staff report schools never, or only sometimes, refer students at the appropriate time (ERO, 2024).

## 2.6 CONSTRAINTS ON EARLY INTERVENTION DELIVERY BY NGOs

Government to NGO funding settings dictate when intervention occurs, often tying outcomes to employment placement or benefit exit. NGO providers are structurally directed to work with young people who have already disengaged. As one provider put it, “things that prevent people going onto benefit aren’t what we’re funded to do” (YEA sector interviews, 2025–2026). Contracts specify when providers engage with rangatahi, how long they can work with them, and which outcomes are prioritised, meaning that providers can “do some fence at the top of the cliff work”, but that “it’s not what the contract is designed to prioritise” (YEA sector interviews, 2025–2026).

A systemic shift is required to align funding, contracting, and accountability with prevention rather than crisis response. Until structural changes are implemented, the system will continue to intervene too late, and outcomes will remain unchanged.

CHAPTER THREE

# 03

# SYSTEMIC FAILURES

"Periods of winding down and ramping back up really hurt trust … you engage with young people and then all of a sudden, it's just gone. For the young person, we're just another agency that's come in and then disappeared … it's really damaging. Consistency for the young person should be a priority."

(YEA sector interviews, 2025–2026).

New Zealand's contracting model for social services is not a neutral administrative arrangement. It decides when providers can first engage with a young person, how long the relationship can last, and whether they can respond to need as communities identify it, or only as government defines it. Those terms determine whether early intervention is available at all.

# 3.1 THE PROBLEM WITH OUTCOMES-BASED CONTRACTS

Contracting for outcomes is when the government does not prescribe how a service will be delivered; instead, it sets a suitable outcome and pays performance payments to the provider when the outcome objectives are met. Outcomes are defined by the Productivity Commission as the "longer-term consequences of an intervention or programme in terms of the ends sought", which can encompass both societal and individual outcomes (Humpage, 2020, p.1). As a result, contracts in the NEET sector are currently premised on specified endpoints such as securing employment or reducing benefit dependency. Consequently, essential elements of preventative work, such as behavioural change, transferable skills development, and even re-engagement, are perceived to be unquantifiable within policy and funding criteria, despite their importance for improving long-term employability (Lowe & Wilson, 2017; Meltzer et al., 2022).

Outcomes-based funding is an unsuitable contracting mechanism for youth-based work, where progress is often difficult to predict or standardise. The open-ended and evolving nature of working with young people makes it difficult to define and measure outcomes in advance. Meaningful outcomes instead develop through ongoing engagement with young people in response to their individual needs, interests, and changing social circumstances (de St Croix, 2018). This reflects the relationship-based nature of youth work, with providers describing relationships as the "glue that holds our work together" (p. 1076). As a result, approaches that centralise interpersonal relationships as the main method for achieving positive outcomes are increasingly recognised as the most effective way to deliver positive outcomes for youth. However, the trust, respect and personalised communication on which such relationships are based are viewed as unquantifiable in policy and funding criteria (Meltzer et al., 2022). Furthermore, young people's trajectories are rarely linear, as their progress is continually shaped by family, school, peers, and wider social conditions. Practitioners tend to describe their progression as a slow process based on the gradual establishment of trusting relationships, group processes, and incremental achievements alongside periods of small setbacks (de St Croix, 2018). Consequently, singular contractual measures, such as employment placement, risk overlooking the relational work and incremental progress that make sustainable outcomes possible.

These limitations are reflected in the experiences of NEET service providers, who identify a significant gap between the progress young people make and what outcomes-based contracts recognise. As one provider explained, "outcomes funding doesn't capture how far someone has actually come". Another highlighted how young people can make considerable progress through "better routines, improved mental health, reduced drug use, but that doesn't count if they're not job-ready yet". The emphasis on employment as the main indicator of success can therefore sideline the developmental changes that make sustained employment possible. As another provider observed, young people may "come in with no confidence and no self-awareness… once they have a plan and direction, you can literally see the stress lift… employment is important, but the real change is confidence, self-reflection, and wellbeing" (YEA sector interviews, 2025–2026).

Although these broader assessment criteria may be unfamiliar to government agencies, Ara Taiohi, the NZ Peak Body for Youth Development, has demonstrated their practical application through a recent social return on investment analysis of youth work in New Zealand. The analysis identified and valued twelve material outcomes for youth aged 12 to 24, including a stronger network of positive relationships, a stronger sense of self, increased personal stability, a strengthened ability to shape one's own life path, and expanded education and employment pathways. When using this framework, youth work was found to have generated $12.69 of social value for every dollar invested, demonstrating that these types of outcomes can be meaningfully measured (Richards et al., 2026).

### $12.69 of social value for every dollar invested

Twelve material outcomes for youth aged 12 to 24.




**INCLUDING**

- A stronger network of positive relationships.
- A stronger sense of self.
- Increased personal stability.
- A strengthened ability to shape one's own life path.
- Expanded education and employment pathways.

**Source:** (Richards et al., 2026)

Additionally, contracting-for-outcomes models have been criticised internationally for introducing financial incentives to social services. Performance payments are often established using a profit-maximising logic, which portrays young people as a source of profit, rather than as citizens using a service (Humpage, 2020). This encourages providers in outcomes-based systems to respond to payment incentives by "creaming" (prioritising participants closest to the labour market, whose outcomes are cheapest to achieve and most likely to trigger payment) and "parking" (minimising effort on those with complex needs).

While outcomes matter and public investment should be accountable for results, the metrics commonly used to assess performance are often misaligned with prevention needs. Unless contracting frameworks more effectively recognise and support the early stages of change that reduce the risk of disengagement, they will continue to prioritise crisis response over prevention, and recovery over early intervention.

## 3.2 COMPETITION UNDERMINES COORDINATED SUPPORT

The competitive funding model prevalent across this sector undermines the collaborative approaches that government agencies frequently advocate for rhetorically. Rather than working together to deliver complementary services, providers are incentivised to compete individually for available funding. A competitor's success in securing contracts and recruiting clients often comes at the expense of others, which limits the trust and willingness to collaborate between organisations (Bunger, 2013). As one NGO observed, "providers don't want to let go of young people, even when someone else could help better, because they'll lose funding". This dynamic limits the effectiveness of service provision, as effective prevention often requires organisations to recognise when another provider is better positioned to offer support and to facilitate smooth transitions between services (YEA sector interviews, 2025–2026).

This barrier to collaboration was also reported in the Piritahi Youth Collective sector survey report, which identified the system as the main barrier to collaboration, rather than a reluctance from providers. Survey respondents expressed strong support for collaborative approaches, with 91% expressing a desire to participate in joint projects. Nevertheless, participants consistently identified funding, contract structures, and reporting requirements as significant barriers to collaboration. As one respondent stated, "funding, contracts, and reporting requirements are set up to reward individual outcomes over shared impact. This creates tension at a governance level and makes it harder to collaborate in ways that truly centre rangatahi" (Piritahi, 2026).

WHAT THEY SAID

"Funding, contracts, and reporting requirements are set up to reward individual outcomes over shared impact."

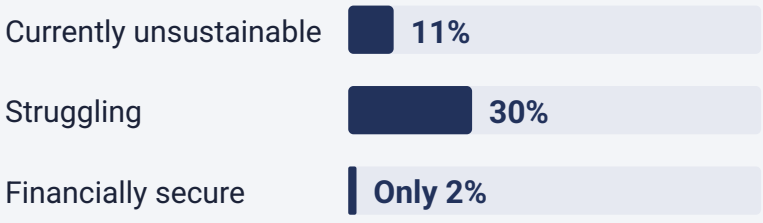
(Piritahi, 2026)

## 3.3 SHORT-TERM CONTRACTS UNDERMINE SUSTAINED ENGAGEMENT

Many service providers operate on a contract-to-contract basis with minimal reserves, resulting in widespread financial unsustainability. A 2019 survey by MartinJenkins found that 11% of organisations reported being currently unsustainable, while an additional 30% described themselves as struggling. Only 2% considered their organisation financially secure. These self-assessments are supported by financial data, which shows that 28% of the providers' annual reports reviewed showed a deficit in 2018/19. A sector in such a precarious financial position cannot sustain the multi-year relationships and long-term programme investments required for effective NEET prevention (MartinJenkins, 2019).

**Widespread financial unsustainability**

A 2019 survey by MartinJenkins found:




**Source:** (MartinJenkins, 2019)

Given this financial insecurity, the short-term contract model restricts NGOs' capacity for long-term planning. Survey data show that many NGOs are unable to plan beyond a 12-month timeframe under current funding arrangements, and a significant proportion express concern about sustaining operations for more than six months if contracts are not renewed (Mueller et al., 2005; MartinJenkins, 2019; Kuruvila, 2017). Additionally, short-term contracting cycles require organisations to devote substantial time and resources to seeking, applying for, and managing funding. As one NGO explained, "we're kind of scrambling every time the funding's coming up for renewal … a year's not long enough for people to get everything in place" (YEA sector interviews, 2025–2026).

Prevention-oriented work with young people at risk of disengagement necessitates sustained, trust-based engagement over extended periods. This requirement is incompatible with a contracting environment that restricts providers from planning beyond twelve months. According to YEA sector interviews, one provider stated, "three years should be the minimum, but five years would be a game changer… You cannot plan, lease buildings, or retain good staff on year-to-year contracts". Another NGO suggested that funding be available at "five years as a minimum, with strict monitoring criteria to pull funding if it's not working … five years, ideally for any community to make a long-term shift" (YEA sector interviews, 2025–2026). Longer contracts would also benefit government by reducing the administrative costs associated with frequent re-tendering and contract renegotiation, while allowing for attention to remain on service delivery. This is consistent with New Zealand Government Procurement guidance, which recommends social services contracts of three to five years wherever possible to support good relationships and continuous improvement (New Zealand Government Procurement, n.d.).

WHAT THEY SAID

> "Three years should be the minimum, but five years would be a game changer… You cannot plan, lease buildings, or retain good staff on year-to-year contracts."
>
> (YEA sector interviews, 2025–2026)

**Nearly 80%**

of NGOs were 'over-delivering' on the services and programmes they were funded to provide.

(ComVoices, 2020)

The effectiveness of preventative work is further compromised by overworked frontline staff. The 2020 State of the Sector Survey found that nearly 80% of NGOs were 'over-delivering' on the services and programmes they were funded to provide, driven by rising demand and increasing complexity of issues facing their communities (ComVoices, 2020). Despite this workload, many organisations lack both the staffing and financial resources to recruit personnel with the specialist skills needed to address complex needs (MartinJenkins, 2019). The Piritahi Youth Collective sector survey report found that staff are stretched across multiple roles, reducing capacity for activities beyond direct service delivery. This limits opportunities for proactive outreach and early engagement, both of which are essential for prevention (Piritahi, 2026).

This system can inhibit staff from forming high-trust relationships with youth, which are essential for preventing disengagement. Service providers emphasise that for young people, "those periods of winding down and ramping back up really hurt trust … you engage with young people and then all of a sudden, it's just gone. For the young person, we're just another agency that's come in and then disappeared … it's really damaging. Consistency for the young person should be a priority" (YEA sector interviews, 2025–2026). Furthermore, NGOs report that funding uncertainty undermines their ability to retain experienced staff and sustain long-term relationships with young people. Staff with expertise in youth engagement, programme delivery, and navigating complex support systems are often lost to more secure and better-funded positions, disrupting the continuity of support that effective youth work depends upon. As one provider explained, "we lose experienced staff because people have to look after themselves as well" (YEA sector interviews, 2025–2026).

Despite ongoing funding insecurity, NGOs have faced a significant increase in unproductive compliance requirements without corresponding increases in funding to cover administrative costs. Compliance measures are vital to ensuring accountability in partnerships with NGOs; however, there are reported instances of redundant reporting that are unproductive and remove resources from frontline delivery. Reporting obligations are applied uniformly, regardless of contract size, which contradicts the risk-based reporting approach recommended by the Productivity Commission (MartinJenkins, 2019; Kuruvila, 2017). Meeting unproductive compliance obligations diverts resources from direct client engagement and constrains NGOs' capacity for innovation and responsiveness to evolving community needs (MartinJenkins, 2019; Milbourne, 2009; Lowe & Wilson, 2017; Kuruvila, 2017). For providers working with young people whose needs are complex and relational, every hour spent on administrative compliance is an hour not spent building the trust essential for prevention.

Furthermore, the heightened emphasis on compliance has shifted the priorities of contract managers. One NGO observed that contract managers "don't even know their contracts because the contract manager keeps changing … generally, they're not very engaged. They want to see the report come in on the right date with the invoice, with the expense report. They tick it off, it goes through."

Another respondent noted that these misplaced priorities are intensified by centralisation: “I think one of the frustrations can be when you are dealing with people in Wellington (MSD National Office) who have never worked in this space and don’t understand the challenges. We should be working together and supporting each other.”

The compliance burden appears to have been designed without consideration for local realities, and when contract managers lack first-hand knowledge of these contexts, opportunities for course correction are limited (YEA sector interviews, 2025–2026).

Providers describe a contracting environment that fails to recognise much of the work that ultimately determines whether a young person can sustain employment, including the development of soft skills. At the same time, short-term funding arrangements make it difficult to maintain the trusted relationships needed to support young people throughout their transitions, while competitive contracting can discourage referrals to other providers better placed to meet their needs. Effective prevention therefore requires a contracting model that recognises the progress currently overlooked, enables sustained relationships between providers and young people, and incentivises collaboration rather than competition between services.

CHAPTER FOUR

# 04

# AN ALTERNATIVE CONTRACTING MODEL

"Relationships are absolutely foundational to any collaboration efforts. You need to know one another well, build trust, and go from there. It's all about the people in the organisations, not just getting two organisations together."

(Piritahi, 2026).

A recurring theme throughout this White Paper is that effective prevention depends on relationships. In contrast, the New Public Management (NPM) approach, adopted in New Zealand in the 1980s and continuing to this day, focuses on risk mitigation through detailed specifications, compliance, and performance monitoring, placing most responsibility on providers. Complex social challenges are not being well addressed in the current approach. NGOs need flexibility and professional discretion to respond to community needs and take preventative action. A trust-based contracting approach would enable more responsive and adaptive service delivery (Van Slyke, 2007).

# 4.1 A STEWARDSHIP APPROACH TO GOVERNMENT-NGO CONTRACTING

A stewardship model of government-NGO contracting recognises NGOs as long-term partners committed to shared social objectives, rather than perceiving providers as self-interested entities that require strict control through compliance frameworks and performance monitoring. This approach is grounded in trust-based relationships and flexible funding arrangements, fostering collaboration, adaptation, and, therefore, early intervention.

Within the stewardship model, trust is cultivated deliberately and incrementally through ongoing interaction, consistent communication, and shared investment in outcomes. A groundbreaking study of contract relationships between US government agencies and service providers found that over 87% of public managers actively sought to understand providers' motivations at the start of a new contract and built this understanding into how the contract was governed. Trust was further established through regular information exchange, clear articulation of goals and outcomes, and measurement of client satisfaction, which were identified as foundational elements of effective contracting relationships. Trust was also strengthened by involving NGO providers as stakeholders in identifying needs and making decisions, along with public managers demonstrating respect for provider expertise (Van Slyke, 2007).

In a stewardship model, government agencies would engage NGO providers as active partners in contract formulation, design, and review, rather than treating them solely as contract recipients. In the initial stages of a stewardship relationship, transaction costs are higher due to the time required for joint problem formulation, information exchange, and collaborative decision-making. However, these costs decrease significantly over time as both parties gain a clearer understanding of each other's objectives, constraints, and operating contexts. This increased efficiency ultimately improves service quality by reducing the diversion of resources from frontline service delivery to burdensome compliance activities (Van Slyke, 2007).

An effective response to the limitations of a stewardship model of contracting involves designating providers who have demonstrated sufficient trustworthiness as 'preferred' partners based on their reputation, trustworthiness, and reliability.

### A trust-based contracting approach would enable more responsive and adaptive service delivery

**NEW PUBLIC MANAGEMENT (NPM) APPROACH**

adopted in New Zealand in the 1980s and continuing to this day

- Risk mitigation through detailed specifications, compliance, and performance monitoring.
- Placing most responsibility on providers.

**A STEWARDSHIP MODEL**

- Long-term partners committed to shared social objectives.
- Trust-based relationships and flexible funding arrangements.
- Shared investment in outcomes.
- Active partners in contract formulation, design, and review.

**Source:** (Van Slyke, 2007)

Approximately 74% of public managers reported that once trust had been established, close surveillance was no longer required, allowing parties to shift resources from administrative compliance to delivery. When providers were classified as trusted and preferred, these organisations were granted greater discretion in service provision and encouraged to pursue innovative approaches to meeting needs (Van Slyke, 2007). This approach would have the advantage of investing in reliable partners over government agencies taking a chance on newly established providers who offer a financially competitive service offering.

A high-trust system still requires strong accountability measures. Oversight should be directed towards capturing the quality and impact of support, rather than relying solely on standardised quantitative measures. NEET service providers have highlighted the limitations of evaluating relational youth work through numerical reporting, observing that "you can't audit heart, integrity, or impact through a spreadsheet". Instead, providers proposed a more relational approach to accountability, whereby government representatives engage directly with service delivery to understand the quality of support being provided. As one provider suggested, "we would invite auditors on the ground to come in, see the work, feel the environment" (YEA sector interviews, 2025–2026). Accountability of this kind would give government a more accurate picture of service delivery and remove reporting requirements that generate little useful information.

A stewardship model offers a framework for strengthening NEET prevention by aligning government contracting arrangements with the need for early, responsive, and sustained support. Effective prevention depends on identifying risks before they become entrenched, responding quickly as young people's circumstances change, and maintaining support throughout their transitions into education and employment. However, these objectives are difficult to achieve when contracting arrangements prioritise rigid funding conditions and short-term deliverables over collaboration and responsiveness. By fostering trust-based relationships between government agencies and providers, enabling flexible funding, and encouraging collaborative problem-solving, a stewardship approach allows for providers to adapt their support to young people's changing needs.

WHAT THEY SAID

> "We would invite auditors on the ground to come in, see the work, feel the environment."
>
> **(YEA sector interviews, 2025–2026)**

## 4.2 UNTIED GRANTS AND COMMUNITY CO-FUNDING

In its 2015 inquiry into New Zealand's social services system, the Productivity Commission found that highly specified contracting arrangements are not always suited to mission-based and community-led organisations. It recommended that the government "…subsidise organisations for specific purposes… [or in the form of untied grants to] subsidise organisations to meet their own goals." However, these recommendations appear to have had limited influence on contracting practice, with MSD continuing to tie social service contracts to government priorities (Aimers & Walker, 2016, p. 2674). Such arrangements can limit providers' ability to respond to emerging needs within their communities, creating a tension between contractual compliance and effective prevention.

This lack of flexibility is particularly problematic for youth prevention, which requires providers to respond rapidly as young people's circumstances and needs evolve. Contracts that prescribe service activities too narrowly can prevent organisations from adapting their approaches to emerging issues, allowing barriers to participation to intensify before appropriate support is provided. The importance of this flexibility is illustrated by one NGO that described how philanthropic funding enabled it to respond to a growing concern within its community. As the provider explained, "we've noticed there's a real uptake in boys isolating themselves and becoming very angry in general, so we're going to shift some of our focus to this" (YEA sector interviews, 2025–2026). This example illustrates how providers' close relationships with their communities can identify emerging risks that may not be anticipated within predefined contractual priorities. Enabling providers to respond to these signals is therefore essential to addressing difficulties before they contribute to entrenched disengagement.

Importantly, transitioning to untied grants would not require the removal of accountability, but rather a shift in how it is defined and assessed. Instead of prioritising compliance with detailed contractual requirements, accountability could focus more strongly on progress towards broader youth development and community outcomes. Independent evaluation, transparent auditing, and stronger partnerships between government and providers would help ensure that public funds are used responsibly while preserving the flexibility required for effective intervention.

> **"You can't audit heart, integrity, or impact through a spreadsheet."**
>
> NEET service providers · (YEA sector interviews, 2025–2026)

CHAPTER FIVE

# 05

# NO ACCOUNTABILITY EQUALS NO ACTION

"It is not the clear responsibility or mandate of certain agencies to provide support to young people who match multiple known risk flags unless, and until, they transition into this negative education or employment status."

(McGirr, 2019).

Effective youth prevention requires a contracting environment that enables early intervention and sustains support as young people's needs evolve. Proposed measures, such as stewardship relationships and flexible, multi-year funding, would equip providers to intervene early. However, in the absence of a legislative mandate, these reforms can be adopted or discontinued as budgets and governments change.

# 5.1 A FRAGMENTED SYSTEM

The difficulty in preventing youth disengagement stems from the lack of a clear mandate that assigns any agency responsibility for a young person's trajectory. Government agencies have already demonstrated that risk factors can be identified before disengagement becomes entrenched (Apatov, 2019), suggesting that the central challenge lies not in recognising which young people may need support, but in establishing who is responsible for acting on that information. Responsibility for supporting young people is fragmented across multiple agencies, funding streams, providers, and policy initiatives, yet no comprehensive and enduring framework ensures that emerging risks are identified and addressed before disengagement becomes entrenched. Without clear accountability, the capacity to identify risk does not necessarily translate into timely intervention.

This fragmentation creates disjointed pathways that make it difficult for young people to access coordinated, continuous support. Support is distributed across education, employment, health, and social services, each operating under distinct mandates and accountability structures. In its 2023 Long-Term Insights Briefing, MBIE identified service fragmentation and funding silos as major barriers to delivering holistic, tailored support to young people (MBIE et al., 2023). These structural barriers are reflected in providers' experiences of referral pathways, which the Piritahi Youth Collective sector survey report described as "broken, outdated, and invisible". Consequently, "rangatahi are passed between programmes without anyone coordinating their overall journey" (Piritahi, 2026). As YEA sector interviews similarly observed, the system "doesn't follow the young person, it hands them off" (YEA sector interviews, 2025–2026).

A fragmented system of care for young people is not unique to New Zealand. In the UK, the Milburn Review found that the primary problem behind the NEET rate is the absence of a coherent system to support young people during the transition from education to employment. It found that responsibility for youth participation is distributed across education, health, welfare, employment, and local government systems, resulting in unclear accountability for outcomes. As no single institution is accountable for the entire process, service delivery lacks coordination, resulting in many young people becoming invisible to the systems supposedly responsible for supporting them. This is a failure of institutional architecture, rather than of individual programmes, suggesting that sustainable preventative work requires a coordinated system with defined responsibilities, accountability, and shared outcomes (Milburn, 2026).

WHAT THEY SAID

> "In referral pathways, rangatahi are passed between programmes without anyone coordinating their overall journey."
>
> **(Piritahi, 2026)**

## 5.2 NO MANDATE TO PREVENT

The shortcomings of the education system represent the first challenge in preventing NEETs due to its limited mechanisms for identifying and addressing disengagement. The Education and Training Act 2020 mandates compulsory school attendance until age sixteen and outlines procedures for granting exemptions to fifteen-year-olds seeking early departure. However, these requirements primarily address enrolment, attendance, and exemption processes, rather than the early identification and prevention of disengagement. This is a significant limitation, given evidence that disengagement can begin well before students reach the age at which exemptions become available (Sottini et al., 2025; Graeme Dingle Foundation, 2022).

The Act does not impose a statutory obligation on schools, government agencies, or specialist providers to identify and support young people exhibiting early signs of disengagement. Section 103 of the Act states that students in Year 7 and above must receive appropriate career guidance designed to prepare them to enter the workforce or pursue further education or training after school. However, this mandate carries no reporting requirements for schools and no dedicated and tagged funding. As a result, support for youth transitions within schools lacks accountability and a robust framework for effective delivery (Careers and Transition Education Association NZ, 2023). While schools are responsible for managing attendance, the legislative framework does not establish a further obligation to identify and address the underlying causes of emerging disengagement.

Once young people leave the education system, responsibility for supporting their transitions increasingly falls to MSD. However, this transfer of responsibility does not come with a statutory obligation to provide support. Although MSD can establish and fund programmes for young people who are already NEET, or who are at risk of becoming NEET, these functions are discretionary rather than mandatory (Social Security Act 2018). Furthermore, most MSD employment programmes are available only to people receiving a benefit (Beehive, 2024), limiting access to support for some young people at risk of disengagement. While technically speaking, government investment in early intervention is possible, there is no corresponding legislative requirement to ensure these services are provided or sustained (Social Security Act 2018). Consequently, preventative support remains dependent on government priorities and funding decisions, rather than an enduring statutory commitment. This leaves investment vulnerable to political shifts, budget constraints, and changing policy objectives, allowing services to be reduced or discontinued.

This discretionary approach significantly impacts the commissioning and contracting environment. Without a statutory obligation to provide preventative services, there is no corresponding requirement to fund providers for their delivery. Consequently, funding decisions are influenced by administrative priorities and contractual frameworks, which frequently prioritise measurable short-term outcomes over long-term prevention. This further encourages investment only after disengagement has already occurred, rather than at earlier stages when risks first emerge.

**The legislative framework does not establish a further obligation to identify and address the underlying causes of emerging disengagement**

| | PROVIDES | GAP |
|---|---|---|
| **Education and Training Act 2020** | Mandates compulsory school attendance until age sixteen. | Primarily addresses enrolment, attendance, and exemption processes, rather than the early identification and prevention of disengagement. |
| **Section 103** of the Act | Students in Year 7 and above must receive appropriate career guidance. | No reporting requirements for schools and no dedicated and tagged funding. |
| **Social Security Act 2018** | MSD can establish and fund programmes for young people who are already NEET, or who are at risk of becoming NEET. | Discretionary rather than mandatory. |
| **Privacy Act 2020** | Provides for information sharing in appropriate circumstances. | Does not establish clear responsibility for ensuring that relevant information reaches the appropriate services. |

**Sources:** Education and Training Act 2020 · Social Security Act 2018 · Privacy Act 2020

## 5.3 INFORMATION-SHARING GAPS

A further shortcoming in institutional accountability is the lack of clear responsibility for ensuring information about at-risk young people is shared and acted upon across services. Although the Privacy Act 2020 provides for information sharing in appropriate circumstances to support young people's wellbeing and safety, it does not establish clear responsibility for ensuring that relevant information reaches the appropriate services and prompts timely intervention. This lack of clear responsibility results in insufficient information-sharing between schools, Attendance Services, and government agencies, creating a significant obstacle to identifying and re-engaging chronically absent students. More than half of Attendance Services report that information is only sometimes, or never, shared effectively across organisations, meaning that providers must devote considerable time towards locating young people already disengaged from education. These failures frequently delay intervention, resulting in students falling through systemic gaps (ERO, 2024).

These findings suggest that information-sharing difficulties cannot be addressed solely by improving communication between agencies. Even where information is available, intervention may be delayed if no organisation is clearly responsible for assessing that information, coordinating a response, and ensuring that support follows the young person. This reflects a broader leadership vacuum, in which responsibility for successful transitions between education and employment remains unclear. A recent Public Good Insight report by the New Zealand Institute of Economic Research similarly identified the lack of clear responsibility for ensuring that young people transition successfully from education into employment (Hogan & Hamill, 2026).

CHAPTER SIX

# 06

# RECOMMENDATION FOR LEGISLATION

Legislation offers a means to move beyond discretionary programmes and policy initiatives by establishing enduring duties, responsibilities, and accountability structures. Instead of a dependence on individual agencies or governments to prioritise prevention, legislation can establish prevention as a permanent statutory responsibility.

# 6.1 A YOUTH TRANSITIONS AND ACCOUNTABILITY ACT

This White Paper recommends a co-design process to develop legislation that establishes a statutory framework to prevent youth disengagement and facilitate successful transitions into adulthood. For the purposes of this White Paper only, this proposed legislation is referred to as the Youth Transitions and Accountability Act. The purpose of the Act would be to:

**THE PURPOSE OF THE ACT WOULD BE TO**

1. establish youth disengagement as a matter of public concern requiring active prevention;
2. create a statutory duty to identify and respond to risks of disengagement;
3. ensure that young people who become disconnected from education, employment, or training receive timely support;
4. create clear accountability arrangements across government agencies;
5. strengthen coordination between education, employment, social development, health, and community sectors;
6. support earlier intervention and preventative investment;
7. recognise the role of whānau, hapū, iwi, communities, and non-government organisations in supporting young people.

# 6.2 EXISTING LEGISLATIVE FRAMEWORK FOR YOUTH TRANSITIONS

New Zealand has acknowledged that certain social risks are significant enough to require statutory intervention and accountability for young people transitioning into life beyond school. This is demonstrated through the legislative transition-to-adulthood requirements in the Oranga Tamariki Act 1989, which includes specific responsibilities for supporting the transition of youth in care into adulthood up until age 25 and a transition plan from 15 years of age. This demonstrates a precedent for the establishment of clear statutory responsibilities where successful transitions from childhood into adulthood are considered essential.

This is not an argument for displacing parental responsibilities. Education is compulsory until age sixteen and enforced by statute, precisely because a young person's engagement in learning has never been treated as a purely private matter. The inconsistency is not that the state intervenes, but that its responsibility ends abruptly at the point where the evidence shows intervention matters most. The cost of that gap falls on the taxpayer regardless, through benefits, health services and the justice system. The choice is not between intervention and non-intervention, but between paying early and paying late.

**The choice is not between intervention and non-intervention, but between paying early and paying late.**

## 6.3 RECOMMENDED LEGISLATIVE DESIGN PRINCIPLES

The detailed content of any future legislation should be developed through a formal co-design process. However, this White Paper recommends that the following principles guide its development.

**1**
**Prevention Must Be a Statutory Responsibility**

**2**
**Every Young Person Should Have Access to a Meaningful Pathway**

**3**
**Accountability Must Be Clear and Measurable**

**4**
**Prevention Requires Information Sharing**

**5**
**Young People Must Be Supported Through Relationships**

**6**
**Māori Partnership Must Be Embedded**

**7**
**Frameworks for Identification and Accountability**

**8**
**Prevention Requires a Cross-Agency Infrastructure**

## 1 Principle 1:
## PREVENTION MUST BE A STATUTORY RESPONSIBILITY

The legislation should establish a positive duty on relevant agencies to identify and respond to risks of disengagement. This approach represents a fundamental shift away from a system that waits for young people to become NEET before support becomes available. The statutory duty should require:

- early identification of risk;
- proactive engagement with young people;
- coordinated intervention before disengagement occurs;
- investment in preventative approaches.

**A young person's future trajectory should be regarded as of equal importance to their current status.**

## 2 Principle 2:
## EVERY YOUNG PERSON SHOULD HAVE ACCESS TO A MEANINGFUL PATHWAY

The legislation should establish a clear expectation that every young person has access to a pathway leading to education, training, employment, or another meaningful destination aligned with their goals and circumstances. If a young person becomes disengaged, agencies should be responsible for reconnecting them with appropriate opportunities and support.

While specific operational arrangements should be determined through co-design and policy development, the underlying principle remains: no young person should be lost between systems without designated responsibility for their reconnection.

## 3 Principle 3:
## ACCOUNTABILITY MUST BE CLEAR AND MEASURABLE

The legislation should establish explicit accountability arrangements. Existing mechanisms primarily emphasise programme outputs and agency-specific measures. Future accountability should prioritise whether young people successfully maintain and progress through meaningful pathways. Consideration should be given to:

- national youth engagement indicators;
- local youth outcomes;
- long-term transition measures;
- reporting requirements to Parliament;
- independent monitoring and evaluation.

**Responsibility must be both visible and transparent.**

## 4 Principle 4: PREVENTION REQUIRES INFORMATION SHARING

Effective prevention depends upon the ability to identify risks before disengagement becomes entrenched. The legislation should therefore support appropriate information-sharing arrangements between schools, government agencies, and approved community providers, subject to clear safeguards relating to privacy, consent, and data sovereignty. The objective is not surveillance, but to ensure that young people do not fall through gaps between systems due to lack of information. The framework in Section 66C of the Oranga Tamariki Act 1989 can guide appropriate levels of protection that guarantee young people's rights.

## 5 Principle 5: YOUNG PEOPLE MUST BE SUPPORTED THROUGH RELATIONSHIPS

As discussed, relationships act as a critical factor for supporting youth out of NEET status. Legislative and policy frameworks should support continuity of relationships, sustained engagement, and trusted connections with adults and services. Success should be measured not only by entry into employment or education, but also by continued connection to supportive individuals and institutions.

As such, before a young person leaves education, school staff should establish a plan detailing who will remain involved in the young person's development, what organisation or institution the young person will join, the type of support they receive, and how their progress will be monitored. A young person's decision to leave school should not disqualify them from having continued support from a trusted adult.

## 6 Principle 6: MĀORI PARTNERSHIP MUST BE EMBEDDED

Any legislative framework should be developed in partnership with Māori and reflect Te Tiriti o Waitangi obligations. Māori experience disproportionately high rates of youth disengagement and have developed significant expertise in creating successful whānau-centred, community-led, and kaupapa Māori approaches. Drafting of legislation should include consideration of:

- Māori participation in governance arrangements;
- Māori-led service delivery;
- data sovereignty;
- community-led responses;
- culturally grounded measures of success.

Specific governance arrangements should be established through a co-design process.

## 7 Principle 7:
## FRAMEWORKS FOR IDENTIFICATION AND ACCOUNTABILITY

Effective prevention requires both the early identification of risk and meaningful accountability for outcomes. The legislation should support the development of a nationally consistent, school-based risk identification framework, distinct from academic assessment and co-designed with communities, iwi, and young people themselves. This framework would identify emerging risks of disengagement and enable targeted support before those risks become entrenched. The assessment should be conducted by schools, with support for at-risk youth delivered by trusted community partners.

The legislation should also establish accountability frameworks that reflect the realities of youth development and successful transitions. Rather than relying solely on economic measures, accountability should incorporate broader indicators of wellbeing and participation. Young people's transitions are shaped by their education, wellbeing, identity, relationships, housing stability, health, and sense of belonging. Performance measures should therefore recognise these factors as important indicators of progress and long-term engagement.

While school staff are best placed to identify a young person's risk of disengagement, young people on the track to disengagement do not often feel comfortable or appreciated within the educational system. As a result, interventions should be delivered by community providers, who have specialised experience in building trust with young people disconnected from traditional institutions. To ensure that preventative measures reach all young people at risk, delivery should be matched to a young person's age and level of disengagement. For younger students, community providers may find working within school delivers outcomes before disengagement becomes entrenched. For older students who have already disengaged, delivery off school premises is more likely to be effective. The setting should be determined by each young person's needs and their willingness to engage within a school setting.

## 8 Principle 8:
## PREVENTION REQUIRES A CROSS-AGENCY INFRASTRUCTURE

Currently, no agency is responsible for overseeing a young person's entire transition journey across education, employment, health, and social services. Consequently, young people may be transferred between programmes, agencies, and providers without any single organisation accountable for coordinating their overall progression.

The legislation should facilitate the development of a funded, cross-agency early intervention infrastructure for rangatahi. This infrastructure should enable shared accountability, shared funding, appropriate information sharing, and coordinated decision-making among relevant agencies and community partners. Its purpose is to ensure early identification of risks, effective coordination of support, and a cohesive system for young people, rather than a series of fragmented interventions.

# 6.4 IMPLEMENTATION OF RECOMMENDATION

**This White Paper recommends a formal co-design process involving:**

- young people and whānau;
- Māori organisations and iwi representatives;
- Pacific communities;
- disability and neurodiversity advocates;
- education and pathway transitions experts;
- youth service providers;
- employers and industry representatives;
- local government;
- relevant Crown agencies.

The purpose of this process would be to develop detailed legislative proposals, operational arrangements, governance structures, accountability frameworks, and implementation pathways.

A Youth Transitions and Accountability Act would establish clear responsibilities, enhanced accountability, earlier intervention, and a sustained focus on prevention. It would enable government agencies to identify risk earlier, coordinate support, and improve transition outcomes for young people.

A reform of policy settings is also required to support these objectives.

CHAPTER SEVEN

# 07

# RECOMMENDED POLICY SETTINGS

Establishing a prevention-focused system requires alignment of funding and contracting arrangements with this objective. Providers require certainty to invest in long-term relationships, flexibility to respond to evolving circumstances, and the trust necessary to tailor support to the needs of rangatahi and their whānau. Conversely, government agencies require accountability mechanisms that ensure assurance without imposing unnecessary administrative burdens or undermining effective practice.

This chapter presents a series of recommendations intended to advance the preventative objectives of the proposed Youth Transitions and Accountability Act. The recommendations emphasise the creation of a contracting environment that prioritises trust, flexibility, and community needs, while maintaining transparency and accountability in public investment. Collectively, these reforms constitute the practical application of a prevention-oriented approach to youth engagement and successful transitions.

RECOMMENDATIONS


| | | | | | |
|---|---|---|---|---|---|
| 7.1 | SCALED FUNDING TRANSITION | 7.2 | STEWARDSHIP CONTRACTING | 7.3 | OUTCOME MEASURES |
| 7.4 | RELATIONAL AND PROPORTIONATE ASSURANCE | 7.5 | CONTRACT LENGTH | 7.6 | UNTIED GRANTS |
| 7.7 | INDEPENDENT MEDIATION | 7.8 | PREVENTION INFRASTRUCTURE | | |

RECOMMENDATION

# 7.1 SCALED FUNDING TRANSITION

This White Paper does not advocate for the withdrawal of funding from youth employment support to fund preventative work. Young people who are already disengaged need support, and that need will not disappear while prevention takes effect. Instead, this White Paper recommends a gradual, planned rebalancing of funding for work delivered by community partners, beginning with a 20:80 split between prevention and NEET support and moving towards a split of between 60:40 and 70:30 over twelve years.

A twelve-year timeframe would account for the cohort of 13-year-olds at the time the model is adopted, together with young people who are already NEET, and is designed to ensure that support remains available to each of them until the age of 25. This mirrors the precedent set by the Oranga Tamariki Act 1989, which supports young people leaving care through their transition to adulthood up to the same age. Adjustments in funding are modest in the early years while capacity is built, and before the number of young people needing NEET support begins to fall. These adjustments become larger in later years, once those already NEET at adoption have reached 25 and the first prevention cohorts have passed through the years of highest risk. The table below sets out an illustrative example.

## ILLUSTRATIVE EXAMPLE

### Sliding scale of funding between prevention and NEET support

| Period | Prevention | NEET support | Rationale |
|---|---|---|---|
| Years 1–2 | **20%** | **80%** | Establishment: school-based risk identification framework, stewardship tiers and provider workforce put in place |
| Years 3–5 | **30%** | **70%** | Prevention delivery established across the first contract cycle |
| **Year 5 review** | | | *Aligned with contract renewal; regional needs assessed against the planned split* |
| Years 6–8 | **40%** | **60%** | First prevention cohorts move through the 15–19 age range |
| Years 9–10 | **50%** | **50%** | Young people already NEET at adoption reach 25 by around year 10 |
| **Year 10 review** | | | *Aligned with second contract renewal; confirms whether demand for NEET support has fallen* |
| Years 11–12 | **60–70%** | **30–40%** | The cohort aged 13 at adoption reaches 25; final split set by measured demand |

Note. This is for illustrative purposes. Each step is conditional on review findings, and the scale would be refined through co-design and testing against funding data and NEET projections.

### A gradual, planned rebalancing of funding

Beginning with a 20:80 split between prevention and NEET support and moving towards a split of between 60:40 and 70:30 over twelve years.




Funding splits should be reviewed at five-year intervals, aligned with the five-year minimum contract length recommended in this chapter, so that reviews and re-contracting occur together. Each review would assess the needs of young people in each region against the planned split, and funding for NEET support would not reduce faster than measured falls in the number of young people who need it.

The timeline may also need to vary between regions. Some regions have very high numbers of young people who are NEET, and some communities are hit harder by economic downturns than others. In those regions, a larger share of funding may need to remain with NEET support for longer. The pace of reallocation should reflect regional circumstances at a pace that responds to changing needs.

RECOMMENDATION

## 7.2 STEWARDSHIP CONTRACTING

This White Paper recommends stewardship as the overarching operating model for established providers. Transitioning from principal-agent compliance to stewardship-based relational contracting represents a multi-year cultural change that requires training, incentive restructuring, and leadership signalling. The primary reform challenge is with government contract managers, who must be supported to move away from compliance-based default positions and towards a model based on trust, proportionality, and shared responsibility for outcomes.

A stewardship system should distinguish between the requirements for establishing trust and the requirements for maintaining it. Government should undertake more upfront assessment of whether a provider is effective, trustworthy, and sufficiently established to operate under a less prescriptive contracting model. Once that threshold has been met, providers should receive greater flexibility in how they deliver services, with compliance measures focused on outcomes, risk, and the integrity of the provider relationship, rather than detailed prescription of outputs.

## FRAMEWORK

A stewardship model requires a clear framework setting out the requirements for government and NGOs to enter and maintain a stewardship-based contract. Entry into the first tier of stewardship, for instance, could require an NGO to demonstrate that it has operated a successful programme for at least five years. The framework could assess factors including evidence of effectiveness, organisational capability, financial management, community relationships, and the provider's record of working effectively with young people and whānau. The framework should provide for tiered levels of stewardship, with the degree of flexibility and assurance proportionate to the level of demonstrated trust and risk. This would allow government to distinguish between newer or higher-risk providers requiring closer oversight and established providers that have demonstrated the capability to operate with greater autonomy.

A stewardship model should give explicit effect to Te Tiriti o Waitangi, rather than treating outcomes for Māori as an addition to a general framework. Section 14 of the Public Service Act 2020 provides that the role of the public service includes supporting the Crown in its relationships with Māori under Te Tiriti (Public Service Commission, n.d.). The Waitangi Tribunal's Hauora report (2019) identifies tino rangatiratanga, partnership, active protection, equity, and options as Treaty principles relevant to health services. These principles should likewise inform government contracting models for social services, ensuring that commissioning arrangements uphold Te Tiriti obligations and support Māori self-determination in service design and delivery. Stewardship is well suited to incorporating te ao Māori, due to its emphasis on building trust over time and ensuring that service providers are equal partners in design processes, which aligns with kaupapa Māori and whānau-centred approaches. However, for the stewardship approach to extend beyond a shared aspiration, the model must include explicit measures that reflect Te Tiriti and Māori values.

RECOMMENDATION

## 7.3 OUTCOME MEASURES

Providers should report validated measures of confidence, self-regulation, and self-efficacy as contracted outcomes, alongside existing employment and education endpoints. These skills predict long-run outcomes as strongly as measures of cognitive ability and are already what providers identify as the clearest sign of a young person's progress. These measures should initially inform contract monitoring and programme design rather than payment-by-results directly. This would allow providers to demonstrate the early-stage change that current late-stage endpoints cannot register.

RECOMMENDATION

## 7.4 RELATIONAL AND PROPORTIONATE ASSURANCE

Alongside reporting tiered by risk, monitoring methods should be broadened beyond written reporting to include in-person, relational assessment. Providers argue that the integrity and impact of their practice cannot be assessed through paperwork alone and have called for auditors to visit sites directly rather than relying solely on documentary reporting. This would give the government a more accurate picture of service delivery, while reducing the paperwork burden on trusted providers.

RECOMMENDATION

## 7.5 CONTRACT LENGTH

The length of contracts is one of the largest barriers to quality service provision identified by providers. Ensuring NGOs have a stable workforce and can engage in long-term financial planning is vital for improving relationships between young people and providers and therefore essential for prevention-focused practice. As a result, this White Paper recommends five years as a minimum contract length. Five years reflects both provider experience and the evidence on when programme effects become visible: a review of more than 200 evaluations of active labour market programmes found impacts were often close to zero in the short run but became more positive two to three years after completion (Card et al., 2018, cited in Redmond & McFadden, 2023). A contract shorter than five years cannot observe the results it is purchasing, and five years aligns contract renewal with the review points proposed for the funding transition earlier in this chapter.

Providers interviewed for this White Paper arrived at the same figure without prompting, one describing three years as the minimum and five as "a game changer", another proposing five years as a minimum with strict monitoring criteria to pull funding if it is not working (YEA sector interviews, 2025–2026).

WHAT THEY SAID

> "Five years as a minimum, with strict monitoring criteria to pull funding if it's not working … five years, ideally for any community to make a long-term shift."
>
> (YEA sector interviews, 2025–2026)

RECOMMENDATION

## 7.6 UNTIED GRANTS

The funding-instrument mix should be rebalanced to place greater emphasis on untied grants for providers embedded within their communities. The 2015 Productivity Commission recommendation to expand the use of untied grants has not been meaningfully implemented. Revisiting and enacting this recommendation for smaller, community-based providers would better support prevention-oriented and community-defined initiatives. Untied grants should therefore form part of the stewardship funding model for providers that have demonstrated a sustained record of effectiveness and community trust. The level of flexibility should be matched to the provider's demonstrated capability and the level of public risk involved.

RECOMMENDATION

## 7.7 INDEPENDENT MEDIATION

A stewardship relationship requires mechanisms to address disputes without undermining the underlying relationship of trust. An independent mediation board should be established for disputes between government contract managers and providers, including disagreements over non-renewal, performance assessment, or contract variation. A provider that currently disagrees with a funding decision has no avenue beyond the same contract-manager relationship in which the dispute arose. This safeguard is particularly important in a stewardship system because greater provider autonomy must be accompanied by a credible mechanism for resolving disagreements between government and providers. A transition to a more relationship-based contracting system therefore necessitates avenues to address bad-faith or disputed interactions from both parties. Such a mediation function would ensure that disputes are resolved on their merits, rather than through the leverage derived from controlling a provider's primary income source.

RECOMMENDATION

## 7.8 PREVENTION INFRASTRUCTURE

Stewardship contracting should be complemented by system-level reforms that enable providers to intervene prior to disengagement. Research indicates that early signs of disengagement, including declining attendance, reduced participation in learning, behavioural challenges, withdrawal from extracurricular activities, diminished confidence, and heightened anxiety, often emerge well before a student leaves the education system. A national risk-identification framework specifically designed for school settings should therefore be implemented. The framework should be developed collaboratively with communities, iwi, schools, young people, whānau, local and central government agencies, and academia.

# WHAT THIS WHITE PAPER DOES NOT ADDRESS

This White Paper focuses on two parts of a much larger system: how government can contract community providers to support NEET prevention, and a lack of accountability for disengagement. These are settings that determine whether earlier intervention is possible, but they are not the whole of what needs to be addressed.

## CAREERS

Young people who can see credible pathways from education into work are more likely to stay engaged, and those without access to quality information, advice and exposure to the labour market are more likely to drift into NEET status. Questions such as when career guidance should begin, who delivers it, how it connects schools, employers, providers and whānau, and whether it reaches the young people most at risk of disengagement, warrant the same attention as the contracting system.

## VOCATIONAL EDUCATION

Fewer than 40 per cent of students choose the university pathway in New Zealand. For the cohort of young people this White Paper is concerned with, vocational and trade pathways carry significant weight as the most accessible routes into employment for those least served by academic study. Yet these pathways are typically presented as options for a select few, often as the lesser pathway. A Youth Futures 2025 comparative study identified accessible and esteemed vocational pathways as a common feature of countries with low NEET rates (Hofman et al., 2025). In New Zealand, the route into an apprenticeship remains difficult to find without existing networks and contacts, and the funding system rewards completion of credentials rather than the skills a young person acquires (Skills Group, 2026). Parity of esteem is built, or not built, through careers guidance, funding settings, and the visibility of the pathway itself. It remains to be seen whether the proposed changes to vocational curriculum within secondary schools will deliver these outcomes.

**Fewer than 40 per cent**

of students choose the university pathway in New Zealand.

## SUPPORT FOR GOOD YOUTH EMPLOYMENT AND EMPLOYERS

On the demand side, small and medium businesses offer the most entry points into employment for young people, but they are expected to absorb the cost and risk of employing inexperienced young people without the support to do so successfully. A system that only addresses the preparedness of young people and not the availability and quality of the work they'll contribute will not succeed.

## THE ELEPHANT IN THE ROOM

The reforms this White Paper recommends create the opportunity to redirect young people towards a positive pathway; they do not change the conditions that generate risk. Disengagement is strongly influenced by material circumstances. Household poverty, insecure housing, and unmet physical and mental needs fall unevenly. As Chapter Two sets out, Māori, Pacific, and disabled young people can experience material hardship and psychological distress at higher rates than their peers. Earlier intervention will reach these young people sooner, but reaching them sooner is not the same as removing the barriers that leave them behind. These pressures are intensifying, rather than easing, in the current cost of living crisis. The Ministry of Social Development reports that material hardship among children and young people is trending upwards (MSD, 2026). This situation will not be resolved by any single intervention. It requires a response coordinated across ministries, sustained beyond a single electoral cycle, and shaped by the communities carrying the burden.

**This work is urgent, and it sits alongside the reforms recommended here.**

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