June 2025

Submission: Working for Families

Good Shepherd New Zealand

About Good Shepherd New Zealand

Good Shepherd New Zealand (GSNZ) is a charitable non-governmental organisation focused on two of the biggest issues facing women and girls in New Zealand — poverty and family violence — and challenges that stem from these. We want women, girls and their families to be safe, strong, well and connected.

We make a positive impact for women and families faced with two specific challenges:

- High-cost unmanageable debt
- Economic abuse and harm from family violence.

GSNZ provides alternative lending options at a low cost — no-interest loans up to $15k for essential items, services and debt consolidation. We also negotiate with lenders to reduce high-cost debt on behalf of clients, e.g. to reduce a $20k high-cost loan to $10k which the client can immediately repay through our no-interest loan.

Through our specialist family violence economic harm service we work with and for people who have experienced abuse to remove unjust debt (debt they were forced to take on or that was taken out without their knowledge) and to reduce unreasonable and/or unmanageable debt. We also help people access government entitlements, grant opportunities, and improved access to essential services through things like reduced and capped energy costs.

Our services help to reduce harm while providing people with new opportunities. Our efforts to drive and support system change help stop harm before it happens and reduce the impact of harm when it has occurred.

General Comments

We are supportive of policy changes to the Working for Families regime that help families avoid overpayment debt, if done in a way that minimises the everyday financial impact on families. The fact that only 24% of families received their correct Working for Families entitlement during the 2022 tax year shows a serious failure in the way this scheme is designed and administered. Overpayment debt is often created through no fault or malicious intent and families shouldn't be thrown into debt because a working parent accepts a promotion. Currently, the system is complicated and confusing. Multiple payment types and different responsible agencies make it hard for people to navigate, especially in times of stress and family changes (such as a new baby or relationship breakdown). The scheme needs to be responsive to changes in circumstance and income, and not administratively burdensome for families to self-report these changes.

We recognise that in the current economic environment the Government is seeking to ensure financial sustainability of all its programs, which includes avoiding debt that makes schemes more expensive to run. Debt is also bad for families, as noted above. However, we believe it is short-sighted to focus a review on overpayment without giving equal importance to the issue of underpayment. Given New Zealand faces an acknowledged cost-of-living crisis, and is consistently failing to meet child poverty targets, more families than ever are depending on government assistance to feed and clothe their children. Low-income families run to extremely tight weekly budgets and underpayment of Working for Families due to measures designed to avoid debt can plunge them deeper into hardship. Yes, there are hard trade-offs to consider in developing changes to the Working for Families scheme but we note that many of the options laid out in the discussion document are intended to avoid debt while increasing the risk of periods of underpayment.

Impact of debt to government

In New Zealand, around three quarters of a million people (762,460) owe debt to the government, with a combined total debt in excess of $4.68 billion. Research by the Social Wellbeing Agency (now Social Investment Agency) showed that women are significantly overrepresented among people with Working for Families overpayment debt (80%) to IR. Given women are more likely to engage in casual and part time work, which can be difficult to calculate hours exactly, it's unsurprising that women are being caught out by income limits/hours worked requirements for Working for Families. Working for Families debt, and the associated penalties and interest for late payment, contribute to persistent indebtedness and reduce a person's weekly income.

We see many clients who have persistent debt to government, particularly in our Family Violence Economic Harm service. This occurs to multiple agencies over the course of their lives and often co-exists with debt to banks and other lenders – an average of 3.6 debts per person (note: this is all debt, not just government debt).

The data below is from our Family Violence Economic Harm service and represents a snapshot of the total amount of debt clients held to government. This data is for the 2024/2025 FY and shows the debts for 237 clients, who had 340 dependents.

Creditor Type	Government
Row Labels	**Sum of Debt Owing**
IRD	**$ 105,446.86**
MOJ	**$ 86,374.00**
MSD	**$ 1,411,679.77**
Grand Total	**$ 1,638,074.32**

The scale of debts to government are astounding, especially when considering these are typically held alongside other debts to banks, utilities providers, and other lenders. The debts listed above do capture other kinds of debts but hopefully serves to illustrate the very high levels of debt people are struggling with.

While we do not have detailed data on what a client's debt was for, there is some anecdotal information and assumptions we can extrapolate from. We know from client stories that the MSD debts often cover other things like recoverable assistance grants from clients needing funds to escape violent relationships, but could include some WFF debt. Our FVEH clients are primarily low-income women with dependent children, and so the IRD debt is more likely to cover WFF debt than student loan or income debt. MOJ debt is likely legal aid repayment. For some of our clients, they will not be able to repay their debts within their lifetime. One client, with over $97,000 debt to government, would need to spend the next 200 years paying off her debt[1] on her current repayment plan. Understandably, those in this position report feelings of helplessness and stress at the burden of this debt.

There is a lot of research on the impacts of financial stress on wellbeing. People struggling with economic hardship face everyday challenges such as ensuing their families have enough to eat, their homes are warm and dry, and access to education and employment. Those with debts have the added stressors of potential repossession and debt collection. Studies have found a correlation between financial stress, debt, and depression, which is more pronounced in lower socioeconomic groups. At its most extreme, financial stress from debt can also be associated with self-harm and suicide, when intersecting with mental health issues and where the person feels debt is unmanageable.

Another impact is that people experiencing financial hardship and indebtedness often take on additional high-cost lending as a last resort to purchase the goods and services they need. Women on low incomes may take on high-cost debt to pay for essential expenses or go without the necessities of life for themselves and their whānau.

Connection to debt to government framework

Any review of the Working for Families scheme that focuses on debt should also include consideration of how debt is dealt with once it occurs, preferably using the existing Debt to Government Framework. Avoiding debt in the first place is, obviously, essential to reduce indebtedness. However, there is a large population

[1] Read the full story here: https://goodshepherd.org.nz/client-stories/hannah-escapes-eviction/

of people who already hold debt and, no matter how successful reforms that follow this review may be, there will likely always be some level of debt occurring in the Working for Families regime. This review should also include analysis on how to ensure debt is dealt with appropriately when it occurs, to ensure families are not left in financial hardship because of a flawed system. For example, we believe that debt to government should be written off for victim-survivors of family violence so they're best placed to rebuild their lives, achieve better financial inclusion, and support employment opportunities.

It is unclear from the discussion document how the 2023 Debt to Government framework has been considered in developing these policy proposals. The framework was developed to help agencies design, implement and evaluate policy and operational processes which relate to the creation, collection or write-off of debt. An investigation of the implementation of the Debt to Government framework seems to indicate many gaps in framework alignment still exist, and processes of debt creation and management appear to function quite differently across agencies. Very little appears to have been done on integrating family harm recognition into hardship assessments, which was a recommendation within the framework.

Given the objective of this review is "to increase certainty for families about their Working for Families payments and help families avoid getting into Working for Families debt", it is surprising to see no discussion of the framework, particularly paragraphs 3.6-3.8 which deal specifically with overpayments of government supports. A key principle of the framework is "the creation of a debt in the first instance, as well as the terms of its repayment should not place people into hardship or exacerbate existing hardship" – this should also be a core tenet of this review.

Impacts of economic abuse

Economic abuse is a form of family violence that uses coercive, controlling, and threatening behaviour to restrict or remove a person's financial freedom, autonomy, and security. It is experienced in close personal relationships, particularly intimate partner relationships, and often occurs alongside other family violence behaviours.

There are numerous factors experienced by victim-survivors of economic abuse which can contribute to Working for Families debt. Some relate the declaration and reporting of income, and some relate to the broader challenges faced by victim-survivors which need to be better understood by government agencies to ensure clients can access entitlements and do not become further indebted.

Many victim-survivors find it difficult to regain and retain full-time employment. Full-time employment halves, part-time employment doubles, and being on a benefit triples after leaving an abusive relationship[2]. They may fall in and out of work, and come on and off benefits numerous times as they navigate an uncertain and challenging situation. Their family circumstances may also change a lot over the course of a year. Relationship breakdowns can happen over a long period of time, or women may leave and then end up going back to the abusive partner. These factors put victim-survivors in a particularly difficult situation when it comes to estimating annual income for Working for Families and leaves them especially vulnerable to overpayment debt. They may also be struggling with the mental load of leaving – escaping violence, finding somewhere safe to live, managing finances – and reporting their life changes to IRD is the last thing on their mind when they're trying to keep their children safe.

Those who are still in abusive relationships may also have their emails, phone calls and messages monitored by their partner. Communications about their WFF debts from IRD/MSD may be intercepted or not received if their phone is stolen/broken by their abuser. Their debts then go unpaid, racking up penalties and interest.

It's also not uncommon for an abuser to manipulate and lie to government agencies about child custody and income. Victim-survivors of economic abuse may have income and assets in their name, but access to these is taken by their partner via force or coercive control and money is spent by the abuser on their own wants. This can impact abatement thresholds if a victim-survivor is seen to have a certain income level and their Working for Families is adjusted accordingly – yet she has no access to this wage. Abusers may also steal their government benefits directly:

[2] https://womensrefuge.org.nz/wp-content/uploads/2020/01/economic-abuse-report-.pdf

"I was getting Working for Families for my kids – he was at the meeting with IRD and swore in front of them and said 'You better put the fuckin' money in my account.' He made me put the money in his account"

- Family Violence Economic Harm service client

This also creates variable income for the victim-survivor, particularly when child support payments are sporadic or unpaid by the liable parent. This not only impacts their entitlements and their ability to meet day-to-day needs, but can result in abatements and overpayment debts as it's hard to estimate income for the year.

"So last year he didn't pay any child support, but this year they calculated that he was meant to pay, so he's in debt. So, he had to do a small lump sum payment, but then it affected my benefits. So, because we have some payment, they cut it off because they assume that now he's gonna pay. But then he doesn't pay again."

- Family Violence Economic Harm service client

Specific comments on policy proposals relevant to our work

Shorter period of assessment

While we support changes that reduce the risk of overpayment debt for people in need, we are concerned that the shorter periods suggested result in more chance of underpayments, and potentially people receiving less support overall. As evidenced by the large number of people accessing weekly/fortnight payments rather than the yearly lump sum, people need money coming in to get by on a day to day basis. This is especially the case for those in financial hardship, where $10-$20 a week makes a big difference to a family budget.

If shorter periods also include using past incomes and/or lagged income or circumstances then there are risks that families in immediate hardship will not have their entitlements increase at a time when it's most needed (e.g. when a relationship breaks down or a job is lost). This has real impacts on families, including going without, defaulting on rent/other expenses, or pushing them towards high-cost debt as a last resort. While debt to government should absolutely be avoided, it should not be at the expense of families' short term financial wellbeing.

We refer to the FACE submission for a full breakdown on the potential for low-income families to end up with less annual entitlements if there's a shift to shorter assessment periods.

Shorter periods of entitlement also require more compliance activity for families. Given the issues noted in the discussion document around long phone wait times and difficulty self-reporting, it seems likely that shorter periods would not necessarily solve this problem. Families in hardship are often just trying to focus on getting by a day at a time, and having to constantly engage with multiple government agencies across multiple different entitlements is too much to handle.

Other changes

We are supportive of some other small changes mentioned, including:

- Grace periods for changes in circumstances to help families have some breathing room during
- Various smaller administrative improvements, including ways to make the shift between the Ministry of Social Development and Inland Revenue (and vice versa) easier for recipients

We suggest some other small administrative/operational changes that could help improve compliance and prevent debt. This includes:

- Better education efforts to ensure people understand and are supported to navigate a confusing system
- Make it easier for intermediaries to support their clients. For example, our Family Violence Economic Harm service staff work with some government agencies to support clients and reduce debt. Currently we are unable to help reduce most government debt our clients present with. Debt collection agencies reduce more debt in cases of economic abuse than government agencies do.
- More consistent practices within IRD. Anecdotal evidence suggests that frontline staff deliver inconsistent support and advice to people calling IRD,

better training would ensure that callers receive correct and helpful information when they need it.

- Training on family violence and economic abuse, so staff can recognise the signs of abuse and know the appropriate support measures or referrals to help.