



Forgiving government debt to create food security?



Implementing the new Debt To Government Framework: On 31 July 2023 Cabinet adopted a new Debt to Government Framework that states “If the overpayment is due to administrative error and received by an individual in good faith, including agency failure to act on information provided by the individual, writeoff should be the default response. There should be a robust process to identify when a debt is the result of administrative error, including the ability for an individual to instigate this process.”¹ Seeing urgent and rigorous implementation of this policy framework within MSD would bring relief to whānau and savings to us as a country in reducing the administrative and downstream costs of perpetuating this debt.

What is Overpayment Debt? Overpayment debt is incurred when individuals receive benefit payments which MSD claim they were not entitled to receive. These debts are created when MSD reviews entitlement due to changed circumstances, such as relationship status, income, place of residence or dependent children. Sometimes these reviews are retrospective, meaning debt is incurred unwittingly. Sometimes the debt is incurred because of slow and complicated processing on MSD’s end, despite individuals providing information in a timely manner. The Social Wellbeing Agency report [Patterns Across Debt and Debtors to Government](#), notes that 358,3000 New Zealanders owe \$1.02 billion of overpayment debt to MSD. This debt is repaid through involuntary benefit deductions.

When households who already struggle with inadequate income to meet basic needs then face involuntary repayments to MSD, their income drops further. MSD debt increases the likelihood of them incurring further debt, through payday loans and afterpay, to cover everyday expenses, including food – or they go hungry.

Who is impacted by this debt? It is well recognised that a significant number of beneficiaries are females parenting children alone, and that those women and children who bear the greatest burden of food insecurity in Aotearoa are more often Māori and Pasifika. Not only are this group more likely to be in debt to MSD² but are also likely to have larger debt³. 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.”⁴ While there have been adjustments to benefit levels in the last 12 months Kore Hiakai’s [Ka Mākona Income Adequacy](#) modelling indicates that benefits are still insufficient for very basic everyday costs even before any debt repayments are added to the household budget.⁵

Link between overpayment debt and ongoing need for food assistance: In March 2022, at the request of Ministry of Social Development, Kore Hiakai undertook research examining the [continued increased use of food assistance](#). 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. Some of that debt was acquired through no fault of their own but instead through overpayment of their benefit. As a result of the findings, Kore Hiakai have looked further into the [impact of debt to MSD on whānau seeking food assistance](#) and put this alongside the research of others, especially the [Social Wellbeing Agency](#), on those who hold MSD, IRD and Justice debt. In all this we found the average amount whānau repay to government for this overpayment debt is \$17.87 per week or approx. \$1000 per year.

Forgiving debt to Government: There is a significant difference in how Inland Revenue and MSD have managed debt. The Welfare Expert Advisory Group 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.”⁶

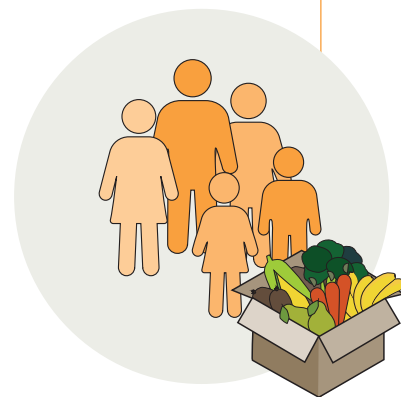
The Social Wellbeing Agency's research into Debt to Government notes the gender difference in government debt, observing that debt to IR is more often held by Pākehā males, with higher material wellbeing. This means this IR debt is a lower percentage of annual income, with repayments made infrequently.⁷ MSD debt, as noted above, falls predominantly on females, most often sole parents who are Māori and Pasifika. This demographic group ends up being subject to increasing debt and the impact of that debt. Kore Hiakai note that this inequity in managing debt to government demonstrates systemic gender and racial bias.

The burden of 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 these outweigh the ongoing cost of administering and attempting to recover this debt?

The impact of forgiving government debt on whānau 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 and paying for the prescription if prescription charges are reintroduced
- A contribution to the cost of transport to and from work or school
- Savings over a year to contribute to school fees, uniforms or school camps
- Contribution to whānau tangi
- Saving for petrol to visit whānau in the school holidays.



As Aotearoa New Zealand wrestle with many important issues in the lead up to the 2023 general election Kore Haikai would like to pose a few questions to potential parliamentary candidates:

1. **Knowing it is most often women and children who are burdened with overpayment debt that is largely generated through no fault of their own, how will your party monitor the implementation of the new Debt to Government Framework that suggests that writing off this debt should be the default?**
2. **What will your party do to swiftly address the existing burden of debt from overpayment, of just under \$1billion?**

We hope this paper and questions can be a resource during the pre-election period as you engage in conversations with candidates and community.

¹ See [Policy Framework for Debt to Government](#).

² See Social Wellbeing Agency's report [Understanding Debt and Debtors to Government](#)

³ Research provided to DPMC in August 2021 by Christians Against Poverty (CAP) shows that the level of MSD debt allocated to women is 3.2 times the amount for men.

⁴ See SWA [Understanding Debt and Debtors to Government](#)

⁵ See [Ka Makona: Income Adequacy in Aotearoa](#)

⁶ [Understanding Benefit Debt](#) – Welfare Expert Advisory Group, 2018

⁷ See SWA [Patterns Across Debt and Debtors to Government](#)