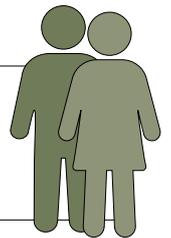




The impacts of overpayment debt and ongoing need for food assistance

Kore Hiakai value the mana of all people, working to find long-term solutions so whānau have income that is adequate for them to thrive, and thus to have dignified access to enough good food.



In March 2022, at the request of Ministry of Social Development, Kore Hiakai undertook research examining the continued increased use of food assistance.¹ This research shows that whānau on income support are reliant on both regular Special Needs Grants AND regular Food Assistance to meet their basic living costs in order to provide adequate kai for their whānau. 92% of whānau interviewed regularly made a choice between food and other expenses. Of those who made this choice 82% had Work and Income Debt. Whānau regularly used debt, especially Work and Income debt, to meet their basic living costs.

As a result of the findings of this initial work, Kore Hiakai have looked further into the impact of debt to MSD on whānau seeking food assistance. This brief paper spotlights some early findings.

Extent of debt and gender bias of debt

Social Wellbeing Agency (SWA) research indicates that the number of people with debt to MSD is on a par with the number of people receiving benefits. MSD June 2022 Benefit Fact Sheet reports 344,622 working-age people receiving a main benefit at the end of June 2022.² The SWA report released in February 2022, notes that 358,3000 New Zealanders owe \$1.02 billion of overpayment debt to MSD.³

¹ [Exploring the Ongoing Need for Food Assistance](#), Kore Hiakai Zero Hunger Collective report – April 2022.

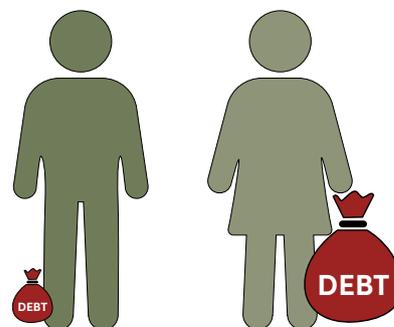
² [MSD Benefit Fact Sheet Snapshot June 2022](#)

³ [Patterns Across Debt and Debtors To Government](#), Social Wellbeing Agency – February 2022.

⁴ [Understanding Debt and Debtors To Government](#), Social Wellbeing Agency – February 2022

It is well recognised that female beneficiaries are most often those parenting children alone, and that those women and children bear the greatest burden of food insecurity in Aotearoa. SWA note that the weight of debts to MSD also falls predominantly on female beneficiaries. SWA figures show women have 56% of overpayment debts and 57% of recoverable assistance debts and that those women are likely to be aged 30-44. MSD debt is persistent, with 68% of those with debt to MSD having debt lasting more than 3 years.⁴ SWA also note “People with benefit overpayment debt to MSD show evidence of financial hardship... about one-quarter have total debt more than 20 percent of their annual income.”

This aligns with research provided to DPMC in August 2021 by Christians Against Poverty (CAP).⁵ CAP report that from their sample of CAP whānau⁶, the level of MSD debt allocated to women is 3.2 times the amount for men. Women have mean debt of \$10,451 to MSD. Men’s mean debt in this survey is \$3,265. 44% of women in their survey had more than \$5,000 of debt to MSD. The average (mean) repayments for MSD debts were \$16.57 per week. Unsurprisingly, weekly repayments for women (\$17.87) were also higher on average than for men (\$13.47). “At this rate, it would take a woman on average over 11 years to repay current debts, assuming no more debt is added”.



Sector insight:

Kore Hiakai’s partner agency The Salvation Army provided a snapshot of those seeking both food and financial mentoring assistance in March, to help further this research. Of the 987 individuals participating throughout New Zealand, 68% have debt to WINZ/MSD. Of those with WINZ debt, 80% have other debts. 75% with WINZ debt are female. Of the sole parents with WINZ debt, 95% are female.

These debts create increased hardship for families already struggling with inadequate income. Social Wellbeing Agency notes that “financial mentors and advisors expressed concern that many of their clients are borrowing because it is difficult to live on a benefit, even more so while making repayments on existing debt balances and/or meeting minimum Child Support payment obligations.”⁷ Kore Hiakai’s [Ka Mākona Income Adequacy](#) modelling supports this, showing that benefits are insufficient for very basic everyday costs even before any debt repayments are added to the household budget.

CAP say that “becoming stuck in a cycle of never having enough to meet essential living costs can lead to people becoming dependent on borrowing to meet their commitments, often seeking further government advances to meet essential living costs”. This increased government debt impacts whānau self-determination, as “debt-to-government repayments are largely unavoidable for beneficiaries. Repayments are deducted from a benefit before they reach a beneficiary’s bank account. **Debt repayment is important, but not at the detriment of meeting essential living costs.** This lack of flexibility to make important choices handicaps financial capability and often leads to families having to forgo essential living costs.”⁸

The Retirement Commission note that “once borrowing to buy food and repay debt becomes necessary, getting out of debt becomes a long and arduous process”⁹. CAP conclude that “the journey to financial distress is typically a gradual and consistent descent into further debt. The impact of this incremental slide into further hardship negatively affects both financial capability and financial resilience and erodes hope and energy to plan for the future”.¹⁰

⁵ DEBT TO GOVERNMENT: ISSUES PAPER, Christians Against Poverty, August 2021

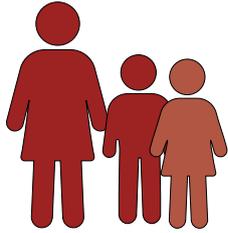
⁶ From a random sample in 2021 of 100 clients from past 12 months with debt to government, with resultant data drawn from 77 individuals.

⁷ [Understanding Debt and Debtors To Government](#), Social Wellbeing Agency – February 2022

⁸ DEBT TO GOVERNMENT: ISSUES PAPER, Christians Against Poverty, August 2021

⁹ [NZ Financial Capability Survey Report](#), Te Ara Ahunga Ora Retirement Commission – July 2021

¹⁰ DEBT TO GOVERNMENT: ISSUES PAPER, Christians Against Poverty, August 2021



Anna's story*

"Life is very stressful when you spend every day trying to balance your spending and you know that no matter how hard you try, there will be some item or some bill you can't afford. Sometimes, the thing I can't buy is food."

A lives in a house managed by Visionwest Community Housing. After falling behind with her bill payments she came to the realisation that, unless something changed, she would never catch up. She mentioned it to her Visionwest Housing support navigator who urged her to contact Money Mentors, Visionwest's budget advice service.

"I never learned to budget my money. My parents never told me anything and it wasn't taught at school. I knew, without expert help, I was never going to escape my debt."

A has two children. One, an adult, has left home. The younger son is of high-school age and has autism. This presents its own set of daily challenges, some of which impinge on A's finances.

"My son has a support worker and I need to pay 15c/km for his transport costs. Sometimes I have to put him off for a week or so, usually when an unexpected bill arrives. I'm also behind at the doctor most of the time but I pay lumpsums whenever I can. My son also has a serious skin condition which needs prescription medicine to contain. My mother often covers the cost for this."

The cost of A's son's transport to school is another ongoing cost. To save money he walks 30-40 minutes to and from the railway station but the train fare must still be found.

A is a weekly recipient of food support from Visionwest's Pātaka Kai. Without this help she would either have to go without food or fall deeper into debt – something she is trying to avoid as she works hard to pay off existing debt.

"I don't drive. During lockdown Visionwest's Pātaka Kai delivered food to my home. That was a lifesaver but not just because it meant I didn't have to visit the supermarket. It meant I was able to get some essentials that I would have missed out on otherwise. If someone drives to the supermarket and discovers there is no, say, toilet paper on the shelves, they can go back later in the day. When I visit the supermarket, if they don't have what I need, it can be a week before I manage to get back there."

A's financial challenges increased markedly with the arrival of COVID. She's always been responsible in the way she spends her money but the rise in the cost of living since COVID has been a huge challenge.

"I find I have to be really savvy when I go shopping. Supermarket shopping always involved looking for specials and keeping a running total of the amount spent. Now, with COVID, there are no specials, and everything has gone up in price. And there is certainly no money for any extras."

"My son will sometimes ask, 'Is there anything to snack on?' I have to tell him, 'No. Snacks don't fit into our budget.' We have our meals and that's it."

Outside of the essentials, A focuses on the repaying of debt although she admits it feels like she is never catching up. With the help of her Visionwest financial mentor, she is negotiating with some of her creditors which has given her a glimmer of hope, but the stress remains.

"It's very stressful and it does your head in when you are always balancing what you can and can't spend your money on. It bothers me that I have to put off paying bills because it just catches up with me the next week. That's the stressful part and it's with me every day."

**Name has been changed to maintain privacy.*

Causes of MSD debt

Debt to MSD is allocated to two forms – overpayment of entitlements, or recoverable loans for specific assistance, both of which then need to be repaid. The Social Wellbeing Agency notes: “Benefit abatement is associated with new overpayment debt. People who experienced more abatement gained more new debt on average.”¹¹

Kore Hiakai note that beneficiaries struggle to comply with MSD processes in ways that compound abatement debt, something that has been flagged to MSD as long ago as Anne Heynes’ 2001 paper *The Causes of Innocent Overpayment Debt*¹². Heynes highlights the challenges of notifying MSD of the income earned in part time, irregular hour work such as hospitality. “The cut-off time for income notifications by clients working part-time is 5pm Friday. Late notifications result in a debt where the benefit should have been abated and was not.” Heynes also flags concerns around whether debt arises due to delays in processing information or MSD staff failing to record a notification in the correct payment period until a later period. While we note improvements including online and app-based notification, the constraints of MSD systems continue to adversely impact those in irregular work, resulting in abatement and overpayment continuing to create debt.

Impacts of this debt – children’s health and wellbeing

Kore Hiakai’s March research indicates that whānau are aware of the negative impact of debt and inadequate income on their mental and physical health. The health impacts of poverty are well documented. At the Kore Hiakai 2021 Food Insecurity Symposium *Te Whāngai I ngā Whetū: Feeding the Stars*, Dr Sarah Gerritsen referred to growing evidence of childhood obesity, lower caregiver rated self-health and more concern about child’s health and development, child behaviour and social development, psychological distress and depression and bullying, cognitive development and educational impacts.

These are echoed in research just published from the *Growing Up In New Zealand* study which suggests 1 in 4 children face developmental delays due to socio-economic disadvantage. Dr Jin Russell, paediatrician and researcher says the biggest change that would directly affect child health and development outcomes would be to introduce a liveable income.¹³

Winsome Parnell et al’s 2022 research paper *Food insecurity as experienced by New Zealand women and their children* notes that “Economic deprivation is the strongest determinant of food insecurity... with household income the strongest predictor. Food insecure adults are more likely to report poorer mental health, higher rates of chronic disease and compromised energy and nutrient intake. Food insecurity poses serious risks to child health, development, behaviour and academic outcomes. This is in part attributable to poor nutrition and insufficient food. Additionally, flow-on effects from parental food insecurity, including mental illness, low energy, and household stress, can impact upon children’s care and development... Overall, our findings reinforce food insecurity as an ongoing public health issue in New Zealand, resulting in significant and enduring hardship and **requiring coordinated and targeted systemic action**. Income inadequacy was identified as the underlying root cause of household’s food insecurity. **This issue needs urgent attention and substantial policy reform for meaningful and lasting change**”.¹⁴

Auckland City Mission shares similar findings, noting that about two-thirds of those who are food insecure live much of their lives in “an unwell state of being” and that “women experienced higher levels of distress”.¹⁵ In depth research into the aspirations of these whānau by Helen Robinson et al notes that “many aspire to provide their tamariki with a better life than they have had access to, and yet on top of income-related constraints, the ‘cognitive burden’ of engaging with a highly complex welfare system limits the energy and resources they have to nurture and care for their children.”¹⁶

¹¹ Patterns Across Debt and Debtors to Government

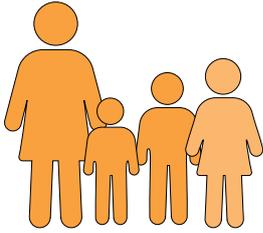
¹² [The Causes of Innocent Overpayment Debt: A research report prepared for the Ministry of Social Development](#), Anne Heynes, October 2001

¹³ <https://www.auckland.ac.nz/en/news/2021/08/02/jin-russell-poverty-impacts-child-development.html>

¹⁴ Grace C. Macaulay, Jean Simpson, Winsome Parnell & Mavis Duncanson (2022): [Food insecurity as experienced by New Zealand women and their children](#), Journal of the Royal Society of New Zealand, DOI: 10.1080/03036758.2022.2088574

¹⁵ [Shining the Light on Food Insecurity in Aotearoa](#), Auckland City Mission, 2019

¹⁶ Caitlin Neuwelt-Kearns, Alice Nicholls, Kelsey L. Deane, Helen Robinson, Desiree Lowe, Ra Pope, Tracy Goddard, Micaela van der Schaaf & Allen Bartley (2022) [The realities and aspirations of people experiencing food insecurity in Tāmaki Makaurau](#), Kōtuitui: New Zealand Journal of Social Sciences Online, 17:2, 135-152,



Rebecca's story*

"I keep myself going by reminding myself that there is always someone worse off than me, but with prices going up all the time, it's a continual struggle and sometimes I find it hard to see that there is a way out."

R lives with her three children in a Visionwest house. Her youngest is yet to start school and her oldest is at high school. When the cost of living rose to a point where R was finding it difficult to survive on her WINZ payments, she asked her Visionwest support navigator to refer her to Money Mentors, the Visionwest budgeting service.

"I had a job working night shift as a truck driver," says R, "but had to give it up because, with children at home, I was unable to sleep during the day and, besides, there were often times when I couldn't find anyone to look after them while I was at work."

R doesn't like being a beneficiary and looks forward to returning to work fulltime. In the meantime, she's found a part-time job as a domestic cleaner, but COVID has, "put a spanner in the works."

"If any one of my children has a cough or a runny nose, they're not allowed at school. That happens quite often and, on those days, I have to phone my employer to say I won't be in. My employer is really good about it, but I still don't get paid on those days and that adds to my money troubles."

The rise in the cost of living has hit R and her family hard, especially the costs of food and petrol. She often has to choose between these two commodities and sometimes has no money for either.

"If I have no petrol, I can't take the kids to school, so they have to stay home. Sometimes I have no food for them to take to school. When that happens, they stay at home too because it's embarrassing for them when others see they have no lunch. I want my children to do well at school, but I can't stand to see them get upset because we have no money."

While the two younger children don't seem to notice, R's oldest child can see the family's financial struggle and worries about the stress it puts on his mother. He finds it shaming to be constantly eating food from foodbanks despite many others in his school facing the same experience.

R visits the Visionwest Pātaka Kai about once a fortnight. "I only go when I really need to. Like if I have an unexpected bill. Just the other week I ran out of money because of having to pay for school fees and school uniforms. The uniform for my eldest was about \$300. I got WINZ money for that but now I have another debt that I need to pay back. And, in a year or two, he'll have outgrown it and I'll need to buy a new one.

"The rising cost of food and petrol really affects us. When I go shopping, I always keep a running total in my head so that I don't overspend. Once I reach my limit, I keep shopping but every time I put something we really need in the trolley, I have to take something else out. I find that stressful because everything I get is something we really need so I have to choose between important items.

"I also notice that Countdown doesn't have the specials like they used to. There are no '3 Packs for \$20' meat specials like they once had. Everything is very expensive, so we just go without."

Like many in her situation, R has a number of debts she is paying off. Her Visionwest financial adviser has negotiated with the creditors to enable R to pay the bare minimum each month. While this helps with her weekly finances, R is fully aware that it is also extending the time it will take her to become debt-free. She is, however, determined to one day pay off her debt and be financially self-reliant.

"One day I will be in a position where I can work more. That will make a huge difference. In the meantime, it's a real struggle and I sometimes think that struggle will last forever."

**Name has been changed to maintain privacy.*

Forgiving debt to Government

There is a significant difference in how Inland Revenue and MSD manage debt. The Welfare Expert Advisory Group's 2018 paper *Understanding Benefit Debt* notes that MSD's approach differs to "Inland Revenue where there is ability to forgive debt where there would be an inefficient use of Inland Revenue resources to pursue it or would place the taxpayer in a state of serious hardship."¹⁸ Kore Hiakai notes that IR debt up to \$5,000 can be forgiven by call centre staff who are authorised to do so. The Social Wellbeing Agency's research into Debt to Government notes the gender difference in government debt, observing that debt to IR is more often held by Pākehā males, with higher material wellbeing this IR debt is a lower percentage of annual income, with repayments made infrequently.¹⁹ We know that sole parents in New Zealand are more likely to be female and Māori, and this inequity of debt consideration results in this group being subject to increasing debt and the impact of that debt. Kore Hiakai note that this inequity in managing debt to government manifests in systemic gender and racial bias.

It would require a change in government policy to forgive the \$1 billion in MSD overpayment debt. However, when looking at the cost of perpetuating and servicing this debt there may be benefits of such action.

- What is the ongoing cost to government of administering this debt?
- When a portion of this debt on beneficiaries is due to delays in processing information provided or other system inefficiencies, or due to incorrect assessments by MSD staff, ethically where should the burden of debt actually lie?
- What are the systemic downstream health, education, and justice costs incurred due to the weight of this debt on low-income families? Surely they outweigh the ongoing cost of administering and attempting to recover this debt?

Positive impact of forgiving overpayment debt

If such action to forgive debt took place, we might imagine the impact on families' wellbeing:

For a young parent raising children alone, the average weekly amount of \$17.87 could be:

- A day's food costs for their children, enabling healthier food choices and better health outcomes
- Power to run a dehumidifier and heater in a child's room through winter, improving household air quality
- The cost of taking a child to the doctor & paying for the prescription
- A contribution to the cost of transport to and from work or school
- Saving over a year for school fees, uniforms or school camp
- Saving for petrol to visit whānau in the weekend

Our recommendation is that MSD act on forgiving the whole, or at least part of MSD overpayment debt where there is no fault to those citizens carrying this debt.

He kai kei aku ringaringa ~ There is food at the end of my hands.

This whakatauki speaks of food security and food sovereignty. It speaks of access – to knowledge and resources. It speaks of self-determination through resilience, empowerment and hope. Removing the burden of debt to MSD is one lever we have that would contribute to breaking the cycle of debt, poverty and ill health, therefore offering whānau the hope, resilience and empowerment that this whakatauki speaks of, and putting affordable, healthy kai and wellbeing within everyday reach. This is the Aotearoa Kore Hiakai longs for – one where we can ensure every person in Aotearoa has dignified access to enough good food.

¹⁸ [Understanding Benefit Debt](#) – Welfare Expert Advisory Group, 2018

¹⁹ Patterns Across Debt and Debtors to Government