

**SUBMISSION ON SUPPORTING
CHILDREN: A GOVERNMENT DISCUSSION DOCUMENT ON
UPDATING THE CHILD SUPPORT SCHEME**

OCTOBER 2010



New Zealand Council Of
Christian Social Services

1. Introduction

- 1.1 The New Zealand Council of Christian Social Services (NZCCSS) has six foundation members: the Anglican Care Network, Baptist Union of New Zealand, Catholic Social Services, Methodist Church of New Zealand, Presbyterian Support New Zealand Inc and the Salvation Army. NZCCSS works for a just and compassionate society in Aotearoa New Zealand. We see this as a continuation of the mission of Jesus Christ. In seeking to fulfil this mission, we are committed to giving priority to poor and vulnerable members of our society and to Te Tiriti O Waitangi.
- 1.2 Collectively, our six members are responsible for an estimated 500 social service delivery sites in their networks throughout New Zealand. Our members deliver a wide range of services that cover such areas as child and family services, services for older people, food-bank and emergency services, housing, budgeting, disability, addiction support, community development and employment services. Further details on NZCCSS can be found in Appendix 1.

2. General comments

- 2.1 NZCCSS is pleased the Government is recognising that the current child support arrangements could be improved. We note the Government's prime reasons for this cited in their fact sheet appear to be parents' concerns the current child support formula does not take into account their circumstances, because of
- Poor recognition of shared care and expenditure that is not recognised as 'shared care and expenditure' under the current formula;
 - Failure to take the incomes of both parents into account, e.g. the paying parent may not be the primary income earner;
 - Poor recognition of the expenditures involved in raising children in New Zealand.
- 2.2 Other reasons given include:
- Custodial parent concern about non-payment of child support payments by the paying parent, or the instability or level of such payments. Some may also consider that current payments are insufficient to meet expenditures incurred in caring for their children.

- Record levels of child support debt. Concern that penalties deemed actually discouraging payment (see Dunne, 2010a).

2.3 NZCCSS considers an important reason for changing the system, not listed in the fact sheet, is the wellbeing of the children and their relationships with their parents. This is despite the Government recognising that the scheme helps provide financial support for over 210,000 children (Dunne, 2010a, p.1), or 'around 20 percent of all dependent children under age 19' (Dunne, 2009). The sheer numbers involved is one important reason the wellbeing of children needs to be the central concern. The wellbeing of today's children has a significant impact on the future wellbeing of society.

2.4 One example of this is the impact of poverty. Poverty is known to be the principal source of stress, and stress is known to be the principal "noxious agent for emotional disorders" (see Albee, 2006). Future social and economic costs resulting from children being brought up in poverty can either be diminished or exacerbated by current policy decisions.

2.5 Poverty is a particular concern for sole parent families, and especially sole parent beneficiary families. "The hardship rate for sole parent families is around 4 times that for those in two parent families (39% and 11% respectively)" (Perry, 2009, p.65). 'Over 50% of sole parents and their children who are supported by a benefit live in hardship' (Perry, 2009, p.65 (MSD data)). Child support policy is an important vehicle for determining whether or not one in five New Zealand children continue to live below the poverty line (Casswell-Laird, 2010, p.2).

2.6 We are therefore pleased that, despite the reasons for change cited in the fact sheet, the Government does state in its summary document that "it is essential that the scheme operates ... in the best interests of the children involved" (Dunne, 2010b, p.1). This is a change from the current approach, which focuses on the responsibilities of non-custodial parents, rather than optimising child wellbeing.

3. Specific Issues

3.1 NZCCSS primarily seeks a way of supporting children and the relationships they have with their parents that is both just and compassionate. This is particularly important for the poorest members of our society. Current legislation (the Child Support Act 1991) tends to emphasise the financial responsibilities of the non-custodial parent and is silent on the welfare of the child. The welfare of the child(ren) involved needs to be paramount, followed by encouragement of the best possible relationship of both parents with the child(ren) involved.

3.2 The discussion document states that “[t]he desirability of parents reaching private agreements on their financial contributions and care arrangements for their children, without having these arrangements imposed upon them cannot, however, be emphasised too strongly” (Dunne, 2010a, p.2). It is then silent on how this can be encouraged.

3.3 We note that the analysis has been done on the basis of Australian methodologies and the use of New Zealand data (Dunne, 2010, pp.8-9). Quality New Zealand research on the welfare of children and the expenditure involved would help ensure robust conclusions. We note that a full review of the child support scheme was recommended in 2008 in a report addressing child poverty commissioned by the Commissioner for Children and Barnados (Fletcher, M and Dwyer, M, 2008), p. 47). The authors suggested “[u]ndertaking a full review of the child support system, similar to the review in Australia, to ensure that it is fair, contributes appropriately to reducing child poverty and is responsive to the growth in shared parenting and blended families. We suspect that a more thorough review than what has been done to date is required.”

3.4 Such a review could include analysis of the underlying philosophy regarding child support legislation. This currently needs to be clarified as there seem to be at least three ideas underpinning the current document, e.g.:

- (1) A chief purpose of child support is as a means of offsetting society’s benefit costs (see Dunne, 2010b, p.31).
- (2) A chief purpose of child support is to ensure non-custodial parents contribute appropriately towards the costs of their children, e.g. see discussion about child support debt reduction (*ibid.*, Chapter 8).
- (3) A chief purpose of child support is the economic wellbeing of the child(ren) (*ibid.*p.13).

These ideas currently conflict and need to be worked through before any approach is adopted. This is illustrated below.

3.5 A means of offsetting benefit costs

The current discussion paper deems any ‘pass-on’ of child support payments to beneficiary recipients as “not ... appropriate at this time” (Dunne, 2010b, p.31). If none of the money collected by the State is passed to the custodial parent in receipt of a benefit, then there is no financial link between the cost to the non-custodial parent and the benefit to the child. The approach provides a disincentive for the liable parent to pay, followed by debts to IRD for non payment of child support. Fletcher and Dwyer have commented that such a

policy is also unfair in that it treats child support payments differently from beneficiaries’ wage earnings, which are only partially abated. Internationally, there is a growing recognition of the wider social effects of child support, and the potential of child support payments to help lift children out of poverty, and to shore up the commitments of parents to their children, whether they are primary custodial parents or not (2008, p.44).

3.6 Ensuring non-custodial parents contribute appropriately towards the costs of their children

The focus of the Child Support Act 1991 was to recompense of taxpayers rather than to support the wellbeing of the child(ren) involved. Even if the issue of beneficiaries is put aside, there is still confusion over whether the reform of the child support system is more about the liable parent's financial liabilities and responsibility to contribute, or more about the 'welfare and financial maintenance of the child(ren)' (Casswell-Laird, 2010, p.10). The focus of the explanatory issues on the fact sheet appears to be about the 'right amount of money being paid by whom, to whom, and the collection of outstanding debts' (Dunne, 2010a). It includes the idea of taking both parents' incomes into account. However, there is a contradiction here. If the chief concern is to ensure non-custodial parents fulfil their financial obligations, then it is hard to see why the income of the custodial parent is considered.

3.7 A means of supporting the economic wellbeing of the child

While there is to be no 'pass-on' to beneficiary parents (who are the parents most likely to be incurring hardship – see para. 2.5 above), in other parts of the discussion paper there is an attempt to recognise the wellbeing of the child. For example, the discussion paper suggests that allowing IRD to rely on the terms of parenting agreements and court orders could reinforce what the courts have "determined to be in the best interests of the children" (Dunne, 2010b, p.13). This approach could "convey the intentions and expectations of both parents" (ibid.).

3.8 Depending on how it is applied, proposals to consider the incomes of both parents and to broaden the definition of income could also be used to optimise the financial wellbeing of the child. Casswell-Laird (2010) suggests that "[i]f the purpose of child support is to maintain the child financially, then there seems to be no reason why the income of the custodial parent should be omitted from any calculations of liability (p.11)). Suggested changes to the definition of 'income' so that concealed income (e.g. from trusts) is also included (chapter 5). This could also 'better reflect the real income ...families would normally have available to them" (Dunne, 2009b, p.15). Finally, if the child's welfare is paramount, it is hard to understand the reason for an income cap. For example, the Casswell-Laird has noted that the 1994 Trapski report suggested that "children have a right to share in the standard of living of the liable parent, and limiting child support liability to a set maximum is in conflict with that right" (p. 7).

4. Summary

4.1 NZCCSS seeks a child support system that is both just and compassionate. The current paper does not currently achieve this goal. It paints a confused picture of child support priorities. It purports to be about the welfare of children, but the

- detailed proposals appear inconsistent with this ideal. NZCCSS would like to see any new policy based on the welfare of the child.
- 4.2 It should also feature a consistent philosophy on the purpose of child support payments, clearly specified notions of what constitutes ‘fairness’, and quality research relevant to the New Zealand situation. Desirable solutions should improve the wellbeing of children and aim to reduce child poverty.
- 4.3 NZCCSS supports Fletcher and Dwyer’s conclusion that any review of the child support system be similar to the review in Australia, ensure the system is fair, contributes appropriately to reducing child poverty, and is responsive to the growth of both shared parenting and blended families (2008.p.47).

5. Recommendations

- (1) Child wellbeing is the desirable primary goal of any child support scheme.
- (2) A consistent philosophy around the purpose of child support and notions of fairness is required.
- (3) A scheme based on thorough analysis of the Aotearoa New Zealand situation is desirable.
- (4) Reducing child poverty is a desirable outcome of any new scheme.

6. Bibliography

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Appendix I – Overview of NZCCSS

The New Zealand Council of Christian Social Services (NZCCSS) has six foundation members: the Anglican Care Network, Baptist Union of New Zealand, Catholic Social Services, Methodist Church of New Zealand, Presbyterian Support New Zealand Inc and the Salvation Army.

Collectively, these six members are responsible for over 500 social service delivery sites in their networks throughout New Zealand. Our members deliver a wide range of services that cover such areas as child and family services, services for older people, food-bank and emergency services, housing, budgeting, disability, addiction support, community development and employment services.

This size and diversity in services are amongst the many reasons for NZCCSS to celebrate its membership and the work that they do to meet people's needs throughout New Zealand.

NZCCSS Mission and Role

NZCCSS works for a just and compassionate society in Aotearoa New Zealand. We see this as a continuation of the mission of Jesus Christ. In seeking to fulfil this mission, we are committed to:

- giving priority to poor and vulnerable members of our society
- Te Tiriti O Waitangi

The key roles of NZCCSS are to represent the common interests and vision of our members at the national level; to supply information and networking opportunities to support members provide quality services; and to develop, critique and advocate for policies that will assist poor, vulnerable and disadvantaged members of society.

A national Council, made up of two representatives from each denomination, governs NZCCSS. A small Secretariat team carries out the day-to-day work of the Council. This includes gathering and distributing information, research on social policy issues, and building relationships with government officials and others working in the community sector.

A Policy Group oversees the policy and research work that NZCCSS does in three key areas: child and family, housing and poverty and services for older people. Each Policy Group is made up of at least two council representatives plus social services managers, academics or others with particular expertise in that area. This means that the work that NZCCSS does is well informed by what is happening in our members' communities.

www.nzccss.org.nz or www.justiceandcompassion.org.nz