

# Te Atatū – Insights Brief

November 2022

## Children and debt to government

### Summary of findings

While debt to government is recorded against an individual, it can affect every member of the household. This is especially true for dependent children.

This Insights Brief draws on evidence from our examination of debt owed to three major government agencies to examine the impact of debt on children:

- 62% of the 713,000 people who owe debt to government are parents or share an address with a child.
- Debt to the Ministry of Social Development (MSD) is the most common debt type to be owed by people with children.
- More than 60% of MSD and fines debt is owed by parents or people who share an address with children.
- Debtors with children are more than twice as likely to owe debt to more than one agency (compared to debtors without children).
- Parents with debt to MSD are 25% more likely to have debt that has persisted for at least five years compared to debtors without children.



# More than half of those who owe debt to government are parents

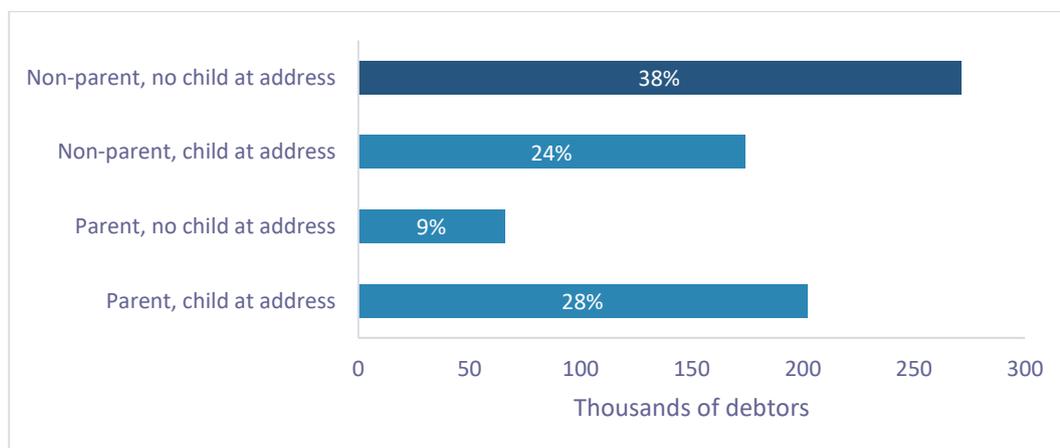
Many different people owe debt to government. While debt is recorded against an individual, it often impacts more people than just the debtor. In many cases, debt can affect every member of the household. This is especially true for dependent children.

The Social Wellbeing Agency has investigated several different aspects of debt owed to Ministry of Social Development (MSD), Ministry of Justice (MoJ), and Inland Revenue (IR) using administrative data in the Integrated Data Infrastructure (IDI). This document summarises key findings with regard to dependent children and their parents and caregivers.<sup>1</sup>

In 2020, 713,000 New Zealand residents owed a total of \$4.4 billion of debt to government. Figure 1 gives the number of debtors by whether or not they are the biological parent of a child and by whether or not they shared an address with a child. It shows that 62% of debtors are parents or share an address with a child.

62% of debtors are parents or share an address with a child

**Figure 1: Number of debtors by the presence of children**



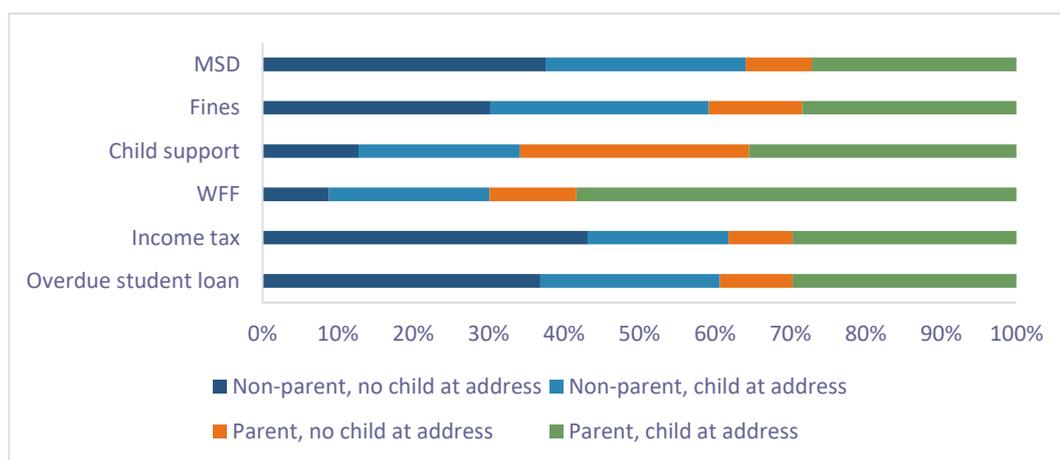
We report on both biological parents and whether a debtor shares an address with a child throughout this paper. Biological parenthood is captured with high accuracy in administrative data but may not reflect involvement in a child's life. Shared address provides a stronger indicator of involvement in a child's life but as an estimated measure has lower accuracy.

<sup>1</sup> A description of all the debt types considered are found in Table 1 at the end of this document.

## Children are particularly affected by MSD and fines debt

Different types of debt arise for different purposes and hence will differ in their impact on children. Figure 2 shows how each type of debt is distributed by the presence of children.

**Figure 2: The presence of children for each debt type**



More than half of people who owe fines or debt to MSD share an address with a child. This rises to more than 60% when all parents are included, even those who do not share an address with a child.

While MSD and fines debt are the most common types of debt owed by parents and caregivers, these debts are followed by income tax, child support, and working for families (WFF). Overdue student loans is the least common type of debt to government we consider.

## Coordination between agencies matters for children

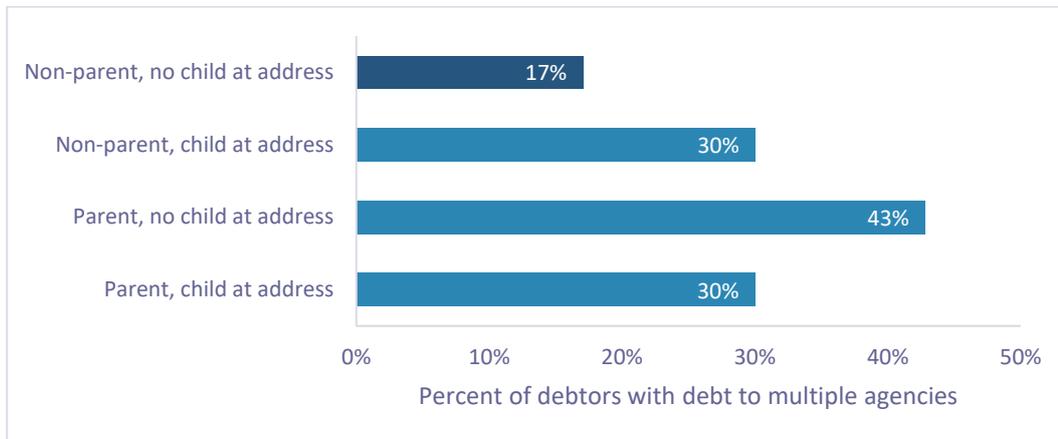
Our previous research has shown that owing debt to more than one agency is associated with larger debt balances and more persistent debt. Figure 3 gives the percent of people who owe debt to more than one agency by the presence of children.

People who share an address with a child are almost twice as likely to owe debt to multiple agencies compared to people who are neither parents nor share an address with children. This means that uncoordinated debt management by agencies is

People who share an address with a child are twice as likely to owe debt to multiple agencies

likely to contribute to additional hardship for children and their caregivers.

**Figure 3: Prevalence of debt to multiple agencies**



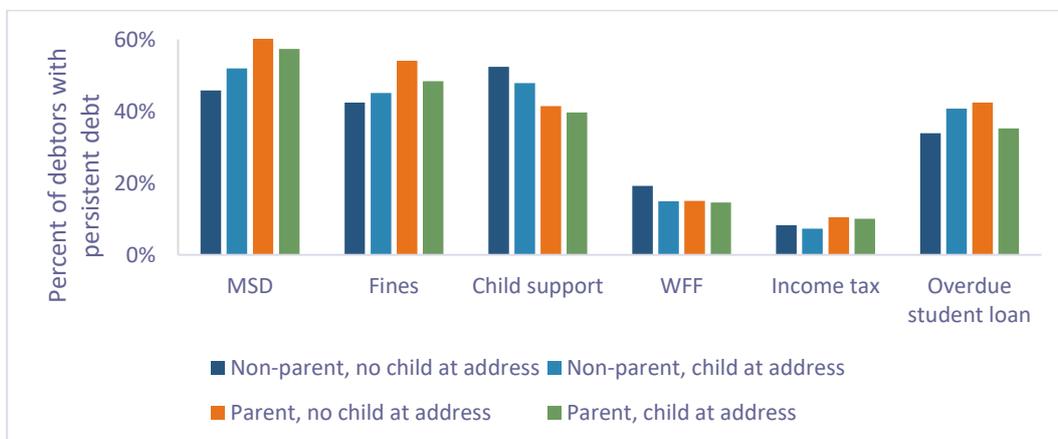
Parents who do not share an address with a child are even more likely to owe debt to more than one agency. We know from Figure 1 that this is a small group. It seems likely that this pattern is due to parents who owe child support to IR and benefit debt to MSD.

## Children are affected by debt persistence

Persistent debt is a concern for children as it can imply lower household financial resources and ongoing stress for parents and caregivers. Figure 4 gives the percent of debtors whose debt has persisted for at least five years by debt type and the presence of children.

Parents and caregivers are more likely to have persistent MSD, fine, and overdue student loan debt

**Figure 4: Percent of debtors with debt persisting 5+ years**



Close to 60% of parents with debt to MSD have debt that has persisted for at least five years. This is 25% higher than the occurrence of persistent debt for debtors who are neither parents nor caregivers. In addition to debt to MSD, parents and caregivers are also more likely to have persistent fine and overdue student loan debt.

It may seem counter intuitive that non-parents are more likely to have persistent child support or WFF debt. These debts are likely to have been created while the child was a dependent (for example age 17 years old) and now that the child is no longer a dependent the debtor may feel the debt is unimportant and be resistant to paying it.

## The age of children does not affect whether debt is owed

Caring for children can require parents and caregivers to take time away from paid employment. This may be a greater concern when children are younger and are more dependent.

Age of children does not affect whether people owe debt to government

**Figure 5: Age distribution of youngest child**

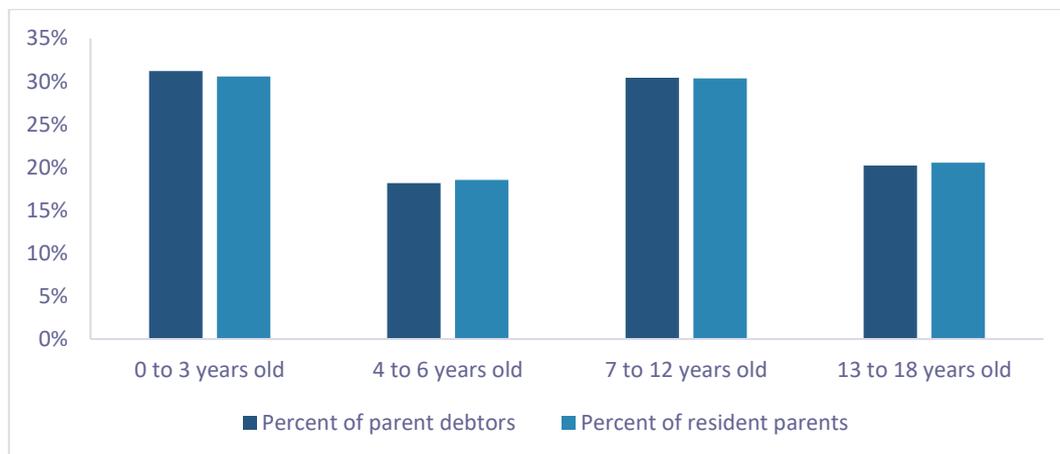


Figure 5 gives the distribution of the age of the youngest dependent child for parents who owe debt to government and for all parents who are resident in New Zealand. As both distributions are very similar, it suggests that the age of children does not affect whether people owe debt to government.

Note that comparisons between distributions is most important for interpretation – the heights of the bars reflect differences in the age-range considered and the focus on the younger child. We also investigated patterns in repayments and draw similar conclusions.

# Description of debt types

**Table 1: Overview and explanation of public debt types**

Debt type	Description
Debt to MSD	Includes both overpayment debt – when people receive payments from MSD they were not entitled to, or more of a payment than they were entitled to – and recoverable assistance debt – when people receive one-off recoverable grants to cover immediate, essential, or emergency expenses.
Fine debt to MoJ	Includes both infringement and court fines. Infringement fines come from issuing authorities such as local councils and the Police. They become fines if they are not paid on time. Court fines arise when a judge or Justice of the Peace assigns them after a person has been found guilty of an offence.
Liable parent child support debt to IR	Occurs when a parent or carer applies to IR to collect child support payments from a child’s parent(s) and these payments are not made in full or on time.
Working for Families debt to IR	Occurs when people receive more WFF tax credits during the year than an end-of-year calculation shows they were entitled to.
Income tax debt to IR	Occurs when people do not meet their obligations to pay income tax by the due date in the corresponding tax year.
Overdue student loan debt to IR	Occurs when people do not meet their contracted obligation payments towards their student loan. This is determined by their income, when New Zealand based, or their student loan balance, when overseas based.

## Acknowledgements

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## Related reading

Social Wellbeing Agency 2022. *Patterns across debt and debtors to government: Connections between debt to IR, MSD, and MoJ*. Wellington, New Zealand.

Social Wellbeing Agency 2022. *Public and private debt. Links between debt types for all New Zealanders*. Wellington, New Zealand. Available at [www.swa.govt.nz](http://www.swa.govt.nz).

# Integrated Data Infrastructure (IDI) disclaimer

These results are not official statistics. They have been created for research purposes from the Integrated Data Infrastructure (IDI) which is carefully managed by Stats NZ. For more information about the IDI please visit <https://www.stats.govt.nz/integrated-data/>.

The results are based in part on tax data supplied by Inland Revenue to Stats NZ under the Tax Administration Act 1994 for statistical purposes. Any discussion of data limitations or weaknesses is in the context of using the IDI for statistical purposes, and is not related to the data's ability to support Inland Revenue's core operational requirements.

## Te Atatū – Insights

*Ka pō, ka ao, ka awatea* is a well-known tauparapara (traditional incantation) within te ao Māori, which refers to the separation of Ranginui (the sky-father) and Papatūānuku (the earth mother) which brought light into this world. It talks about 'coming from darkness to light' or 'transiting from a place of not knowing to knowledge'. Te Atatū indicates the morning light and acknowledges this series of events, and the importance of light representing knowledge in te ao Māori.