



23 June 2020

S20.14

Submission to Social Services and Community Select Committee on the Child Support Amendment Bill No. 228-1

Introduction

- 0.1. The National Council of Women of New Zealand, Te Kaunihera Wahine o Aotearoa (NCWNZ) is an umbrella group representing over 200 organisations affiliated at either national level or to one of our 15 branches. In addition, about 450 people are individual members. Collectively our reach is over 450,000 with many of our membership organisations representing all genders. NCWNZ's vision is a gender equal New Zealand and research shows we will be better off socially and economically if we are gender equal. Through research, discussion and action, NCWNZ in partnership with others, seeks to realise its vision of gender equality because it is a basic human right.
- 0.2. This submission has been prepared by the NCWNZ Public Issues Standing Committee and the Parliamentary Watch Committee within the framework of the United Nations' Convention on the Elimination of Discrimination against Women, the United Nations' Convention on the Rights of the Child, and NCWNZ's longstanding commitment to the wellbeing of children and families.
- 0.3. Because of the Covid 19 emergency, it has not been possible to consult with all NCWNZ branches, individual members, and member organisations within the timeframe for submissions.

1. Executive Summary

- 1.1. NCWNZ supports the aims and many provisions of the Bill, including the much wider definition of income for assessment purposes, a fair balance between a liable parent's responsibility to pay and incentives and support to pay, and exemptions for people with disabilities and long-term illnesses living in the community.
- 1.2. Notwithstanding the positive material included in the Bill, NCWNZ is disappointed at lost opportunities to address anomalies and unfairness that particularly impact women, namely the lack

of a pass-on provision for sole parents in receipt of a benefit, and lack of assessment of unpaid work and opportunity costs of looking after very young or disabled children.

2. Recommendations

- 2.1. The Bill include a statement that the best interests, rights and welfare of children underpin the legislation.
- 2.2. The Bill include a pass-on provision for sole parents on a benefit.
- 2.3. Public information and advice about the new requirements and methods of assessment is produced in plain language and in a range of languages and accessible formats.
- 2.4. The formula for assessing amounts of child support take into account the monetary value of unpaid work and opportunity costs of the custodial parent.
- 2.5. The Bill should explicitly provide for an exception from the 4-year rule where a child acquires or is diagnosed with a long-term illness or disability.

3. Aims of the Bill

- 3.1. NCWNZ strongly supports the aims of the Bill to:
 - Improve administration
 - Reduce complexity
 - Improve fairness
 - Increase compliance.
- 3.2. Although the interests of children are referred to in media releases by the Minister,¹ there is no explicit statement in the Bill or Explanatory notes affirming the best interests and well-being of children are at the centre of the reforms, and NCWNZ believes such a statement should be included.

4. Complex care arrangements

- 4.1. NCWNZ supports the General Policy Statement in the Explanatory Note that “*providing Inland Revenue with a discretion to adjust child expenditure calculations in situations where complex care arrangements for children in the same calculation are not adequately accounted for by the usual method*”.

¹ For example, Minister Stuart Nash quoted in *Stuff Changes to make child support easier to comply with, Govt says March 12, 2020*.

- 4.2. We believe this is important for families of a child with severe or complex disability needs because parents report that the financial support from Ministry of Health, Ministry of Social Development, Ministry of Education never fully cover the true costs incurred. It is very common for families to contribute their own funding top-up, and this should be included as a shared cost in the assessment calculations.

5. Sole Parents

- 5.1. Since the Child Support Act was implemented in 1991, NCWNZ has made a number of submissions on this issue². The overriding theme in these submissions is NCWNZ's strong support for the basic principles that:
- the best interests of the child must come first
 - all parents who can, should contribute to the financial support of their children
 - society has a collective responsibility to ensure the welfare of all children.
- 5.2. NCWNZ is concerned about the drastic drop in living standards of custodial parents and their children after the break-up of a marriage or long-term relationship. It is still the case that the worst burden in these situations is the uncertainty of support payments, with the potential for erratic and defaulted payments to wreak havoc with very limited budgets and cause significant mental stress. Sole mothers, low-income earning women and mothers caring for children with disabilities are particularly at risk. Children and their welfare are also significantly compromised in such situations which, NCWNZ notes, are inconsistent with Sustainable Development Goal 3, Ensure healthy lives and promote well-being for all at all ages.
- 5.3. It is particularly disappointing that, despite a four-year process and the Bill including a number of significant reforms of the original Act, the new legislation does not introduce a pass-on provision i.e. when a parent-carer is on a sole-parent rate of benefit, Government retains all child support payments received in respect of those children up to the total value of the main benefit. Other countries have implemented alternative mechanisms which are more favourable to the receiving parent and child/ren. In Australia all child support is passed on to the receiving parent and the amount received reduces a parent's Family Tax Benefit (Part A), with the effect that the child support is split between helping the child directly and reducing the cost to Government. In the United Kingdom child support received has no effect on welfare entitlements at all, and the only implicit cost recovery is through application and collection fees.

² NCWNZ. 2016. Submission to the Inland Review Department on ED0183 Child Support and Domestic Maintenance—Amendments to Assessments. S16.07. <https://ncwnz.org.nz/wp-content/uploads/2015/08/S16.07-Child-Support-and-Domestic-Maintenance-Amendments-to-Assessments.pdf>; NCWNZ. 2012. Submission to the Social Services Committee on the Child Support Amendment Bill. S12.17. <https://ncwnz.org.nz/wp-content/uploads/2013/06/S12.17-Child-Support-Amendment-Bill2.pdf>; NCWNZ. 2001. Submission to the Social Services Select Committee on the Child Support Amendment Bill. S01.49. http://d3n8a8pro7vhm.cloudfront.net/ncwnz/legacy_url/2364/S01.49-Child-Support-Amendment-Bill.pdf?1585625862

6. Provisions supported by NCWNZ

- 6.1. **Clause 9.** NCWNZ particularly supports Clause 9 that will see all of a liable parent's income, and not just taxable income, included in assessments. This is a great advance, and affirms NCWNZ's previous advocacy on the topic.
- 6.2. NCWNZ further supports the provisions that aim to strike a fair balance between a liable parent's responsibility to pay and incentives and support to pay, namely a grace period for people who are new to the scheme, automatic deductions of child support for newly liable parents from their pay, a four-year time bar for reassessing child support and a wider definition of income for child support purposes.
- 6.3. **Clauses 8 – 17. Amendments to Part 2 (amount of child support payable under formula assessment made by Commissioner).** NCWNZ also welcomes the removal of the variable living allowances which was based on the assumption that if a parent re-partnered then they would need to provide at least partially for their new partner and any children the new partner may already have in their care. As a result, the amount available for the other children was reduced when a payer parent re-partnered. NCWNZ further supports the provision that each person has an individualised living allowance, and all children of the legal parent, are treated equally through application of the same formula.
- 6.4. **Clauses 22 - 33 Amendments to Part 5A of Act (exemptions).** *“to introduce a new exemption for people suffering from long-term illness or injury who are not in a hospital or residential care facility and who meet certain income criteria.”* NCWNZ applauds these amendments, which now has increased significance given the Ministry of Health's policy direction of community living as far and as long as practicable (delaying or avoiding residential care), and consequently more parents with disabilities will live in the community.

7. Concerns

- 7.1. NCWNZ retains the following concerns with the Bill as it is presently drafted.
- 7.2. **Clauses 8-17 Formula for assessing annual amount of child support.** Although a key aim of the Bill is to “reduce complexity” the assessment criteria and calculations appear very complex. Public information and advice about the new provisions must be in clear, plain language and in a range of languages and accessible formats. Otherwise, parents without access to independent advice and advocacy, for whom English is a second language or who have learning disabilities, will be at severe disadvantage.
- 7.3. **Recognising unpaid work and opportunity costs.** NCWNZ has for many years advocated that the substantial unpaid work of carers be monetarised and included in child support and other calculations. Children's care needs and costs, particularly pre-school, are a major issue for women, especially sole parents with young and sick children or children of any age with special needs. The new formula is based on empirical studies of actual expenditure on children by partnered couples,

given their income and the age and number of children. The assessment of child support costs in the Bill, however, takes no account of the opportunity costs of the parent's caregiving, especially for very young and disabled children. There is now a considerable body of work showing how these costs could be calculated,³ and NCWNZ is of the view that the Government should take the opportunity now to include this policy proposal.

- 7.4. **Clause 12 Section 35B amended (Dependent child allowance).** "...applying the provisions of this section without modification would result in an unjust or inequitable outcome (for example, an apportionment of costs that is disproportionate to the amount of expenditure attributable to the dependent child." NCWNZ welcomes this flexibility of interpretation particularly in the cases where a child has a disability, or there is exceptional complexity of care arrangements, since the actual costs incurred versus funding allocated to meet additional costs are frequently misaligned.⁴ NCWNZ wishes to see in this Section, or elsewhere appropriate in the Bill, an account taken of the impact of receiving Child Support payments on a parent who is receiving the 'Supported Living Payment – Care of the Sick and Infirm' from Work and Income. This is for parents who cannot work due to the caring responsibilities of their disabled child. It is income-tested, and Child Support payments are treated as income by Work and Income. In such a case there can be ineligibility or an indenting of the benefit payment to the parent based on the amount of Child Support funding the parent receives.
- 7.5. **Clause 20 - (3) Exceptions to New section 87A 4-year time bar for amendment of certain assessment.** NCWNZ wishes to see the inclusion of a further category for children with a disability or long-term illness or chronic medical condition.

8. Conclusion

- 8.1. NCWNZ are generally supportive of the amendments in this Bill, which should improve the fairness of the Child Support system. We urge the Select Committee to be bold and consider the extra or altered provisions we have recommended in this submission, which would have the effects of reducing inequality even further.



Suzanne Manning
NCWNZ Board



Raewyn Stone
for Convenor NCWNZ Public Issues Standing
Committee

³ For example, Child Poverty Action Group *Interim Comments on Supporting Children Project 2017*

⁴ For example Child Poverty Action Group *Disability Report Dec 2019*

<https://www.cpag.org.nz/news/disability-report-highlights-poverty-risk/>