

Relieving food insecurity in Aotearoa: Government over payment debt

Food Insecurity in Aotearoa: 15-20% of people in Aotearoa New Zealand are experiencing ongoing food-related poverty.

Addressing the root causes of food insecurity will result in long-term cost benefit to NZ's overall prosperity, health and productivity. Failure to address it will result in increased public expenditure long-term.

Just under one million people regularly cannot access enough food to feed their whānau or themselves in a way that enables them to carry out their daily activities. Māori and Pasifika women parenting alone and those with some level of disability within their household experience this the most, and their children are most at risk of adverse long-term health and educational impacts.

Why address Government overpayment debt:

- Around \$1 Billion of 'no-fault' overpayment debt is owed to government through the Ministry of Social Development, by those who have received benefits
- This is mostly carried by women parenting alone
- This increases childhood disadvantage in these households
- There is a high cost of servicing this debt to government and the wider community
- The pursuing of this debt, which often begins as small amounts that escalate, is out of line with the treatment of similar debt owed to Inland Revenue.

The Ask:

1. We encourage this government to affirm, and continue to implement, the changes recommended by the Inland Revenue 'Framework for Debt to Government', approved by Cabinet in 2023, that asked for a change of practice so that no additional debt is incurred.
2. We ask for a wiping of the historical 'no fault' debt.

This debt has been generated by the system, not by the individuals.

Background:

In 2020 Social Wellbeing Agency (SWA) identified over \$1 Billion of 'no fault' over payment debt to MSD, with similar figures owed for recoverable assistance debt.¹ The SWA research shows:

- In 2020, around 350,000 people owed that debt, a similar figure to the total number of people receiving benefits
- Over 70% of this debt impacts households with children.

MSD data indicates that women face repayments of on average \$17 a week, while for men it is \$13 a week. The average repayment rate for Māori is \$18 a week, compared to \$16 a week overall. In the top 10 per cent of people with MSD debt, women pay back \$28 a week and men \$22. For Māori, it is \$28 a week and for Pākehā \$25. SWA research indicates that 75% of those with debt to MSD have debts that persist for over three years.

Kore Hiakai note that the \$17/wk average equates to whānau affording a day of food, running a dehumidifier for a healthier home, paying some weekly transport costs, the cost of getting to and from the doctor and pharmacy or could be saved for school camp or uniform. The repayment sums might also be compared to winter energy payment rates of \$20.46 for a single person and \$32 for a family.

¹ <https://swa.govt.nz/publications/Patterns-across-debt-and-debtors-to-government>

What is overpayment debt?

Overpayment debt is created when a whānau is paid more than they are entitled to. Fincap's Voices² report explains. Financial mentors report that this can often happen even when whānau are trying incredibly hard to avoid it. However, due to the complex requirements and processes around applying for income support, Fincap notes that debts still regularly occur.

Overpayment can, on occasion, be caused by an error on the part of the government department or agency. These debts are particularly unfair, and although Fincap notes that in certain circumstances they are not legally recoverable, whānau regularly end up repaying the debt anyway. This is because there are not clear processes with government departments or agencies for proactively resolving these debts.

Fincap worked closely with the Debt to Government Inquiry team and urged MSD to address the issues within their systems that perpetuate and compound overpayment debts for clients. Debt issues for whānau are compounded by both the inadequacy of the IT systems used, and the discretion of staff which results in arbitrarily allowing/disallowing support. Repayment disparities between gender and race appear to be based on local MSD practice and MSD agents' practice and discretion.³

Ongoing cost of servicing this debt:

In 2020 Social Wellbeing Agency (SWA) identified over \$1 Billion of 'no fault' over payment debt to MSD. New overpayment debt of \$340 million was incurred in the year to June 2022. In the Budget 2023 Government budgeted \$61,118,000 to service overpayment debt. This \$61 million is intended to fund efforts to minimise errors, fraud and abuse, and to manage overpayment debt collection. The cost of servicing this debt is disproportionate to the debt itself.

In the 22/23 year [Inland Revenue](#) wrote off \$754.4 million of tax debt owed – twice the level of debt accrued in the same year through overpayments of benefits.

Mis-spend of government money and persistent systematic injustice.

Lisa Marriot's research has shown the discrepancies between IR debt and MSD debt. There are disproportionate funds invested in pursuing MSD debt and benefit fraud, over IR tax debt, which is forgiven readily. Less is invested in investigation of tax evasion and fraud, despite tax debt being a higher annual financial cost to New Zealand than overpayment debt.⁴

Kore Hiakai note that this discrepancy has a race and gender bias as MSD debt is typically held by Māori and Pasifika women. By contrast, Social Wellbeing Agency research indicates that IR tax debt is more often held by Pākehā men. Tax debtors can apply for financial relief from IR. Welfare debtors cannot seek this assistance from MSD. Their debts are rarely written off, and repayments are deducted from their weekly benefit.

Whilst the decision of Cabinet in 2023 has asked for this bias not to continue into the future, it is time to address the historical aspect of this as well. We encourage you to consider wiping MSD overpayment debt. This would be in line with the practices of Inland Revenue, reduces the immediate cost to government of this debt as well as the long-term costs of this debt through the perpetuation of poverty and its long-term detrimental impacts on children.

Summary

Therefore, Kore Hiakai Zero Hunger Collective ask Minister Upston to consider directing the ministries she is in leadership of, to:

1. Investigate the long-term costs and impacts of continuing to seek MSD overpayment debt recovery.
2. Begin the process of forgiving historical "no fault" overpayment debt to MSD.
3. Monitor the practices of MSD around no fault overpayment penalties so that no future debt is incurred.

Kore Hiakai Zero Hunger Collective, March 2024.

² [Fincap "Voices" report](#), released November 2023

³ New Zealand Herald [Cost of living: Debt to Ministry of Social Development balloons to \\$2.4 billion, Working for Families debt rises 25 per cent in a year](#)

⁴ Lisa Marriot, ["The Criminalisation of Poverty in NZ"](#) Benefit Fraud vs Tax Evasion 2015/2016
Note benefit fraud is a small percentage of MSD debt to government.

	Benefit Fraud	Tax Evasion
Total debt to Govt	\$24.1 million	\$1.2 billion
Number investigated	6,000 welfare beneficiaries	1,000 taxpayers
Number prosecuted	500-900 per year	60-100 per year
Average Sowed	\$76,550	\$230,000
% sentenced to prison	67%	18%
Repayments	Court reparation not sought; MSD recover via benefit deduction	Two cases repaid, one in full, one \$5,000
Budget for investigation /collection	\$48 million MSD funding on investigation & collection of repayment in 2016-2017	\$35.8 million total budget for Serious Fraud Office & Financial Markets Authority
Debt forgiven	\$13 million	\$1.1 billion