

CHiLD POVERTY ACTION GROUP

Child Poverty Action Group

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To

Supporting Children Project

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Interim Comments on Supporting Children Project

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Child Poverty Action Group thanks the committee on Child Support for the opportunity to submit on the issues raised in the discussion paper 'Supporting Children'.

Child Poverty Action Group (CPAG) comprises a group of academics and workers in the field dedicated to achieving better policies for children. The aims of our organisation are:

- The development and promotion of better policies for children and young people.

- Sharing information and connecting with other groups with similar concerns.
- Elimination of child poverty in Aotearoa New Zealand.

Introduction

CPAG welcomes a Government review of the Child Support legislation. This is an important once in a 20 year opportunity to improve the lives of parents and their children.

We are concerned however that the issues are not fully canvassed in the discussion document and that the online questionnaire is overly simplistic. We believe reform of Child Support is long overdue and much more consultation is necessary before decisions on the legislative changes are taken.

We endorse the thoughtful research of Associate Professor Nicola Gavey , Dr Vivienne Elizabeth and Associate Professor Julia Tolmie and of the Auckland Women' Centre and urge the government to listen more to the voices of women in this discussion.

The Ministry of Social Development's 2009 figures show that the hardship rate for sole parent families is around 4 times that for those in two parent families (39% and 11% respectively). Over 50% of sole parents and their children who are supported by a benefit live in conditions described as 'serious hardship' (Perry 2009 Table E2.8). Inappropriate Child Support policy is part of a wider picture that keeps one in five New Zealand children below the poverty line.

It is also clear that the current Child Support arrangements can often be destructive to family harmony, while failing to ensure that the custodial parent and their children are supported sufficiently to prevent hardship.

There are lessons to be learned from the experience of Australia and the UK who have both reformed their child support arrangements toward a child-centred approach and focus. It is important that these reforms that enable the parent on a benefit who is the primary caregiver and the child to benefit from Child Support payments directly are not ruled out. CPAG have produced a backgrounder on the history of child support and the reforms in Australia in particular (Casswell-Laird 2010).

In summary we submit:

- Child Support reform must have the child's well-being at the centre, not the financial needs of the Crown, nor of just the non-custodial parent.
- Child Support reform must act to ameliorate child poverty for children in families supported by a benefit or low income.
- Child Support reform must aim to simplify agreements between parents, and arrangements with IRD and WINZ rather than complicate them and cause stress and anxiety

- Child Support reform must be conducted in a holistic environment that takes into account issues of the caregiver's opportunity costs, the way 'Working for Families' tax credits operate, government initiatives re defining family income for social assistance, the role of pre-school and school fees, access to suitable ECE, paid parental leave and the parental tax credit.

Child-centred Child Support

Child Support reform must put the child's well-being at the centre, not the financial needs of the Crown, nor of just the non-custodial parent. The comments here reflect CPAG's concern particularly for children who are supported by a sole parent on a benefit

CPAG suggests that the needs of very young children are very different in the time component required from the primary caregiver. Work of any substantial nature by the mother is often precluded. The needs of the child, including when sick and unable to attend preschool can make employment of sole parents of young children unattractive to employers. This is a particular issue for sole parents who do not have high income earning potential and/or young and sick children or older children with special needs.

Currently the 'costs of the child approach' takes no account of the opportunity costs of the mother's caregiving. In the early years these costs might be counted as the costs of providing full time day care as a lower level estimate. These costs are independent of the ongoing costs of the child- food, housing, healthcare, beds, cots, toys, high chairs, transport . A typical costs of good quality full time day care from Feb 2011 is \$300 for a child under 2 and \$300 for child over 3 (Natural steps Auckland).

Currently if she looks after the child herself she is donating at least \$300 of unpaid time. If this opportunity costs is counted as 40 hours of work at the minimum wage then the value is \$500. The DPB is higher than the unemployment benefit in recognition of the extra fixed costs of having two or more people to provide for but there is no recognition of the work opportunity costs she donates. The unemployment benefit level is the part of the payment that is for her alone – then the opportunity costs can be taken as at least \$500- 200 = \$300.

Child Poverty Objective

Child Support reform must act to ameliorate child poverty for children in families supported by a benefit or low income. CPAG supports the Families Commission (2009) who has suggested that the parent who is the primary caregiver on a benefit should always be better off when child support is paid rather than the family see no benefit at all up to the level of the DPB.

Child Support can be counted as income for the recipient for abatement purposes.

Simplification objective

Child Support reform must aim to simplify agreements between parents, and arrangements with IRD and WINZ rather than complicate them and cause stress and anxiety. The shared care rules should be aligned for Working for Families and for Child Support- and require a high level of consensual agreement of both parents see below.

The holistic environment

Child Support reform must be conducted in a holistic environment that takes into account issues of the caregiver's opportunity costs, the way 'Working for Families' tax credits operate, the other government initiatives re defining family income for social assistance and the role of pre-school and school fees

- The definition of income for child support should be the same as for other social assistance- see the government's discussion paper "social assistance integrity: defining family income"
- **The WFF tax credits** should recognise the ongoing weekly costs of the child(ren). Unfortunately shared care is defined differently for child support and for working for families. The way that it works for some sole parents is that they can be bearing the bulk of the financial costs and the opportunity costs and still have their working for families reduced significantly because of minimal child sharing by the other partner. The IRD needs to be consistent here as the current situation is both confusing and inequitable.

The part of WFF that she is denied because she does not work can be paid to him on a pro rate basis. For instance cases that we have heard of- she may look after the child for all the days in the working week and every second weekend, but he is able to stretch the hours to qualify for 122 days a year by including some over night stays. She has full responsibility for the child during the working week taking it to preschool, looking after when sick and for the times when the child is not at school. He has the entire working week free to work and every second weekend free. WFF are apportioned because the IRD deem this to be shared care and she has only 9/14 of her entitlement while he has 5/14. His Working for Families is \$94 if his income is below the threshold for abatement, while hers is reduced to \$55 because he can also access the IWTC. But the IWTC is for the child and ought to be paid to the caregiver. This therefore is a double anomaly and it is a situation that needs to be taken into account in the child support formula.

- **Other family assistance measure such as paid parental leave and the parental tax credit need also to be considered**

These issues are complex and a proper review of Child Support requires much more time and consultation with affected mothers. PAG urges the government not to do a piecemeal approach reflecting only the issues raised in the discussion document.

References

Casswell-Laird, O. (2010). Child Support: a summary and comparison of legislation and policy in New Zealand and Australia. Background. Child Poverty Action Group.

Perry, B. (2009). Non-income measures of material wellbeing and hardship: first results from the 2008 New Zealand Living Standards Survey, with international comparisons. Wellington, Ministry of Social Development.