

# “Child Support should be for Children”

## *A proposal for reform*

**Barry Pearson**

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### **Introduction**

A major early objective of the Child Support Agency was to reduce social security expenditure. Lone parents on Income Support (hence most of them) saw no financial advantage from the child support being paid, because the amount of Income Support paid was correspondingly reduced. Lone parents claiming Family Credit saw only partial advantage from the child support being paid.

This Treasury-saving objective has rightly been steadily eroded in the face of other more urgent objectives. The objective of reducing child poverty and the desire to help lone parents get into work removed the Treasury-saving feature from Working Families Tax Credit, and hence removed “state intrusion” from a large body of separated families. The CSA Reforms currently in progress will further erode the Treasury-saving objective by allowing lone parents on Income Support to benefit a little from the child support being paid.

The proposal described here is simply that the CSA should cease to be involved in Treasury-saving, but should focus on ensuring that child support liabilities fully benefit the children concerned via the lone parents. Since there would be no “state interest”, there should then also be no “state compulsion”. Use of the CSA should be confined to cases where one or both parents wanted it. It should become a service to parents, not an agent of the Treasury.

There are two main arguments against this: the cost to the Treasury (hence to taxpayers); and the loss of an incentive for a lone parent to get into work and so cease claiming Income Support. Both of these are addressed by this proposal in other ways.

The incentive to work is anyway being eroded by the CSA Reforms. *Most* Income Support cases will not yield a Treasury-saving (although they will still be compulsory, and operated at taxpayer’s expense!) Only a relatively small proportion of cases will show a significant financial incentive to get to work. Furthermore, it is wrong to have the same incentive for a lone parent with a youngest child of 2 and a lone parent with a youngest child of 12. So the proposal here is that Income Support should not be available once the youngest child is (say) 11. At this point, “New Deal” and Job Seeker’s Allowance are the appropriate mechanisms. This should help to address the Treasury’s concerns about expenditure on lone parents.

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# The proposal

## Summary

(The reasoning behind each item is shown in subsequent sections).

1. Have a full disregard (not simply a £10 premium) in Income Support & JSA(IB) for child support payments.
2. Remove any requirement on a claimant for these benefits to apply to the CSA. (But they can still do so if they choose).
3. Reduce the entitlement for Income Support for lone parents to allow only cases where the youngest child is (say) pre-secondary school, perhaps 11 or younger.
4. Have suitable transition arrangements, probably within the rules for JSA(IB).

## Why have a full disregard?

The objectives of this proposal are:

1. To provide extra money to some of the poorest families in the country – lone parents with young children who believe their place is at home with the children.
2. To provide recognition to the lone parent, and the children, of the non-resident parent's *full* contribution, instead of masking part of the contribution.
3. To provide an extra incentive to the non-resident parent to pay in full, because there is a clear advantage to the children from every penny.
4. To eliminate such excuses for not paying as “it doesn't get to the children anyway”. (This is an enduring image that people have about the CSA, with good – historical - reason).

The government's identified reasons at the moment for *not* having a full disregard are:

1. There is an agreement with the Treasury to be “Treasury neutral” over the next few years.
2. Child support payments over £10 act as an additional financial incentive for a lone parent to work for at least 16 hours per week, and therefore to switch to a tax credit which then *does* have a full disregard.

Both of those (valid) reasons are dealt with in following sections.

## ***Why remove the requirement to claim child support?***

(As now, with this proposal either parent *can* still claim if they choose).

With a full disregard, as proposed here, there is no need for such a requirement. There is no longer a taxpayer interest in the matter.

The objectives of this proposal are:

1. *To remove a potentially embarrassing inefficiency in the reformed CSA.* In most cases in future where a lone parent is forced to use the CSA because she claims Income Support, there will actually be no saving for the Treasury! But there will be the cost to the taxpayer of running unnecessary cases, with obvious implications for the operation of the CSA. (This is examined in more detail later).
2. To encourage separated parents to make their own arrangements if they can, with the CSA still available if they can't.
3. To avoid the resentment (and perhaps Human Rights implications) of "state intrusion" into the lives of separated families where there is no taxpayer interest.
4. To avoid any resentment by the lone parent that the non-resident parent is reluctant to cooperate with support (in cases where the non-resident parent sees no case for going beyond what the CSA demands anyway).
5. To avoid any resentment by the non-resident parent who might believe that the CSA is involved because of vindictiveness.

(The last two points reflect the fact that the intrusion of the CSA sometimes drives a further wedge between separated parents at a sensitive time).

## ***Why remove the entitlement to Income Support where all children are older?***

There is universal agreement that there are advantages for adults, children, taxpayers, and the economy in having as many people as possible in work. But with the reformed CSA, there is inadequate means to achieve this.

The proposal here is to match the incentives and pressures to get back to work according to the age of the youngest child:

1. Where children are particularly young (for example, pre-school) there is *not* a consensus that it is better for a lone mother to be at work (perhaps with the child in childcare). In fact, it is probably better to provide a neutral attitude, and let such a mother receive the full child Support and the full Income Support if she chooses. This is a very personal matter when children are at that age, which depends on personal and local conditions.

2. Where the youngest child is at school, but pre-secondary school, there is much more of a case for the lone parent to be at work. But using child support as an extra incentive is unlikely to be very effective. In most cases they will already see *all* the child support anyway because of the £10 premium, and there will be few cases where they see a significant amount compared with all the other amounts they are entitled to. The reduced cost of childcare because the children are older will probably make a bigger difference. (The tax credit only pays 70% of the cost).
3. But once the youngest is at secondary school, it is far easier to work for at least 16 hours per week. And it is at this stage where children are most likely to benefit from having a role model of a working adult. It is now important that the lone parent gets properly established in work before the point at which the lone parent is no longer entitled to as much state support. It is probably important for the lone parent to get prepared for the expenses of the child's further education too. (Some jobs are being advertised as "term time jobs").
4. This latter is the point where the Treasury can start to save some of the money released as a result of the other proposals. A larger number of lone parents will now become economically active. (I do not have the information needed to predict whether this will in fact be Treasury neutral, but in the long term surely it will be).

All the lone parents I know believe that once children have reached this age, they (the parents) have many more options available, and indeed all of the ones I know are working.

It goes without saying that throughout all of the above stages, the "New Deal" approach to persuading lone parents of the advantages of getting to work, and assistance if they want to do so, should continue.

### ***Why have transition arrangements?***

There are two sorts of transition needed:

1. For lone parents currently on Income Support who will no longer be entitled to it because of the age of their youngest child. It is common for legislation to take transition cases into account, sometimes as special cases for a few years. Perhaps this could be handled by allowing them more time to claim JSA(IB) than other cases.
2. For parents who separate in future when their youngest child is too old for entitlement to Income Support. They may need some time to "find their feet" before getting a job, if they have not been working before separation. Once again, perhaps this could be handled by allowing them more time to claim JSA(IB) than other cases.

I have no strong views on this matter, which would obviously have to be discussed with expert parties.

## Why will most Income Support cases not yield a Treasury saving?

This is support for the assertion earlier “*in most cases in future where a lone parent is forced to use the CSA because she claims Income Support, there will actually be no saving for the Treasury*”.

This is extrapolated from the statistics for the CSA’s caseload. About half of all CSA cases (not just those on Income Support) have a minimum liability of about £5 (or even £0). A further proportion has a liability no more than £10. Less than half have a liability of more than £10.

If this same profile applies to the Income Support cases alone, then less than half of Income Support cases will exceed the £10 premium. Since about 38% of CSA cases are Income Support cases, perhaps 20% of **all** CSA cases will be “required” (benefit) cases with **no** saving to the taxpayer.

These Income Support “no saving” cases are potentially embarrassing:

1. They are associated with the poorest people – lone parents & children on Income Support, and non-resident parents who don’t earn much money.
2. They represent “state intrusion” and “state compulsion” at a sensitive time in people’s lives, typically soon after separation (which is when such people are poorest).
3. Some of them will involve two reluctant parents, and these are among the hardest CSA cases to administer.
4. Even if the CSA manages to gather the information and calculate the liabilities of those doubly reluctant cases, it still represents an ongoing operating cost for which the CSA will never impose a service charge.
5. Such cases will distract from more needy cases.

In all of these cases, of course, either parent must be able to apply to the CSA if they **want** to. But the implications of **forcing** them to apply are far reaching and devastating.

## Presenting the proposal

The key “selling” features of this proposal, to the media and to lobby groups, are:

1. This makes more money available to some of the poorest lone parents and children. (This is perhaps the biggest single selling point, directly in line with the government’s targets for reducing child poverty).
2. This encourages separated parents to make their own arrangements, with existing safeguards for the children if they can’t do so. (Consider the existing problems of coercing lone parents to identify the fathers, and the current need for benefits reductions and information offences, which will become redundant with this proposal).
3. This avoids increasing any antagonism between separated parents where this can be avoided. (This is a “win” for all parties).
4. This gives lone mothers with young children a better choice about whether to work or stay at home, depending on personal and local conditions. (It avoids any implication that the government is trying to get mothers even of extremely young children into work).
5. This takes a more positive approach to helping lone parents get back to work once their children are old enough, and once their children need such a role model. (I believe the Labour Party has itself floated this in the past).
6. This ensures there are more years for lone parents to establish themselves in a job before they are likely to be called upon to help with the costs of their children’s further education.
7. This safeguards taxpayers’ interests by reducing certain unnecessary payments and ensuring that a higher proportion of adults become economically active.
8. This will reduce the operating costs, and improve the likelihood of success, of the reformed CSA. (*Anything* that can help this is desirable! There is nothing in this proposal that would make the CSA’s task harder).

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